# Report of the Comptroller and Auditor General of India on Social, Economic, Revenue and General Sectors for the year ended March 2017

## GOVERNMENT OF SIKKIM

*Report No. 1 of 2018*

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# Comptroller and Auditor General of India
# on
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# PREFACE

1. This Report for the year ended March 2017 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

2. The Report contains significant results of the performance audit and compliance audit of the departments of the Government of Sikkim. It covers the Social, Economic, Revenue and General Sectors including the departments of, Animal Husbandry, Livestock, Fisheries and Veterinary Services; Energy and Power; Food Security and Agriculture Development; Labour; Roads and Bridges; Rural Management and Development; Social Justice, Empowerment and Welfare; Urban Development and Housing; and Water Resources and River Development. It also covers public sector undertaking, viz. State Bank of Sikkim.

3. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

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

# EXECUTIVE SUMMARY

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

This Report contains 28 audit paragraphs (including 13 general paragraphs and 15 draft paragraphs) and three performance audits. According to the existing arrangements, copies of the draft compliance audit paragraphs and draft performance audits were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies received have been suitably incorporated. Replies were not received for five paragraphs (1.4, 2.7, 2.8, 2.9 and 2.11).

## SOCIAL SECTOR

The Chapter on Social Sector includes results of audit on 'National Social Assistance Programme' and two Compliance Audit Paragraphs.

## COMPLIANCE AUDIT

**National Social Assistance Programme (NSAP):** The number of beneficiaries who benefited from NSAP rose from 19,517 to 23,565 during 2012-17. However, implementation of NSAP was riddled with inadequacies as the Department did not follow the prescribed procedures enshrined in the programme guidelines regarding awareness generation, selection of beneficiaries and verification of eligibility of beneficiaries.

Programme implementation revealed that the Department had not taken up any initiative to reach out to all eligible people for rendering assistance and efforts for assessing of total number of potential beneficiaries. The Department neither took any proactive action for identification of beneficiaries nor carried out any verification of the eligibility of beneficiaries while accepting the list of beneficiaries recommended by the Gram Panchayats. Annual verification of the beneficiaries as required under the guidelines was also not done. Payment of assistance to ineligible beneficiaries was noticed. The monitoring mechanism was inadequate as State level Committee met only twice against the requirement of 10 meetings. Social Audit, one of the important checks of ensuring control mechanism, was not accorded due importance. Hence, Audit could not vouchsafe whether all eligible beneficiaries who belonged to the weakest section of the society had actually been covered and benefited as envisaged under the programme.

**(Paragraph 1.3)**

The Sikkim Building and Other Construction Workers' Welfare Board incurred irregular expenditure of ₹ 3.03 crore out of total expenditure of ₹ 11.21 crore from the cess fund exclusively meant for the benefit of labours and their families/dependents for whom the cess was actually collected.

**(Paragraph 1.4)**

Diversion of ₹ 0.83 crore out of ₹ 1 crore earmarked for construction of Ashram School defeated the objective of creating a permanent structure for the school.

**(Paragraph 1.5)**

## ECONOMIC SECTOR

The Chapter on Economic Sector consists of two Performance Audits on 'National Rural Drinking Water Programme' and 'Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System' and seven Compliance Audit Paragraphs.

## PERFORMANCE AUDIT

### National Rural Drinking Water Programme

*Implementation of the National Rural Drinking Water Programme in Sikkim was riddled with deficiencies in planning, programme execution and monitoring. The Five-year comprehensive plan was not prepared which resulted in water supply schemes being taken up without an integrated approach. The Department failed to constitute the Source Finding Committee. As of March 2017, the Department was able to cover only 737 habitations as Fully Covered (40 litre per capita per day, though the target for Fully Covered habitation was 55 litre per capita per day by March 2017) while the remaining 1,347 habitations (65 per cent) had not been covered even after the implementation of revised scheme in 2009. There were instances of short-release of State share and delay in release of funds by State to State Water and Sanitation Mission. Out of 462 projects, 105 projects had not been completed recording delay between three and four years beyond the stipulated date of completion. Programme implementation had been characterised with non-commencement of work, abandonment of work, tapping of water from non-perennial source, lack of co-ordination with other State Government Departments, etc. This was mainly due to ineffective monitoring and evaluation of physical and financial performance and management of the water supply by the State Water and Sanitation Mission. The water quality monitoring and testing for detection of chemicals and bacteriological contamination was only one to five per cent in a year. Discrepancies between data in the Integrated Management Information System and that maintained by the implementing agencies undermined the reliability of the system as a viable tool for monitoring.*

**(Paragraph 2.3)**

### Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System

*The Sikkim Nationalised Transport (SNT) had not prepared a long term plan and strategy keeping in perspective its mandate. As a result, no specific targets had been set for its various functions. The SNT was unable to meet the huge demand of public transport in the State despite its virtual monopoly within the State on public bus transport.*

*The SNT incurred huge recurring expenditure (₹ 213 crore) on salaries, allowances, office expenses, repair and maintenance which constituted 97 per cent of the budgeted expenditure, while only 3 per cent of the budgeted expenditure of ₹ 220.15 crore was spent on creation of assets. Although, there was slump in revenue collection during 2013-15, the SNT improved its earnings from 2015-16 onwards and made revenue collection of ₹ 48.76 crore in 2016-17.*

*Supervision charge, a non-transport revenue, which the SNT imposed on load carrying private trucks/tankers crossing the border check-posts at Rangpo and Melli constituted upto 57 per cent of the total revenue. The SNT was found lagging with regards to weighing load carrying vehicles at the check posts for determining weight of load and realising appropriate supervision charges. The weigh bridges installed at the check-posts at substantial cost were mostly non-functional. Further, supervision charges were not being collected from private trucks within the State carrying sand, stone, stone aggregates, etc., leading to loss of revenue.*

*The Integrated Depot Management System, which was expected to contribute substantially to improve operational efficiency of the Sikkim Nationalised Transport had not delivered the desired result. There was no scope in the Integrated Depot Management System to capture many vital data required for monitoring the functions of the Sikkim Nationalised Transport by the top management. There were instances of incorrect data feed due to absence of standardised mode of data entry and data authentication. Reliability of available data in the system was therefore low.*

**(Paragraph 2.4)**

## COMPLIANCE AUDIT

Delay in installation of power supply resulted in idling of Fish Feed Mills worth ₹ 1.16 crore for more than three years and led to non-production of fish feed of ₹ 12.00 crore.

**(Paragraph 2.5)**

Setting up of a new bio-fertiliser production unit at a cost of ₹ 1.29 crore at the same site of an existing unit whose products the Department was unable to utilise was unwarranted. This was also irregular as the approval from the national mission for sustainable agriculture was for state of art bio-pesticide unit and not for bio-fertiliser unit.

**(Paragraph 2.6)**

Delay in execution/completion of work due to prolonged tendering process and belated action for obtaining statutory clearances for encumbrance free land and shifting of power and electrical utilities led to avoidable payment of cost escalation of ₹ 1.40 crore.

**(Paragraph 2.7)**

Failure to exercise due diligence by the Roads and Bridges Department in executing the deposit work led to abandonment of project by user agency and consequent unwarranted burden of ₹ 24.58 crore on the State exchequer.

**(Paragraph 2.8)**

There was excess payment of (i) ₹ 0.60 crore to the contractor on haulage charge of non-stock materials and (ii) ₹ 0.64 crore towards labour on resizing and carriage of stones beyond requirement despite availability of stone at the work site.

**(Paragraph 2.9)**

Lack of proper planning to provide encumbrance free site prior to issue of work order resulted in delay in commencement of the work leading to cost escalation of ₹ 1.22 crore on account of increase in material and labour cost.

**(Paragraph 2.10)**

Failure to award the declaration under Section 11 of the Land Acquisition Act 1894 due to absence of budgetary provision for land acquisition and subsequent revision of compensation resulted in avoidable committed liability of ₹ 23.73 crore.

**(Paragraph 2.11)**

## ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

The Chapter on Economic Sector (Public Sector Undertakings) consists of a Performance Audit on 'Functioning of State Bank of Sikkim.

## PERFORMANCE AUDIT

### Functioning of State Bank of Sikkim

*There was scope for improvement in the functioning of the State Bank of Sikkim (SBS) with regards to planning, operations and internal control mechanism. SBS did not prepare any strategic plan for its operation. In the absence of a clear lending policy and detailed credit appraisal mechanism, the sanction of credit facilities was not based on objective criteria. SBS did not have any comprehensive procedure for post sanction/disbursement monitoring and follow-up of loan assets leading to Gross NPAs to the extent of 45.75 per cent of total loans assets of SBS as on 31 March 2017.*

*There was room for further expansion in the number of Automated Teller Machines (ATMs) as there were only eight ATMs of SBS in the State. The internal control mechanism of SBS needed strengthening as there was no system for preparing Bank Reconciliation Statements (BRS) for inter branch/inter-bank transactions. SBS neither had a system of internal audit nor was there any formal arrangement for regulating the activities of SBS through oversight functions or through administrative supervision by GoS. Instances of non-*

*compliance with the provisions of the State Bank of Sikkim Proclamation, 1968 and good practices as per Reserve Bank of India (RBI) guidelines were also observed.*

**(Paragraph 3.2)**

## REVENUE SECTOR

The Chapter on Revenue Sector contains three Compliance Audit Paragraphs. This Chapter also gives an overview of revenue receipts which shows an increase of ₹ 124.39 crore on account of tax and non-tax receipts. The analysis of arrears of revenue as on 31 March 2017 showed that ₹ 279.48 crore was outstanding, of which ₹ 142.69 crore was outstanding for more than five years.

## COMPLIANCE AUDIT

Incorrect billing of 33 out of 167 Bulk Supply consumers for the periods when their electric meters remained defective resulted in short collection of revenue of ₹ 4.11 crore.

**(Paragraph 4.10)**

Short levy of demand charges contrary to the tariff provisions resulted in extension of undue benefit to two HT consumers with corresponding loss of revenue of ₹ 2.54 crore.

**(Paragraph 4.11)**

Failure in collection of water tax resulted in loss of revenue of rupees one crore.

**(Paragraph 4.12)**

## GENERAL SECTOR

The Chapter on General Sector consists of the results of audit of 'Border Area Development Programme' and IT Audit report on 'Sikkim Integrated Financial Management System'.

## COMPLIANCE AUDIT

**Border Area Development Programme (BADP)**: Implementation of BADP in the State contributed towards creation of a number of durable assets in the border villages to provide benefits to people living in the border villages. Many deficiencies in implementation of BADP were however, noticed during audit. It was noticed that the planning process was not adequate as Perspective Plan was not prepared to capture critical gaps of the border areas. Baseline survey data conducted in 2010 was not updated even once during 2012-17. Prioritisation of projects sector-wise was not done. System of declaring saturation of the border villages was not instituted.

The programme management was characterised by absence for provisioning of funds for maintenance of assets, non-adherence to sector-wise minimum allocation, non-release of

State share, execution of impermissible schemes, delay in completion of works and idling of assets. Due to these defects, economy and effectiveness in implementation of the programme was compromised.

Monitoring mechanism was inadequate as monitoring mechanism at district and block level was inadequate, display boards were not erected in most of the work sites, etc. Evaluation study of the implementation of the programme in the State was not carried out during 2012-17. No action was initiated to address the lacunae pointed out in the Evaluation study carried out by NITI AAYOG during 2015. The programme objectives to meet the special needs of the people living in the border villages, providing required essential infrastructure through convergence and participatory approach and to promote a sense of security amongst the people in border villages were largely not achieved. This was due to the fact that critical infrastructure such as Junior High Schools and Senior Secondary Schools, water supply schemes and Public Health Sub Centres/Public Health Centres were not sanctioned during 2012-17. Infrastructural projects were not completed within the stipulated time frame.

**(Paragraph 5.3)**

**Sikkim Integrated Financial Management System (SIFMS)**: The Finance, Revenue and Expenditure Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017. Lack of satisfactory documentation not only created void in understanding the system with respect to 'what it should be' but also hindered trouble free operation and maintenance of the system. The System had weak control mechanisms as it lacked various controls, and third party test of the system was not conducted. Non-mapping of applicable rules into the system had resulted in short realisation of Government revenue. The objective of integrating the latest technology in Government accounting for improved transparency and accuracy and to get the status of receipts and payments on real time basis to get the cash balance available with the Bank, had not been fully achieved.

**(Paragraph 5.4)**

# CHAPTER I
# SOCIAL SECTOR

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# SOCIAL SECTOR

## 1.1 Introduction

This Chapter of the Audit Report deals with audit findings on functioning of the Government departments falling under Social Sector.

The names of the Government departments, total budget allocation and expenditure of the Government under Social Sector during the year 2016-17 are given in the table below:

**Table 1.1.1**
**Departments, budget allocation and expenditure under Social Sector during 2016-17**

(*₹ in crore*)

| Sl. No. | Name of the Department | Total Budget Allocation | Expenditure |
|---|---|---|---|
| 1 | Cultural Affairs and Heritage | 36.75 | 20.93 |
| 2 | Ecclesiastical Affairs | 38.61 | 38.30 |
| 3 | Food, Civil Supplies and Consumer Affairs | 27.56 | 0.14 |
| 4 | Health Care, Human Services and Family Welfare | 314.76 | 283.57 |
| 5 | Human Resource Development | 665.57 | 544.04 |
| 6 | Labour | 4.61 | 3.67 |
| 7 | Social Justice, Empowerment and Welfare | 182.17 | 111.04 |
| **TOTAL** | | **1,270.03** | **1,001.69** |

Besides the above, the Central Government had been transferring funds directly to the implementing agencies under the Social Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

**Table 1.1.2**
**Major transfers for implementation of flagship programmes of the Central Government**

(*₹ in lakh*)

<table>
<tr><th>Sl.No.</th><th>Name of the Department</th><th>Name of the Scheme/Programme</th><th>Implementing Agency</th><th>Funds transferred during the year</th></tr>
<tr><td>1</td><td rowspan="2">Social Justice, Empowerment and Welfare</td><td>Aids and Appliances for Handicapped</td><td>District Disability and Rehabilitation Centre, Gangtok, East Sikkim</td><td>15.75</td></tr>
<tr><td>2</td><td>Grants-in-aid to Voluntary Organisations working for the Welfare of Scheduled Tribes.</td><td>Human Development Foundation of Sikkim, GRBA Road Chongey Tar, Gangtok, East Sikkim</td><td>52.05</td></tr>
<tr><td>3</td><td rowspan="4">Cultural Affairs and Heritage</td><td rowspan="4">Kala Sanskriti Vikas Yojana</td><td>Bhurum Puratan Sanskritik Evam Dharohar Sanrakshan Singh</td><td>3.00</td></tr>
<tr><td>4</td><td>Sa-Ngor Chotshog Centre</td><td>10.00</td></tr>
<tr><td>5</td><td>Nyingmapa Mahabodhi Charitable Society</td><td>10.00</td></tr>
<tr><td>6</td><td>Khachoed Pema Woeling Trust</td><td>6.00</td></tr>
</table>

| Sl.No. | Name of the Department | Name of the Scheme/Programme | Implementing Agency | Funds transferred during the year |
|---|---|---|---|---|
| 7 | Health Care, Human Services and Family Welfare | Scheme for Prevention of Alcoholism and Substance (Drugs) Abuse | Association for Social Health in India | 7.78 |
| 8 | Human Resource Development | Atal Innovation Mission | Paljor Namgyal Girls School | 12.03 |
| 9 | | North East Council | Sikkim Manipal Institute of Technology | 2.68 |
| **TOTAL** | | | | **119.29** |

*Source: Finance Accounts*

## 1.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 664.88 crore (including expenditure of ₹ 442.36 crore of previous years) of the State Government under Social Sector. The details of year-wise break-up is given in **Appendix 1.2.1**.

This Chapter contains the results of audit on 'National Social Assistance Programme' and two Compliance Audit Paragraphs as given below:

# SOCIAL JUSTICE, EMPOWERMENT AND WELFARE DEPARTMENT

## 1.3 National Social Assistance Programme

### 1.3.1 Introduction

The Directive Principles of State Policy of the Constitution of India enjoin upon the State to undertake within its means a number of welfare measures, targeting the poor and the destitute in particular. Article 41 of the Constitution of India directs the State to provide public assistance to its citizens in the case of unemployment, old age, sickness and disablement, within the limit of the State's economic capacity and development. Social security, invalid and old age pension figure as Items 23 and 24 of the 7th Schedule of the Constitution of India in the Concurrent List. In compliance with these guiding principles, the Government of India (GoI) introduced (August 1995) the National Social Assistance Programme (NSAP) as a fully funded Centrally Sponsored Scheme. The components of NSAP and the number of beneficiaries as of March 2017 were as follows:

**Table 1.3.1**
**Components and number of beneficiaries as of March 2017**

| Sl. | Components | Number of beneficiaries |
|---|---|---|
| 1 | Indira Gandhi National Old Age Pension Scheme (IGNOAPS) | 21,107 |
| 2 | Indira Gandhi National Widow Pension Scheme (IGNWPS) | 1,543 |
| 3 | Indira Gandhi National Disability Pension Scheme (IGNDPS) | 713 |
| 4 | National Family Benefit Scheme (NFBS) | 202 |
| 5 | Annapurna Scheme | 2,500 |

*Source: Figure furnished by the Department*

The Programme aimed to provide a basic level of financial support to persons having little or no regular means of subsistence from his/her own source of income or through financial support from family members or other sources.

Ministry of Rural Development, GoI is the Nodal Ministry for implementation of NSAP. From 2002-03, NSAP was transferred to the State Plan and funds were released as Additional Central Assistance (ACA) to the State. The beneficiaries under the scheme were to be identified by the State Government. The details of funds received and expenditure incurred for NSAP during 2012-17 are shown below:

**Table 1.3.2**
**Financial position during 2012-17**

*(₹ in lakh)*

| Schemes | Grant received | | Expenditure incurred | |
|---|---|---|---|---|
| | GoI | State | GoI | State |
| IGNOAPS | 1,999.86 | 5,791.54 | 1,996.36 | 5,790.25 |
| IGNWPS | 131.90 | 274.11 | 132.00 | 270.46 |
| IGNDPS | 77.26 | 179.77 | 74.54 | 179.75 |
| NFBS | 95.69 | 23.30 | 71.55 | 5.00 |
| | **2,304.71** | **6,268.72** | **2,274.45** | **6,245.46** |

*Source: Detailed Appropriation Accounts*

In addition to the above, the State Government introduced two pension schemes[1] from its own resources to render assistance to left out beneficiaries falling under Below Poverty Line (BPL) categories but not fulfilling eligibility criteria for NSAP of GoI. Under this, assistance to 3,220 beneficiaries (Unmarried Women-375 and Subsistence Allowance for disabled persons-2,845) was provided during 2015-17.

In Sikkim, the NSAP was implemented by the Social Welfare Division of Social Justice, Empowerment and Welfare Department (SJEWD). The Department was headed by Commissioner-cum-Secretary who was assisted by Additional Secretary, Joint Secretary, Deputy Secretary, Additional Director (Accounts) and other supporting staff.

[1]*Pension for Unmarried Women w.e.f. March 2013*
*Subsistence Allowance for disabled persons w.e.f. March 2014*

### 1.3.2 Audit framework

Audit on NSAP commenced with an entry conference held on 12 July 2017 wherein audit objectives, scope of audit, audit methodology and audit criteria were explained to the Department. The audit covering the period from 2012-13 to 2016-17 was conducted during May-July 2017 through test check of records in Head Office of Social Welfare Division of SJEWD and in two (out of 4) districts (East and South). Five blocks (out of 10) of East district and four blocks (out of 8) of South district were also selected for detailed examination while two Gram Panchayat Units (GPUs) each from the sampled blocks were selected for beneficiary survey. Nineteen beneficiaries from each GPU were interviewed as part of the survey. Simple Random Sampling (SRS) method was adopted for selection of districts, GPUs and beneficiaries. The Audit was conducted with the objective of assessing whether:

- Scheme funds were optimally utilised;
- Scheme implementation was adequate and effective; and
- Mechanism for monitoring and evaluating the scheme was adequate and effective.

The audit findings were discussed in an exit conference on 12 October 2017 with the Secretary of the Department and the report finalised duly considering the views of the Department. The audit findings were benchmarked against the criteria stipulated in:

- National Social Assistance Programme guidelines and various clarifications and circulars issued by the Ministry of Rural Development;
- Orders/guidelines/circulars issued by GoI/State Government from time to time; and
- Sikkim Financial Rules.

The overall position of Districts, Blocks, Gram Panchayats and number of beneficiaries in the State vis-à-vis the sample selected for examination in audit is presented below:

**Table 1.3.3**
**Details of Districts, Blocks, etc. in the State vis-à-vis the sample selected**

<table>
<tr><th rowspan="2">District</th><th rowspan="2">Block</th><th rowspan="2">Gram Panchayat</th><th rowspan="2">No. of beneficiaries</th><th rowspan="2">Records scrutinised</th><th colspan="3">Beneficiary survey conducted</th></tr>
<tr><th>Blocks</th><th>GPU</th><th>Beneficiaries</th></tr>
<tr><td rowspan="5">East</td><td rowspan="5">10</td><td rowspan="5">50</td><td rowspan="5">8,841</td><td rowspan="11">3,621</td><td>Gangtok</td><td>2</td><td>38</td></tr>
<tr><td>Duga</td><td>2</td><td>38</td></tr>
<tr><td>Khamdong</td><td>2</td><td>38</td></tr>
<tr><td>Martam</td><td>2</td><td>38</td></tr>
<tr><td>Pakyong</td><td>2</td><td>38</td></tr>
<tr><td>West</td><td>9</td><td>55</td><td>7,089</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>North</td><td>4</td><td>24</td><td>1,672</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="4">South</td><td rowspan="4">8</td><td rowspan="4">47</td><td rowspan="4">5,963</td><td>Namchi</td><td>2</td><td>38</td></tr>
<tr><td>Namthang</td><td>2</td><td>38</td></tr>
<tr><td>Temi-Tarku</td><td>2</td><td>38</td></tr>
<tr><td>Yangyang</td><td>2</td><td>38</td></tr>
</table>

The findings are discussed in detail in the succeeding paragraphs:

## 1.3.3 Audit findings

### *1.3.3.1 Financial management*

NSAP guidelines (Para-1.2.6) stipulated that funds for implementation of the programme would be released by the Ministry of Rural Development to all States based on BPL population of the State and the number of beneficiaries reported by the State Government. States were also urged to provide an additional amount at least equivalent to the assistance provided by the Central Government so that the beneficiaries could get a decent level of assistance. According to the Sikkim Human Development Report 2014 released by the Planning Commission, GoI, the BPL population of Sikkim came down from 1.70 lakh in 2004-05 to 51,000 in 2011-12 (8.35 *per cent)* of total population of 6.11 lakh (as per 2011 census).

The Ministry of Finance, GoI released funds to the State's Consolidated Fund as a single allocation every year for all the sub-schemes with the freedom to the State to allocate the funds to the individual sub-schemes as per their requirement. The funds would be allocated in two instalments. While the first instalment of 50 *per cent* of the annual allocation would be released automatically, the second instalment would be released on submission of utilisation certificate by the State indicating transferring of 60 *per cent* of available funds to the beneficiaries within 15 December.

The SJEWD stated (September 2017) that the funds for NSAP were released by the GoI on the basis of previous years' Utilisation Certificates and no separate fund requirement were sent by the State Government to the GoI. Audit however, observed that the NSAP funds were released by GoI on the basis of beneficiaries selected and communicated by the State Government to the GoI. However, records relating to the basis of fixation of number of beneficiaries under each scheme and communication of the same to the GoI were not made available to Audit.

The SJEWD further stated (November 2017) that the MoRD, GoI fixed the number[2] of NSAP beneficiaries and the same were followed by the Department**.** The reply of the Department was not acceptable as the State was accepting the GoI target blindly.

The position of release of funds by GoI and Government of Sikkim during 2012-17 and expenditure thereof was as shown in **Table 1.3.4** below:

**Table1.3.4**
**Fund position during 2012-17**

*(₹ in lakh)*

| Year | Grant received/utilised | Share | IGNOAPS | IGNWPS | IGNDPS | NFBS | Total |
|---|---|---|---|---|---|---|---|
| 2012-13 | Grant received | GoI | 557.00 | 8.00 | 6.00 | 6.00 | 577.00 |
| | | State | 750.00 | 30.00 | 25.00 | 0 | 805.00 |
| | Expenditure incurred | GoI | 557.00 | 8.01 | 5.99 | 5.98 | 576.98 |
| | | State | 749.00 | 29.98 | 24.98 | 0 | 803.96 |
| 2013-14 | Grant received | GoI | 293.21 | 28.59 | 5.90 | 5.80 | 333.50 |
| | | State | 680.00 | 30.00 | 35.00 | 0 | 745.00 |
| | Expenditure incurred | GoI | 293.21 | 28.59 | 5.90 | 5.80 | 333.50 |
| | | State | 680.00 | 30.00 | 35.00 | 0 | 745.00 |

[2] *18,048 (IGNOAPS = 16,418; IGNWPS = 967; IGNDPS = 663).*

| Year | Grant received/utilised | Share | IGNOAPS | IGNWPS | IGNDPS | NFBS | Total |
|---|---|---|---|---|---|---|---|
| 2014-15 | Grant received | GoI | 510.00 | 29.00 | 6.00 | 6.00 | 551.00 |
| | | State | 680.00 | 30.00 | 30.00 | 0 | 740.00 |
| | Expenditure incurred | GoI | 510.00 | 29.00 | 6.00 | 6.00 | 551.00 |
| | | State | 680.00 | 26.37 | 30.00 | 0 | 736.37 |
| 2015-16 | Grant received | GoI | 214.80 | 14.51 | 17.62 | 29.97 | 276.90 |
| | | State | 2,314.78 | 131.60 | 71.47 | 5.00 | 2,522.85 |
| | Expenditure incurred | GoI | 214.71 | 14.60 | 17.62 | 29.97 | 276.90 |
| | | State | 2,314.49 | 131.60 | 71.47 | 5.00 | 2,522.56 |
| 2016-17 | Grant received | GoI | 424.85 | 51.80 | 41.74 | 80.00 | 598.39 |
| | | State | 1,366.76 | 52.51 | 18.30 | 0 | 1,437.57 |
| | Expenditure incurred | GoI | 421.44 | 51.80 | 39.03 | 23.80 | 536.07 |
| | | State | 1,366.76 | 52.51 | 18.30 | 0 | 1,437.57 |

*Source: Detailed Appropriation Accounts*

Scrutiny of records revealed (June 2017) that 100 *per cent* funds were utilised in most cases except during 2016-17. In 2016-17, the Department could utilise ₹ 5.37 crore (90 *per cent*) against the fund release of ₹ 5.98 crore by the GoI. The short utilisation in 2016-17 was mostly under NFBS (₹ 56.20 lakh). SJEWD stated (November 2017) that the short utilisation under the NFBS was due to non-availability of eligible beneficiaries. The reply of the Department was not acceptable as the fund requirement for 2016-17 could have been realistically assessed based on the record of fund utilisation in earlier years.

#### *1.3.3.1.1 Diversion of fund meant for administrative expenses*

According to Programme guidelines (Para-7.2), the State Government could utilise upto 3 *per cent* of the NSAP funds towards administrative expenses for implementation of NSAP, subject to the condition that administrative expenses would not be utilised towards payment of salaries, purchase or repair of vehicles and for executing civil works.

Scrutiny of records revealed that contrary to the provision of the guidelines, the Department incurred ₹ 11.11 lakh from the NSAP funds towards activities which were not permissible under 'administrative expenses' component. These included activities like installation of tower (₹ 0.90 lakh), repair and renovation of Principal Secretary's chamber (₹ 3.79 lakh), purchase of musical instruments for the Jawaharlal Nehru Memorial Institute (JNMI) for the visually impaired, Boomtar, South Sikkim and for celebration of Republic Day in Special School at Sichey, East Sikkim (₹ 2.23 lakh), travel (₹ 1.29 lakh) and advertisement (₹ 2.90 lakh) during 2013-16. This expenditure was incurred with the approval of the Secretary, SJEWD.

The SJEWD while accepting the fact stated (November 2017) that henceforth this would not be repeated and the guidelines would be followed strictly.

### *1.3.3.2 Implementation of NSAP*

#### *1.3.3.2.1 Selection of Beneficiaries*

Guidelines (Para-3.1) enjoined upon the State Government to create awareness among the people about eligibility, scale of assistance and procedure to be followed for obtaining benefit under the NSAP. The existing beneficiaries were to be confirmed through annual verification by constituting Special Verification Teams under an authorised officer. The team should include representatives of reputed Non-Government Organisations which are active in the locality and details of members are to be given wide publicity. On the other hand, the new beneficiaries, should be proactively identified by the Government by reaching out to households through involvement of Gram Panchayats/Municipalities, etc.

Audit scrutiny revealed that adequate efforts towards awareness generation about the programme were not initiated as pointed out in the succeeding paragraph 1.3.3.2.2. There was nothing on record to indicate proactive efforts made by the Government to identify potential beneficiaries. The list of beneficiaries identified by Gram Shaba, based on the recommendations of the local MLA and certified by Block Development Officer was accepted by SJEWD without independently examining their eligibility as per programme guidelines for getting assistance under the programme from the GoI. During beneficiary survey[3] of 342 NSAP beneficiaries, it was seen that the selected beneficiaries either possessed ration card of Antodaya Anna Yojana (AAY) or belonged to the Priority Household (PHH) category and therefore, eligible for grant of assistance under the programme.

Upto July 2013, the SJEWD disbursed pension in cash through the District Collector (DC) and Block Administration Centre (BAC). Thereafter the pension was directly transferred to the pension holder's account under Direct Benefit Transfer (DBT).

During 2012-17, the total beneficiaries under NSAP ranged between 19,517 and 23,565 as shown below:

**Table 1.3.5**
**Status of Beneficiaries under various schemes of NSAP**

*(In numbers)*

| Sl. No. | Name of the scheme | 2012-13 | | | 2013-14 | | | 2014-15 | | | 2015-16 | | | 2016-17 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Non-DBT | DBT[4] | Total | Non-DBT | DBT | Total | Non-DBT | DBT | Total | Non-DBT | DBT | Total | Non-DBT | DBT | Total |
| 1 | IGNOAPS | 18,313 | Nil | 18,313 | 14,231 | 4,836 | 19,067 | Nil | 15,354 | 15,354 | Nil | 17,778 | 17,778 | Nil | 21,107 | 21,107 |
| 2 | IGNWPS | 618 | Nil | 618 | 601 | 48 | 649 | Nil | 790 | 790 | Nil | 919 | 919 | Nil | 1,543 | 1,543 |
| 3 | IGNDPS | 586 | Nil | 586 | 561 | Nil | 561 | Nil | 358 | 358 | Nil | 578 | 578 | Nil | 713 | 713 |
| 4 | NFBS | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 32 | 32 | Nil | Nil | Nil | Nil | 202 | 202 |
| **Total** | | **19,517** | **Nil** | **19,517** | **15,393** | **4,884** | **20,277** | **Nil** | **16,534** | **16,534** | **Nil** | **19,275** | **19,275** | **Nil** | **23,565** | **23,565** |

*Source: Figures furnished by the Department*

The Department could not furnish the total number of potential beneficiaries fulfilling eligibility criteria for assistance under the NSAP. Further, Audit could not analyse the achievement *vis-à-vis* targets for the period covered in audit except for 2015-16 as the targets of beneficiaries to be given assistance were not made available by the Department. However, during 2015-16, the State had extended benefits to 19,275 beneficiaries against the target of 18,048 beneficiaries sanctioned by GoI. The fund towards coverage of additional beneficiaries was met from the State resources.

[3] *Two (out of 4) districts (East and South). Five blocks (out of 10) of East district and four blocks (out of 8) of South district were selected for detailed examination while two Gram Panchayat Units (GPUs) each from the sampled blocks were selected for beneficiary survey. Nineteen beneficiaries from each GPU were interviewed as part of the survey. Simple Random Sampling (SRS) method was adopted for selection of districts, GPUs and beneficiaries.*

[4] *Direct Benefit Transfer (DBT)*

In the absence of verification of beneficiaries by a designated Verification Team, the genuineness of beneficiaries covered under the scheme could not be vouchsafed in audit.

Out of the total number of beneficiaries covered under NSAP, the maximum number of beneficiaries ranging between 90 (21,107) and 97 (18,313) *per cent* were covered under IGNOAPS, followed by IGNWPS 3 (618) to 7 (1,543) *per cent* during 2012-17. Under NFBS, a lump sum assistance of ₹ 20,000 was granted to a BPL family in the event of death of the bread winner. Assistance under NFBS was released during 2014-15 and 2016-17 only as in the earlier years, eligible BPL families were not reported. Overall, the total number of beneficiaries increased from 19,517 in 2012-13 to 23,564 in 2016-17. However, the number had dipped to 16,534 during 2014-15 and again rose to 23,565 in 2016-17. Reasons, if any, for such a decrease in the number of beneficiaries during 2014-15 was not on record.

The SJEWD stated (November 2017) that the Verification Team/Special Verification Team for verification of applications and beneficiaries (new and existing) had since been formed (November 2017) after being pointed out by audit.

Further, the State Government introduced two pension schemes, (i) Pension for Unmarried Women and (ii) Subsistence Allowance for disabled persons from its own resources. These schemes were to render assistance to beneficiaries falling under Below Poverty Line (BPL) categories but not fulfilling eligibility criteria for NSAP of GoI. Under this, assistance to 3,220 beneficiaries (Unmarried Women-375 and Disabled persons-2,845) were also provided during 2015-17.

Proactive efforts should be made by the Government to identify potential beneficiaries of various schemes under NSAP.

#### *1.3.3.2.2 Awareness generation*

Programme guidelines (Para-3.1.1) enjoined upon the State Government to ensure wide and continuous publicity of the scheme through posters, brochures, media and other means so as to reach out to all sections of the society. Panchayati Raj Institutions (PRIs) and voluntary organisations were also required to be involved. For this, one *per cent* administrative expenses (Guidelines Para 7.2.1c) was required to be earmarked for Information, Education and Communication (IEC) towards awareness generation activities which included preparation and dissemination of IEC material, community mobilisation and use of media.

Audit noticed that a total of ₹ 5.98 lakh was incurred towards 17 advertisements during 2013-17 while no expenditure was incurred during 2012-13. The publicity was however, restricted to advertisements in the local newspapers. No separate publicity was done at the district, block and Gram Panchayat levels. The publicity was hence limited to the print media only and did not involve PRIs and Non-Governmental Organisations (NGOs) at the grass root level. Further, the expenditure was also much less than the required one *per cent* of administrative expenses. In the absence of publicity of the scheme through posters, brochures, media at the GP/NGO level, it was likely that many prospective beneficiaries residing in far-flung remote localities would not be aware about the NSAP and to avail the benefits under it.

Further, due to non-maintenance of data bank of potential BPL population by the SJEWD, the exact number of population deprived of the NSAP benefits could not be ascertained in audit.

The SJEWD assured (November 2017) that awareness generation programme would be taken up as per the guidelines.

#### *1.3.3.2.3 Confirmation of the existing beneficiaries*

Programme guidelines (Para-3.1.2 and 3.1.4) stipulated for annual verification of the existing beneficiaries under NSAP for confirmation or deletion by constituting Special Verification Teams under an authorised officer duly involving representatives of local NGOs of repute in the locality.

Audit check revealed that annual verification of the existing beneficiaries by constituting Special Verification Teams under an authorised officer and duly involving NGOs, were never done during 2012-17. The number of eligible persons could also not be quantified in audit as the State Government had not assessed the volume of potential beneficiaries. Failure to conduct annual verification was indicative of lack of an adequate control and monitoring mechanism.

An amount of ₹ 3.19 lakh was paid to 80 deceased beneficiaries during 2012-17 in 17 blocks in the four districts existing in the State. The Department however, recovered ₹ 2.48 lakh from 58 beneficiaries as of March 2017, leading to inadmissible payment of ₹ 0.71 lakh to 22 deceased beneficiaries.

The SJEWD stated (November 2017) that the responsibility for verification of beneficiaries would henceforth be entrusted to the Verification Team formed in November 2017.

#### *1.3.3.2.4 Verification of applications not done*

Programme guidelines (Para-3.1.4) enjoined upon the State Government to ensure verification of application of new beneficiaries by a Verification Team designated by Nodal Department with reference to the facts related to the eligibility within two weeks of application.

Audit noticed that the Department had not constituted Verification Team (s) to verify the applications as required under the guidelines during the period 2012-17. The Department simply approved the list of beneficiaries recommended by the Gram Panchayats without exercising any check as required under the guidelines. The list was neither reviewed nor any verification carried out by the Department. Based on the list forwarded by Panchayat, pension amounts were sent to the concerned Bank/Post office for crediting to the beneficiary's accounts as DBT with effect from August 2013. Hence, the chances of extension of benefits to ineligible beneficiaries could not be ruled out.

The SJEWD stated (November 2017) that the responsibilities for verification of applications would henceforth be entrusted to the Verification Team formed in November 2017.

#### *1.3.3.2.5 Sanction within 60 days*

Programme guidelines (Para-3.2 and 3.3) stipulated for designating 'Sanctioning Authority' at the appropriate level in the Municipality/Block and for completing the process of identification of new beneficiaries, verification of applications, discussion in the Gram Sabha, sanction/rejection by sanctioning authority within 60 days. In case of rejection of the application, the ground for rejection was to be intimated to the beneficiaries with a copy to Gram Panchayat/Municipality. Such applicant may prefer first appeal to an Appellate Authority and the second appeal (review) to a Reviewing Authority, both nominated by the State Government.

Audit noticed that the sanctioning authority was vested with the Secretary, SJEWD instead of delegating the same to the appropriate level at Municipality or Block. This was despite the existence of Block and Municipality in the State. A copy of sanction order was however, endorsed to GP/Municipality. Although the process as prescribed in the guidelines was not followed, timeline of 60 days for sanction of pension had not been exceeded in the 3,621 cases test checked in audit.

The SJEWD stated (November 2017) that the 'Sanctioning Authority' was vested with the Secretary, SJEWD considering that Sikkim is a small State. Considering that so far the process of sanctions accorded under the NSAP have been demonstrably efficient, Audit accepts the Department's reply as practical and reasonable in the given circumstances. The Department is however, advised to seek the approval of the Ministry of Rural Development, GoI to notify the 'Secretary, SJEWD' as the 'Sanctioning Authority' for NSAP in the State.

#### *1.3.3.2.6 Non-updation of records*

Programme guidelines (Para-3.4) stipulated that the list of beneficiaries to whom sanctions were issued be displayed at the GP/Municipal Office and the list updated every three months. A file containing photocopies of all applications, the register recording receipt of application and sanction orders and rejections should be kept open and accessible for inspection at the respective offices.

Audit check revealed that files containing copies of applications, supporting documents for fulfilling eligibility criteria and sanction orders, etc. were kept Block wise at SJEWD. However, the list of beneficiaries was neither displayed at the18 Gram Panchayat offices visited by Audit nor was the list updated every three months as required in the guidelines.

The SJEWD stated (November 2017) that henceforth this would be done.

#### *1.3.3.2.7 Undisbursed fund*

As per the guidelines, the NSAP assistance was to be disbursed to the selected beneficiaries in the State. Therefore, to implement the NSAP in the districts, the SJEWD had been providing funds to the BACs and DCs till July 2013 (prior to implementation of DBT) for disbursement in cash to the NSAP beneficiaries.

Audit check revealed that the BACs (11) and DC, South could not disburse NSAP fund amounting to ₹ 1.99 crore[5] for the period from March 2012 to September 2016. After retaining the fund for a period ranging between six and 41 months, the BACs and DC, South returned the undisbursed fund to the Department (SJEWD).

The BACs and DC (South) neither gave any reply for non-disbursement of the scheme funds nor furnished the details of the beneficiaries to whom the pension was not disbursed. The BACs/DC had also not appraised this fact to the GoI and the State Government till the date of audit (July 2017).

The SJEWD stated (November 2017) that the required information would be collected and furnished to Audit in due course of time.

### *1.3.3.2.8 Payment of pension to ineligible beneficiaries*

According to Programme guidelines (Para- 2.4.3), assistance under NSAP was to be extended to persons who had little or no regular means of subsistence from his/her own source of income or through financial support from family members or other sources. The assistance was to be restricted to persons belonging to the BPL category fulfilling other eligibility criteria. The eligibility criteria and the amount of pension under various components of NSAP were as follows:

**Table 1.3.6**
**Eligibility under NSAP**

| Name of the Scheme | Eligibility criteria |
|---|---|
| IGNOAPS | The eligible age for IGNOAPS was 60 years. The pension was ₹ 600 per month for persons between 60 and 79 years. For persons who were 80 years and above, the pension was ₹ 1,000 per month. |
| IGNWPS | The eligible age was 40 years and the pension was ₹ 700 per month. After attaining the age of 80 years, the beneficiary would get ₹ 1,000 per month. |
| IGNDPS | The eligible age for the pensioner was 18 years and the amount was ₹ 700 per month. After attaining the age of 80 years, the beneficiary will get ₹ 1,000 per month. |
| NFBS | Lump sum assistance of ₹ 20,000 as one time grant to the bereaved BPL household in the event of the death of the bread winner. |

Scrutiny of records of 3,621 NSAP beneficiaries (IGNOAPS:3,317; IGNWPS:251; IGNDPS:53) out of a total of 23,565 beneficiaries revealed that 697 beneficiaries (19.25 *per cent* of the beneficiaries test checked) under IGNOAPS component were ineligible for assistance under the scheme. The ineligibility was owing to a variety of reasons such as family details not furnished (401), under age beneficiaries (126), son/daughter were in Government service (105), both husband and wife were beneficiaries (28) and beneficiaries with landed property of five acres or more (37). The district-wise position of ineligible beneficiaries is given below:

[5] *East- ₹ 50.85 lakh; West- ₹ 3.22 lakh; South- ₹ 1.37 crore and North- ₹ 7.79 lakh*

**Table 1.3.7**
**District-wise position of ineligible beneficiaries**

| District | Block | GPUs | Number | | | | |
|---|---|---|---|---|---|---|---|
| | | | Family details not furnished | Under age beneficiaries | Son/daughter in Govt. Service | Both husband and wife are beneficiaries | Beneficiaries having 5 Acre and above land |
| East | 10 | 50 | 183 | 1 | 56 | 9 | 21 |
| West | 9 | 55 | 89 | 27 | 17 | 0 | 0 |
| North | 4 | 24 | 4 | 33 | 1 | 0 | 0 |
| South | 8 | 47 | 125 | 65 | 31 | 19 | 16 |

Similarly, during the survey of 342 beneficiaries, Audit noticed that 267 beneficiaries[6] were not eligible to receive pension under NSAP during 2012-17. Those beneficiaries were ineligible for a number of reasons such as their son/daughter were in Government service (71); beneficiaries were engaged as wage earners of MGNREGA (83); beneficiaries had TV sets at their house (57); beneficiaries had pucca houses (15); beneficiaries had landed property of five acres or more (10); both husband and wife were beneficiaries (5); beneficiaries were elected representatives as panchayat members (2); and beneficiaries had own car (2), etc.

The above position is summarised in the table below:

**Table 1.3.8**
**Ineligible beneficiaries under NSAP**

| Nature of ineligibility | Number of ineligible beneficiaries under NSAP | | | |
|---|---|---|---|---|
| | As per the records | As per beneficiary survey of | | |
| | IGNOAP | IGNOAP | IGNWPS | IGNDPS |
| Family details not furnished | 401 | - | - | - |
| Under age beneficiaries | 126 | - | - | - |
| Son/daughter in Govt. Service | 105 | 63 | 6 | 2 |
| Both husband and wife are beneficiaries | 28 | 5 | - | - |
| Beneficiaries having 5 Acre and above land | 37 | 10 | - | - |
| Beneficiaries having 2 storied Building | - | 5 | - | - |
| Beneficiaries getting income from house rent | - | 1 | - | - |
| Beneficiaries having pucca house | - | 12 | 2 | 1 |
| Beneficiaries having own car | - | 2 | - | - |
| Husband ex-service man | - | 4 | 1 | - |
| Beneficiaries working as Panchayat Member | - | - | 1 | 1 |
| Beneficiaries having TV | - | 52 | 4 | 1 |
| Beneficiaries having Refrigerator | - | 10 | - | 1 |
| Beneficiaries enrolled in MGNREGA | - | 74 | 7 | 2 |
| **Total : -** | **697** | **238** | **21** | **8** |

*Source: Information compiled by Audit from Departmental records and beneficiary survey by Audit*

Extension of benefits to ineligible beneficiaries was indicative of faulty identification process, absence of scrutiny and review by the Department as pointed out in Para-1.3.3.2.3. The SJEWD simply approved the list of beneficiaries recommended by the GP without exercising any checks as required under the guidelines. The SJEWD had also not designated any Verification Team to ensure the genuineness of the beneficiaries. This indicated a weak internal control mechanism in the Department to check and rule out

[6] *238 beneficiaries under IGNOAPS, 21 beneficiaries under IGNWPS and 8 beneficiaries under IGNDPS*

payment to ineligible beneficiaries. The Department should, therefore, verify the eligibility of all the beneficiaries since audit results are based on test check of sample cases.

The SJEWD stated (November 2017) that necessary steps would henceforth be taken for deletion/discontinuation of pension in respect of ineligible beneficiaries after verification by the Verification Team.

#### *1.3.3.2.9 Less payment of pension to IGNOAP beneficiaries*

Programme guidelines (Para- 2.3) stipulated payment of ₹ 1,000 per month (Central share ₹ 500 + State share ₹ 500) to the IGNOAP beneficiaries of 80 years age and above. As against this, the Department paid only ₹ 600 per month to 84 beneficiaries of age group of 80 years and above for periods ranging from two months to 45 months. This resulted in deprival of pension amounting to ₹ 11.34 lakh to those 84 beneficiaries.

The SJEWD did not state the reasons for less payment of pension to the IGNOAP beneficiaries but replied (November 2017) that hence forth necessary steps would be taken for regularisation of the same.

#### *1.3.3.2.10 Excess payment of pension to IGNOAP beneficiaries*

Guidelines (Para-2.3) stipulated that pension amount admissible to the IGNOAP beneficiaries between 60 to 79 years age group was ₹ 600 per month (Central share ₹ 200 + State share ₹ 400).

Scrutiny of records revealed (June 2017) that under the IGNOAPS, the Department paid ₹ 1,000 per month instead of ₹ 600 per month to the 216 beneficiaries of age group between 60 and 79 years, for periods ranging from three months to 32 months. This resulted in excess payment of pension amounting to ₹ 5.95 lakh to 216 beneficiaries.

The SJEWD did not provide the reasons for excess payment of pension to the IGNOAP beneficiaries but replied (November 2017) that necessary steps would be taken henceforth for regularisation of the excess payment of pension.

Further, programme guidelines (Para 4.5.4 (b)) stipulated that the NSAP payment should be made monthly**.**

Audit noticed that the Department made payment of NSAP bi-monthly instead of monthly as stipulated in the guidelines. However, no complaint against bi-monthly payment was found registered by the NSAP beneficiaries during the period of audit.

#### *1.3.3.2.11 Target and achievement*

The Ministry of Rural Development, GoI had been communicating scheme-wise allocation of targets to the State based on beneficiaries selected and communicated to the GoI by the State Government. The SJEWD could not make available the records of selection of beneficiaries forwarded to the GoI for the period 2012-17 and GoI communication relating to the allocation of beneficiaries targets for the period 2012-13 to 2014-15 and 2016-17. However, as noticed from the GoI targets for the year 2015-16, the number of beneficiaries to be covered under the three sub-schemes of NSAP were as given in **Table 1.3.5** (targets for NFBS was not given). These targets *vis-à-vis* actual beneficiaries enrolled during 2015-16 in the State were as given below:

**Table 1.3.9**
**Targets and achievements under the schemes during 2015-16**

| Schemes | Total Allocation of Beneficiaries by GoI during 2015-16 (No.) | Actual Beneficiaries enrolled in the State during 2015-16 (No.) | Excess (+)/short (-) enrolment of Beneficiaries (No.) (Col.3-2) | Rate of Central assistance per Beneficiary (₹ p.m.) | Amount incurred on additional beneficiaries (₹) for 12 months |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| IGNOAPS | 16,418 | 17,778 | 1,360 | 200 | 32,64,000 |
| IGNWPS | 967 | 919 | -48 | 300 | - |
| IGNDPS | 663 | 578 | -85 | 300 | - |
| **Total** | **18,048** | **19,275** | | | **32,64,000** |

*Source: Figure furnished by the Department*

Audit noticed that the Department selected 17,778 beneficiaries under IGNOAPS during 2015-16 against the target of 16,418 beneficiaries. The selection of 1,360 more beneficiaries led to an additional expenditure of ₹ 32.64 lakh from the State resources. However, the genuineness of the beneficiaries could not be vouchsafed in audit as the SJEWD was simply approving the list of beneficiaries recommended by the GPs without exercising any checks as required under the guidelines.

The SJEWD assured (November 2017) that henceforth necessary steps for ensuring the genuineness of beneficiaries would be taken through Special Verification Team.

## 1.3.4 Monitoring and evaluation

Programme guidelines (Para- 6.1.2) enjoined upon the State Government to constitute State Level and District Level committees to monitor and evaluate the progress of the scheme and submit report to GoI and State Government respectively. The State Government constituted (November 1995) the State Level Vigilance and Monitoring Committee (SLVMC) and District Level Vigilance and Monitoring Committee (DLVMC) with the Chief Secretary and the District Collectors as the Chairpersons respectively. The status of their functioning is given below:

- ***State Level Vigilance and Monitoring Committee*:** Guidelines prescribed that the SLVMC should meet at least twice a year and is responsible for the implementation, monitoring and evaluation of the NSAP. Thus, 10 meetings were required to be convened in the five-year period (2012-17). As against this, the SLVMC held only two meetings (15 February 2013 and 6 February2016). One of the important decisions taken in the meeting (February 2013) was to make serious efforts to make payment of IGNOAP every two months. However, this was not complied with by the Department as the fund from the Ministry (GoI) was released in two instalments usually in April and February each year.

  There was nothing more on record to indicate any other efforts made by the SLVMC to discharge its mandate in an earnest manner.

- ***District Level Vigilance and Monitoring Committee***: Guidelines (Para-6.1.3 and 6.8) required the DLMVC to hold regular meetings and is responsible for the implementation, monitoring and evaluation of the scheme and submit their reports to the State Nodal Department on monthly basis. In compliance with the Ministry of Social Justice and Empowerment, GoI's direction (July 2013), the Department re-constituted (October 2014) the District Vigilance-cum-Monitoring Committees. The District Collector was Member Secretary for monitoring and to keep a regular watch on the implementation of the schemes as per prescribed procedures and guidelines.

  However, Audit noticed that in North district the DLVMC meeting was held only once in May 2013. The minutes of the meeting and follow-up, if any, was not made available to Audit for verification. Thus, the effectiveness of DLVMC in monitoring and evaluation of the scheme could not be assessed in audit. Further, records of other districts were not made available to Audit.

  The SJEWD stated (November 2017) that this would be intimated to the DLVMC/SLVMC for strict adherence of the guidelines.

- ***Social Audit***:: Guidelines (Para-6.10) stipulated that the Social Audit under NSAP should be conducted at least once in every six months to identify shortcomings, if any, in implementation of the programme by the stakeholders themselves and the defects be eliminated by the Department for effective implementation.

  Scrutiny of records revealed that the Department conducted only two Social Audit programmes (April 2016) at Central Pandam GPU and Rangpo Nagar Panchayat in East district under Duga BAC. The findings of Social Audit included payment to ineligible beneficiaries, payment to deceased beneficiaries, etc. which corroborated the audit findings and also indicated weak internal control. The State Nodal Department should monitor reports of Social Audits conducted and send reports to the Ministry of Rural Development in NSAP-MIS. However, the Department had not submitted any action taken report on the two Social Audit programmes conducted during April 2016 to the MRD till March 2017.

  The SJEWD stated (November 2017) that the Government had approved (September 2017) conducting of Social Audit which would be followed as per guidelines.

### 1.3.5 Conclusion

*The number of beneficiaries who benefited from the NSAP rose from 19,517 to 23,565 during 2012-17. However, the implementation of NSAP was riddled with inadequacies as the Department did not follow the prescribed procedures enshrined in the programme guidelines regarding awareness generation, selection of beneficiaries and verification of eligibility of beneficiaries.*

*Programme implementation revealed that the Department had not taken up any initiative to reach out to all eligible people for rendering assistance and efforts for assessing of total number of potential beneficiaries. The Department neither took any proactive action for* *identification of beneficiaries nor carried out any verification of the eligibility of beneficiaries while accepting the list of beneficiaries recommended by the Gram Panchayats. Annual verification of the beneficiaries as required under the guidelines was also not done. Instead of monthly disbursement of assistance, the Department was found releasing the assistance on bi-monthly basis. Payment of assistance to ineligible beneficiaries was noticed. The monitoring mechanism was inadequate as State level Committee met only twice against the requirement of 10 meetings. The District Level Committee had neither convened any meeting nor submitted any monthly report to the State Government. Social Audit, one of the important checks of ensuring control mechanism, was not accorded due importance. Hence, Audit could not vouchsafe whether all eligible beneficiaries who belonged to the weakest section of the society had actually been covered and benefited as envisaged under the programme.*

### 1.3.6 Recommendations

The following recommendations may be considered to improve the implementation of NSAP in the State:

- Ensuring a robust system of selecting only the eligible beneficiaries and payment of assistance at specified rates.
- Strengthening the system of annual verification of beneficiaries to ensure payment of assistance to eligible beneficiaries.
- Strengthening the monitoring mechanism to ensure implementation of the scheme as per the guidelines.

## LABOUR DEPARTMENT (SIKKIM BUILDING AND OTHER CONSTRUCTION WORKERS' WELFARE BOARD)

### 1.4 Irregular expenditure

**The Sikkim Building and Other Construction Workers' Welfare Board incurred irregular expenditure of ₹ 3.03 crore out of total expenditure of ₹ 11.21 crore from the cess fund exclusively meant for the benefit of labours and their families/dependents for whom the cess was actually collected.**

In pursuance of Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act), State Government constituted (February 2010) the Sikkim Building and Other Construction Workers' Welfare Board (SBOCWWB) to carry out welfare schemes for building and other construction workers (BOCW). Further, the Government also imposed cess at the rate of one *per cent* on bills on construction works in accordance with the requirements of the Building and Other Construction Workers Welfare Cess Act 1996.

As per Section 22 read with Section 24 (2) of the BOCW Act, Cess so collected was required to be spent for the welfare of construction workers on schemes like maternity benefits, pension, advances for purchase and construction of houses, disability pension, payments of funeral assistance, medical assistance, financial assistance for education and marriage of children. Further, in pursuance of the Hon'ble Supreme Court order dated 4 September 2015 on improper utilisation of the Cess fund, Ministry of Labour and Employment issued (7 June 2016) order prohibiting expenditure of Cess fund for construction of buildings for schools or for any purpose other than the welfare of building and other construction workers and their families.

Scrutiny of records for 2015-16 and 2016-17 revealed (June 2017) that the Board collected ₹ 27.31 crore and incurred expenditure of ₹ 11.21 crore in these two years. Out of this, an amount of ₹ 3.03 crore was irregularly spent on purposes not related to the welfare of building and construction workers as under:

- ₹ 2.08 crore was spent for construction of a new office building (including expenditure on inauguration) of the State Institute of Capacity Building (SICB)and conversion of a garage to Apparel Training and Design Centre (ATDC) (a registered Society) in the same premises.
- ₹ 0.95 crore was spent on other items including repair of hostel at Lingding, miscellaneous expenditure on supplies and purchases and on utility center at 7$^{th}$ Mile.

The aforesaid expenditure of ₹ 3.03 crore was in clear violation of the BOCW Act, 1996 as the sum spent was not exclusively for the benefit of labours and their families/dependents for whom the Cess was actually collected.

The matter was reported to the Department (July 2017); reply was awaited (March 2018).

## SOCIAL JUSTICE, EMPOWERMENT AND WELFARE DEPARTMENT

### 1.5 Diversion of Tribal Sub Plan Fund

**Diversion of ₹ 0.83 crore out of ₹ 1 crore earmarked for construction of Ashram School defeated the objective of creating a permanent structure for the school.**

The Ashram School, Jushingthang, West Sikkim for Tribal Boys and Girls had been in operation since 2012 in a temporary structure. On the basis of proposal submitted (November 2013) by the Department, the Ministry of Tribal Affairs (Education Division), GoI sanctioned (November 2013) ₹ 15.35 crore[7] for construction of the Ashram School and released ₹ 5.75 crore (November 2013) as first instalment to the State Government. Out of this, the State's Finance, Revenue and Expenditure Department through the Social Justice, Empowerment and Welfare Department transferred (March 2014) ₹ one crore to the

[7] *Central share: ₹ 11.51 crore and State share: ₹ 3.84 crore*

Chairman of the School Management Committee (SMC) i.e. District Collector, West Sikkim to commence construction of the School .

Audit scrutiny revealed (October 2016) that out of ₹ one crore intended for starting the construction of school's building, an amount of ₹ 39 lakh was spent towards the school's recurring expenditure[8] and ₹ 44 lakh for another school i.e. Eklavya Model Residential School at Gangyap (May to August 2014). The balance fund of ₹ 17 lakh was retained by the Chairman, SMC without being refunded.

Further, the State Government in September 2014 decided that all the project works shall be taken up by the departmental engineering cell. The cell was however, set up in SJEWD only in February 2015. The process of construction was restarted by Department. The cell prepared a DPR for the Ashram school in November 2015 and awarded the work to a contractor at a cost of ₹ 12.57 crore in the same month with stipulated completion by October 2017. However the work was only 70 *per cent* complete as of September 2017.

The diversion of ₹ 83 lakh, the unspent balance of ₹ 17 lakh with the Chairman, SMC and the delay in construction from November 2013 defeated the purpose of allocation of funds for creating a permanent structure for the Ashram school.

The Department stated (September 2017) that the information regarding diversion of capital fund would be furnished after the same is obtained from the Chairman, SMC.

[8] *Salary, stationeries, etc.*

# CHAPTER II
# ECONOMIC SECTOR

# CHAPTER II
# ECONOMIC SECTOR

## 2.1 Introduction

This Chapter of the Audit Report deals with the audit findings on functioning of the Government departments under Economic Sector.

The names of the departments and the total budget allocation and expenditure of the Government under Economic Sector during the year 2016-17 are given in the table below:

**Table 2.1.1**

*(₹ in crore)*

| Sl. No. | Name of the Department | Total Budget Allocation | Expenditure |
|---|---|---|---|
| 1 | Animal Husbandry, Livestock, Fisheries and Veterinary Services | 68.54 | 46.65 |
| 2 | Buildings and Housing | 52.26 | 50.26 |
| 3 | Commerce and Industries | 63.06 | 45.76 |
| 4 | Co-operation | 17.12 | 14.66 |
| 5 | Energy and Power | 337.93 | 271.81 |
| 6 | Food Security and Agriculture Development | 83.34 | 53.37 |
| 7 | Forest, Environment and Wildlife Management | 224.01 | 132.17 |
| 8 | Horticulture and Cash Crops Development | 111.54 | 62.71 |
| 9 | Water Resources and River Development | 171.74 | 30.74 |
| 10 | Mines, Minerals and Geology | 4.81 | 4.56 |
| 11 | Roads and Bridges | 328.77 | 156.98 |
| 12 | Rural Management and Development | 522.97 | 482.54 |
| 13 | Tourism and Civil Aviation | 70.90 | 58.70 |
| 14 | Transport | 62.84 | 60.74 |
| 15 | Urban Development and Housing | 206.64 | 75.71 |
| 16 | Water Security and Public Health Engineering | 164.85 | 69.75 |
| | **TOTAL** | **2,491.32** | **1,617.11** |

## 2.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 868.30 crore of previous years of the State Government under Economic Sector. The details of year-wise break-up is given in **Appendix 2.2.1**. This Chapter contains two Performance Audits on 'National Rural Drinking Water Programme' (NRDWP) and 'Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System' and seven Compliance Audit Paragraphs as given below:

# RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

## 2.3 National Rural Drinking Water Programme

*Performance Audit (PA) on implementation of NRDWP in Sikkim for the period 2012-17 was conducted during April-July 2017 to ascertain effectiveness of planning, economy, efficiency in implementation and effectiveness of monitoring. PA disclosed deficiencies in planning, programme execution and monitoring mechanism. The Department had not constituted the Source Finding Committee. There were short-release of State share and delay in submission of Annual Action Plan. As of March 2017, the Department was able to make only 737 habitations out of 2,084 habitations as Fully Covered in the State while the remaining 1,347 habitations (65 per cent) had not been covered even after the implementation of revised scheme in 2009. One hundred and five rural water supply schemes (RWSS) out of the total 462 RWSS in the State had not been completed even after a delay ranging between three and four years beyond the stipulated date of completion. The water quality monitoring and testing for detection of chemicals and bacteriological contamination fell short of the stipulated targets. Discrepancies in data maintained in the Integrated Management Information System (IMIS) and that maintained by the implementing agencies undermined the reliability of the system as a viable tool for monitoring. The following were the main highlights of the PA.*

### Highlights

**Lack of effective delivery mechanism, planning and functioning on the part of State Water and Sanitation Mission, State Level Scheme Sanctioning Committee and State Technical Agency led to abnormal delay in completion of projects. This deprived the intended benefits of providing safe drinking water to the targeted beneficiaries.**

**(Paragraph 2.3.9.1)**

**Analysis of financial management disclosed short-release of State share of ₹ 4.83 crore. As against the total required State share of ₹ 13.95 crore, only ₹ 9.12 crore was released by the State Government. There was also delay in release of funds by State to State Water and Sanitation Mission.**

**(Paragraph 2.3.9.2)**

**The Department procured 84 electro-chlorinators worth ₹ 1.18 crore during 2012-13 from the Natural Calamity Fund meant for immediate restoration and repair of damaged drinking water supply works. None of these chlorinators were put to use in any of the Gram Panchayat Units and were lying idle in dilapidated condition. This fact was confirmed during physical verification of eight GPUs where none of the electro-chlorinators were functioning.**

**(Paragraph 2.3.9.3.3 (d))**

**Inadequacy in project preparation process led to tapping of water from non-perennial sources, non-commencement of work involving ₹ 53.63 lakh. Abandonment of six projects despite incurring ₹ 19.43 lakh owing to land dispute, absence of source and contractor's negligence.**

**(Paragraph 2.3.9.3.1)**

**All the three mega projects involving ₹ 40.77 crore were lagging behind the scheduled date of completion by more than two and a half years. This was due to non-receipt of forest clearance and non-availability of pipes/fittings, contractor's negligence and slow pace of work.**

**(Paragraph 2.3.9.3.1 (c))**

**As against the total requirement of 1,83,990 tests (Bacteriological and chemical) to be conducted during 2012-17, the District Laboratories conducted only 5,820 tests.**

**(Paragraph 2.3.9.3.6 (h))**

**There were discrepancies in data uploaded in the Integrated Management Information System with that of records maintained by the Department. The monitoring mechanism was non-existent as evident from the fact that several projects were delayed beyond the targeted date.**

**(Paragraph 2.3.9.4.1)**

## 2.3.1 Introduction

Sikkim is known for its substantial water resources being endowed with waterfalls, springs, rivers and lakes. The average annual rainfall of 2,739 millimetre is the principal mode of recharge of surface water. Despite these advantages however, providing potable water on a sustainable basis to its citizens is becoming increasingly a challenge due to rapid growth of population and industrial development in the State.

The Accelerated Rural Water Supply Programme (ARWSP), renamed (2009) as National Rural Drinking Water Programme (NRDWP) by the Government of India (GoI), aims to provide every rural person with adequate safe water for drinking, cooking and other domestic basic needs on a sustainable basis.

NRDWP funds rural water supply schemes with special focus on water-stressed and water quality affected areas, rainwater harvesting and groundwater recharge measures and for operation and maintenance. It promotes conjunctive use of surface and roof rainwater, and, supports convergence with other developmental programmes. The NRDWP, in Sikkim, was being implemented by Rural Management and Development Department

The rural habitations were categorised as Fully Covered, Partially Covered and Not Covered habitations. Not Covered habitations were defined as habitations where a drinking water source was not available within 100 mtrs. elevation in hilly areas, or where the habitations had a water source affected by quality problems; Partially Covered were those habitations which had a safe drinking water source but the capacity of the system ranged between 10 and 40 lpcd[1]. The remaining habitations were known as Fully Covered habitations.

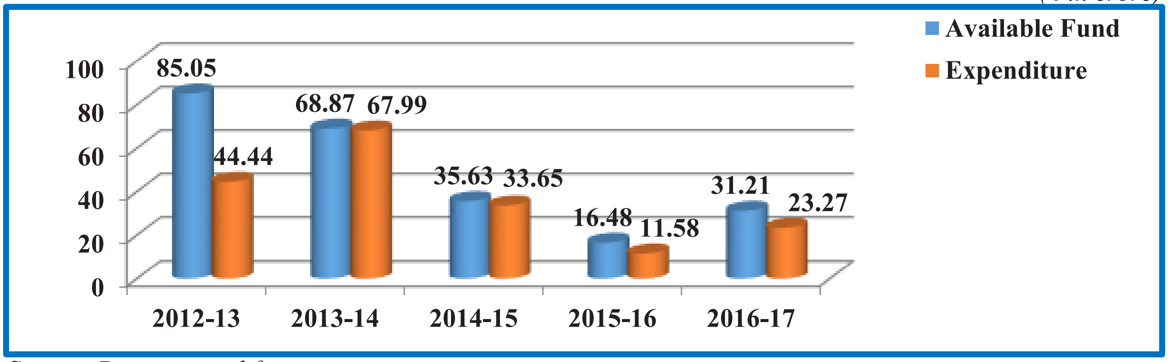
The components of the programme, purpose of each component, distribution of State allocation under NRDWP and Centre-State sharing pattern of the NRDWP funding at State level during 2012-17 are given in **Appendix 2.3.1.**

### *2.3.1.1 Financial achievement*

Funds of ₹ 237.24 crore was available under NRDWP during 2012-17, against which, the Department spent ₹ 180.93 crore as shown in the chart below:

**Chart 2.3.1**
**Financial achievement under NRDWP**

*(₹ in crore)*




*Source: Departmental figures*

### *2.3.1.2 Physical achievements*

Out of 462[2] augmentation works relating to RWSS sanctioned in the State under the NRDWP during 2012-17, 357 works had been completed and 105 works were under implementation till the date of audit (July 2017).

## 2.3.2 Organisational set-up

The RMDD was headed by the Secretary who was assisted by the Principal Chief Engineer, Chief Engineers, Additional CE, Director (Accounts) and other sub-ordinate officers.

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[1] *Lpcd: Litres per capita per day.*
[2] *East – 183, South - 118, North - 54, West – 107 : **Total– 462***

### 2.3.3 Audit objectives

The Performance Audit of the NRDWP was taken up to ascertain whether:

- planning at various levels was adequate;
- necessary institutional mechanism existed for effective implementation of the programme;
- the fund management was economical and effective;
- the implementation of the NRDWP was effective and efficient; and,
- adequate and effective mechanism existed for monitoring and evaluation of the programme.

### 2.3.4 Audit criteria

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

- Scheme guidelines of the NRDWP issued in 2009 and 2013;
- Strategic Plan and Annual Action Plan;
- Sikkim Financial Rules;
- Sikkim Public Works (SPW) Code and Manual;
- Physical and financial progress reported under MIS;
- Uniform drinking water quality monitoring protocol;
- Statement of Accounts prepared by the firm of Chartered Accountants; and,
- Monitoring mechanism prescribed by the GoI and the State Government.

### 2.3.5 Audit methodology including scope

The audit process began with an Entry Conference (April 2017) held with the Head of the Department, engineers and district functionaries wherein audit objectives, scope of audit, audit criteria and audit methodology were explained.

The PA on implementation of NRDWP covering the period from 2012-13 to 2016-17 was carried out during April-July 2017. Records at the Head Office (RMDD), three (East, South and North) districts out of four districts, three Zilla Panchayats (ZPs) out of four ZPs, six Blocks out of 31 Blocks and 15 Gram Panchayat Units (GPUs) out of 176 GPUs of the selected districts covered under this PA were also checked. Out of 912 works (₹ 86.95 crore) in the three districts, 311 works (₹ 51.97 crore) were checked. Ninety out of 311 works were also physically verified along with the departmental engineers and panchayat functionaries involved in the execution of the projects. The details of selection of works are given in the table below:

**Table 2.3.1**

| Name of work | State total | Total of 3 selected districts | Works checked from selected districts |
|---|---|---|---|
| *Augmentation of RWSS* | 462 | 355 | 161 |
| *Natural Calamity works* | 514 | 402 | 86 |
| *Roof Rain Water Harvesting Structure* | 140 | 85 | 42 |
| *Drinking water supply in Schools* | 46 | 37 | 14 |
| *Drinking water supply in Anganwadis* | 50 | 33 | 08 |
| ***Total*** | **1212** | **912** | **311** |

Audit findings were discussed with the departmental officers in the Exit Conference (11 October 2017). The views and reply of the Department have been taken into account appropriately while finalising this PA.

## 2.3.6 Audit sampling

Audit sampling was done as per the Probability Proportional to Size Without Replacement (PPSWOR) method with number of drinking water supply schemes as population size during the period of PA (2012-17) for selection of Districts and Blocks. Thereafter, the method of Simple Random Sampling Without Replacement (SRSWOR) was adopted for selection of GPUs, habitations and beneficiaries. The details of sample selection is given in **Appendix 2.3.2**. The gist of sample size selected through the above sampling method is given in the table below:

**Table 2.3.2**
**Details of the Sample selected for audit**

| Particulars | Total | Selected | Remarks |
|---|---|---|---|
| District | 4 | 3 | East, South and North. |
| Block | 31 | 6 | Gangtok, Pakyong, Rongli, Namchi, Ravongla and Mangan |
| Gram Panchayat Unit | 176 | 15 | **East (8)**: Khamdong, Sirwani, .Beyong, Chalamthang, Taza,. Berring, Budang and. Chujachen.<br>**South (5)**: Sadam, Turuk, Namthang, Sripatam and Niya.<br>**North (2)**: Kabi and Navey.<br>Two GPUs were selected from each of the six Blocks. Three additional GPUs were also covered, two in East and one in South District |
| Habitations | 2084 | 60 | Four habitations per GPU were covered (4 x 15= 60); |
| Beneficiaries | | 600 | Ten beneficiaries from each habitation were covered (10 x 60) |

## 2.3.7 Past audit coverage and PAC's recommendations

The PA on Accelerated Rural Water Supply Programme in Sikkim featured in the Comptroller and Auditor General of India's Audit Report for the year 2007-08, Government of Sikkim, vide Paragraph 3.1.9.1. The same was discussed in the Public Accounts Committee (PAC) and action taken by the Department was published in PAC's

98 Report on 28 June 2012. The Recommendations, Action Taken Notes and present status are given in **Appendix 2.3.3.**

## 2.3.8 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Secretary, RMDD and his officers in providing necessary records and information for conducting the PA.

## 2.3.9 Audit findings

Audit findings on the implementation of NRDWP in the State are discussed in the succeeding paragraphs:

### *2.3.9.1 Delivery Mechanism and Planning*

Annexure VII of the NRDWP guidelines stipulated devising an appropriate delivery mechanism and adequate planning to ensure providing safe drinking water to rural habitations. The State Government was to constitute various committees such as State Water and Sanitation Mission (SWSM), State Level Scheme Sanctioning Committee (SLSSC), State Technical Agency (STA), WSSO, Source Finding Committee (SFC), DWSM, BRC and Village Water and Sanitation Committee (VWSC) from State to GPU level and also to formulate plans such as Village Water & Security Plan (VWSP), District Water & Security Plan (DWSP), Annual Action Plan (AAP) and Comprehensive Water Security Action Plan (CWSAP).

The adequacy and effectiveness of these delivery and planning mechanisms are given in the table below:

**Table 2.3.3**
**Details of functions of various committees**

| Functions | Audit observation |
|---|---|
| **Delivery Mechanism** | |
| **State Water and Sanitation Mission (SWSM)** | |
| As per Para 12.4 and Annexure VII (Para 1) of the NRDWP guidelines, each State has to constitute SWSM, with following functions to provide (i) policy guidance, (ii) convergence of water supply and sanitation activities, (iii) coordination with various State Government departments, (iv) effective monitoring and evaluation of physical and financial performance and management of the water supply and sanitation projects, (v) integration of communication and capacity development programmes for both water supply and sanitation, and (vi) for maintaining the accounts for programme and support fund and carrying out the required audits of the accounts. The SWSM should conduct review of the programme in the districts once in six months. | Although the SWSM was constituted (August 2009) in the State, only one meeting (29 June 2013) was held during 2012-17 against the required ten meetings. Resultantly, the major functions like providing policy guidance, coordination with various departments, monitoring and evaluation of physical and financial performance and management of the water supply and sanitation projects were found lacking. |
| **State Level Scheme Sanctioning Committee (SLSSC)** | |
| As per Para 12.4 and Annexure VII (Para 2), of the NRDWP guidelines, States were required to constitute a SLSSC for ensuring a proper system of close monitoring and evaluation of | The SLSSC was constituted in August 2009 with Secretary RMDD as Chairman. During 2012-17 against the |

<table>
<tr><th>Functions</th><th>Audit observation</th></tr>
<tr><td>the scheme as well as furnishing complete and timely information to enable the GoI to release funds regularly. All the rural water supply projects and support activities were to be approved by SLSSC. Meetings of the Committee were to be held at least twice in a year for sanctioning new schemes, progress/completion and commissioning of the schemes approved earlier by the Committee was also to be reviewed.</td><td>requirement of 10 meetings as per guidelines, barring 2013-14 when two meetings were held no other meetings were held, resulting in a shortfall of eight meetings.</td></tr>
<tr><td colspan="2">Department's response: The Department accepted (November 2017) the shortfall in meetings of the SLSSC and stated that this was due to non-sanctioning of any projects after 2013-14. The Department added that SLSSC meetings to review the ongoing works would be convened in 2017-18.</td></tr>
<tr><td colspan="2">State Technical Agency (STA)</td></tr>
<tr><td>As per Para 12.4 and Annexure VII (Para 3) of the NRDWP guidelines, the SWSM in each State in consultation with the Ministry would identify reputed Technical Institutions, designated as STA to which technical support to RMDD could be outsourced. The STA was to assist (i) to plan and design scientifically sound and cost effective RWSS with special emphasis on sustainability of the source and system, (ii) to prepare action plan for both software activities and hardware activities, and (iii) to evaluate and scrutinise major/complicated water supply schemes as assigned by the RMDD for consideration under SLSSC.</td><td>The State Cabinet approved (August 2009) the proposal to identify Water Security and Public Health Engineering Department (WS&PHED) as STA for RWSS under NRDWP in the State. However, it was found that none of the Detailed Project Reports and estimates relating to RWSS works were vetted by the STA except for three[3] mega RWSS projects.</td></tr>
<tr><td colspan="2">Department's response: The Department stated (November 2017) that NRDWP schemes were sanctioned by the SLSSC only after vetting by the STA. However, no supporting document to this effect was furnished to Audit. The Department further stated that, it had instructed the Zilla Panchayats to comply the guidelines and avoid such lapses in future.</td></tr>
<tr><td colspan="2">District Water and Sanitary Mission (DWSM)</td></tr>
<tr><td>As per Annexure VII (Para 5) of the NRDWP guidelines, the DWSM under the supervision, control and guidance of ZP was to be constituted to prepare district based water security plan for implementation. The village water security plan should be analysed and consolidated at the district level by DWSM.</td><td>The DWSM was constituted involving Adhyacha of Zilla Panchayat as Chairman and Additional District Collector as Member Secretary. Though the DWSP was prepared, it was not implemented in the districts.</td></tr>
<tr><td colspan="2">Block Resource Centre (BRC)</td></tr>
<tr><td>As per Annexure VII (Para 6)of the NRDWP guidelines, the BRC was to be set up at the block level with an objective to provide continuous support in terms of awareness generation, motivation, mobilisation, training and handholding to village communities.</td><td>The Department failed to constitute BRCs at Block Level leading to non-providing of support to village communities on water and sanitation issues.</td></tr>
<tr><td colspan="2">Village Water and Sanitation Committees (VWSC)</td></tr>
<tr><td>As per Annexure VII (Para 7) of the NRDWP guidelines, the VWSC was to be set up in each GPU in order to decentralize powers and responsibilities and to give greater focus on water and sanitation issues. The VWSC is responsible for: (i) planning, designing, and implementing all in-village drinking water and sanitation activities; (ii) providing facts and figures to the GPU for reviewing water and sanitation issues; (iii) providing inputs for the VWSP; (iv) ensuring community participation and</td><td>Though the VWSCs were constituted, there was absence of planning, monitoring, implementation and O&M of water supply schemes by the VWSC in GPUs. Resultantly, the participation of the local communities to achieve drinking water security also remained largely unachieved.</td></tr>
</table>

[3] *Namphing, Yangang and Chingthang.*

<table>
<tr><th>Functions</th><th>Audit observation</th></tr>
<tr><td>decision making in all phases of in-village scheme activities; (v) commissioning and takeover of completed in-village water supply and sanitation works through a joint inspection with Line Department; (vi) collection of funds through a tariff , charges and deposit system for O&M of water supply and sanitation works for proper managing and financing of O&M of the services on a sustainable basis.</td><td></td></tr>
<tr><td colspan="2">Planning</td></tr>
<tr><td colspan="2">Village Water Security Plan (VWSP)</td></tr>
<tr><td>As per Para 13 of the NRDWP guidelines, the VWSP is responsible for planning, implementation, management, operation and maintenance of the rural water supply systems. Village level planning including water budgeting is the key factor in ensuring optimum utilisation of water. A water safety plan, performance improvement plan when augmenting existing infrastructure and an operational plan for operating the scheme will be part of the VWSP.</td><td>Although the VWSP was prepared at GPUs, there were absence of monitoring, planning and maintenance of the rural water supply systems in the GPUs covered under this PA. There was no water budgeting, water safety plan, performance improvement plan and operational plan.</td></tr>
<tr><td colspan="2">District Water Security Plan (DWSP)</td></tr>
<tr><td>As per Para 13 of the NRDWP guidelines, the DWSP should be prepared based on all the VWSPs of the districts for carrying out all village work by the GPU or its sub-committee i.e. VWSC. The DWSP will be implemented by dovetailing funds from different sources/rural water supply programmes and NRDWP funds.</td><td>Although the DWSP was prepared by the DWSM, none of the required activities were undertaken in the villages due to fund constraints and shortage of manpower.</td></tr>
<tr><td colspan="2">Annual Action Plan (AAP)</td></tr>
<tr><td>As per Para 14 of the NRDWP guidelines, the main objective of the AAP is to provide a definite direction to the programme, and also to ensure regular monitoring of the progress made by the respective State towards the goal of achieving drinking water security to every rural household. While preparing the AAP, completion of the incomplete works was to be given priority over new works and also to ensure that the works taken up were completed as per schedule and that there was no delay in execution. The AAP was also to indicate the target for the year of coverage of habitations that were proposed to be covered under these schemes adhering to the prioritisation in targeting habitations. The AAP for every subsequent year was to be submitted to GoI by February of each year.</td><td>The Department did not furnish the AAPs for the years 2012-14. However, the scrutiny of AAPs for the years 2014-17 revealed that priority was not given for coverage of 0-50 per cent population, which was one of the core objectives of the NRDWP. Further, these were submitted to the GoI belatedly. There was absence of monitoring of the ongoing schemes which resulted into delay in completion of the projects, non-commencement of work, abandonment of some projects etc. which are discussed in paragraph 2.3.9.3.1 (a & b).</td></tr>
<tr><td colspan="2">Department's response: The Department stated (November 2017) that the SFC was not set up and the responsibility of source finding was taken by VWSC. The reply was not tenable as the SFC was responsible for clearance of schemes put up for approval of SLSSC and for review of the functioning/performance of existing water supply schemes for availability of potable drinking water as per the norms of the guidelines.</td></tr>
<tr><td colspan="2">Comprehensive Water Security Action Plan (CWSAP)</td></tr>
<tr><td>As per Para 14 of the NRDWP guidelines, the Department was to prepare a five year CWSAP including broad directions/thrust and tangible targets planned to be achieved at the State level</td><td>No CWSAP was constituted in the State. In the absence of CWSAP, it was not clear how thrust areas were identified and broad direction given on the NRDWP's implementation and tangible targets were planned.</td></tr>
</table>

### *2.3.9.2 Fund Management*

As per Para 16.1 of the NRDWP guidelines, the SWSM was to maintain two accounts, namely, Programme Fund Account and Support Activities Account in any Public Sector Bank at the State Headquarters. The accounts were required to be audited by a Chartered Accountant within six months of the close of the financial year. GoI made allocation of funds under the NRDWP every year in the beginning of the financial year.

#### *2.3.9.2.1 Flow of Funds*

Para 16 of the NRDWP guidelines envisaged that the SWSM was required to select a Bank branch of any Public Sector Bank with internet connectivity at the State Headquarters for maintaining the two accounts namely Programme Account and Support Activities Account under the NRDWP. These shall be saving accounts and once selected, the accounts shall not be changed to any other Branch or Bank without concurrence of Ministry of Drinking Water and Sanitation (MDWS).

The SWSM opened (December 2009) two savings accounts at Gangtok Branch of the State Bank of India (SBI) and funds were deposited into those separate accounts for Programme Fund and Support Fund respectively. The accounts were audited by the empanelled Chartered Accountants every year. The fund flow chart was as below:

**Chart 2.3.2**
**Flow of funds**


Scrutiny of records revealed persistent savings, short/delay in release of funds by GoI, short release of State share, delayed release of funds by the State Government to SWSM etc.as discussed in the following paragraphs:

#### *a) Budget provision and expenditure*

Budget provision and expenditure under NRDWP during the years 2012-13 to 2016-17 were as detailed below:

**Table 2.3.4**
**Budgetary allocation and expenditure under the NRDWP during 2012-17**

*(₹ in crore)*

| Year | Allocation[4] | Opening Balance | Funds Receipts | | Interest earned | Available Funds | Expenditure | | | Closing Balance |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Release by GoI | Release by GoS | | | Central | State | Natural Calamity | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 (3+4+5+6) | 8 | 9 | 10 | 11 (7-8-9-10) |
| 2012-13 | 36.69 | 50.88[5] | 32.36 | Nil | 1.81 | 85.05 | 22.87 | 0 | 21.57 | 40.61 (48) |
| 2013-14 | 16.88 | 40.61 | 27.21 | Nil | 1.05 | 68.87 | 48.31 | 0 | 19.68 | 0.88 (1) |
| 2014-15 | 30.38 | 0.88 | 34.45 | Nil | 0.3 | 35.63 | 33.26 | 0 | 0.39 | 1.98 (6) |
| 2015-16 | 12.96 | 1.98 | 12.05 | 2.32 | 0.13 | 16.48 | 9.27 | 2.31 | 0 | 4.9 (30) |
| 2016-17 | 14.43 | 4.9 | 19.42 | 6.8 | 0.09 | 31.21 | 16.49 | 6.78 | 0 | 7.94 (25) |
| **Total** | | | **125.49** | **9.12** | **3.38** | - | **130.2** | **9.09** | **41.64** | |

*Source: Departmental figure. Figures in brackets indicates percentage*

The above table shows that the Department had been able to absorb and spend the funds released to it under NRDWP except during the year 2012-13 when there was a closing balance of ₹ 40.61 crore against the available funds of ₹ 85.05 crore *i.e.* a saving of 47.75 *per cent*.

The Department stated (November 2017) that the savings in 2012-13 was because of Calamity fund of ₹ 41.64 crore released by the Ministry in 2011-12 for immediate restoration works of the water supply scheme damaged by the earthquake of September 2011.

### *b) Short release of State share*

In terms of Para 17 of the NRDWP guidelines the State Government was required to release the matching share in the ratio of 90:10. Details of release of State share during 2012-17 was as under:

**Table 2.3.5**
**Release of State share under NRDWP during 2012-17**

*(₹ in crore)*

| Year | GoI release | Corresponding matching share to be released by GoS | Actual release by GoS | Progressive Shortfall |
|---|---|---|---|---|
| 2012-13 | 32.36 | 3.60 | 0 | (-) 3.60 |
| 2013-14 | 27.21 | 3.02 | 0 | (-) 6.62 |
| 2014-15 | 34.45 | 3.83 | 0 | (-) 10.45 |
| 2015-16 | 12.05 | 1.34 | 2.32 | (-) 9.47 |
| 2016-17 | 19.42 | 2.16 | 6.80 | (-) 4.83 |
| **Total** | **125.49** | **13.95** | **9.12** | (-) 4.83 |

*Source: Departmental figure*

It can be seen from the above table that while the State Government did not release any share during 2012-15, it released ₹ 9.12 crore during 2015-17 which was short by ₹ 4.83 crore. The reasons for non/short release of State share were not on record.

The Department stated (November 2017) that the short release of State share during 2012-13 to 2014-15 was due to non-availability of sufficient funds with the State and the overall shortfall would be taken care of during 2017-18.

[4] *The GoI release of funds more than the allocation under NRDWP was due to Management Devolution Index (MDI) fund devolved to the State as per the performance of the State*

[5] *The opening balance of ₹ 50.88 crore includes ₹ 41.64 crore of Natural Calamity Funds approved under NRDWP.*

### c) *Delayed release of funds by the State Government to SWSM*

Para 17(s) of the NRDWP guidelines requires, the State to release the entire amount of central allocation received along with the matching State share to the implementing agency (SWSM) without any delay and in any case not later than 15 days after its receipt.

The funds were released directly by the GoI to the SWSM till 2013-14. From 2014-15 onwards, funds were routed through the State treasury. Audit noticed that there was delay in release of funds received from GoI by the State to the SWSM as given below:

**Table 2.3.6**
**Delay in release of fund by the State to the SWSM**

*(₹ in crore)*

| Year | Delay between 15 days to one month | Delay between one month to six months |
|---|---|---|
| 2014-15 | 20.60 | 11.10 |
| 2015-16 | 10.25 | 0.01 |
| 2016-17 | 1.46 | 17.96 |
| **Total** | **32.31** | **29.07** |

The delay in release of fund by the State to the SWSM ranged between 15 days and six months. An amount of ₹ 32.31 crore was released with delay ranging between 15 days and one month while ₹ 29.07 crore was released after delay of one to six months. Reasons for the delays were not on record.

While accepting the fact the Department stated (November 2017) that the same would be taken care of in future.

### *2.3.9.3 Programme Implementation*

The NRDWP comprises of six components viz. Coverage, Water Quality, O&M, Sustainability, Support Activity and Water Quality Monitoring & Surveillance (WQMS). These have been covered under programme implementation under various paras: Coverage (Para 2.3.9.3.1), Water Quality (Para 2.3.9.3.2), O&M (Para 2.3.9.3.3), Sustainability (Para 2.3.9.3.4), Support activities (Para 2.3.9.3.5) and WQMS (Para 2.3.9.3.6). These and other audit findings on programme implementation are discussed in the succeeding paragraphs:

#### *2.3.9.3.1 Coverage*

Para 4 and Para 9.3(ii) of the NRDWP guidelines envisaged to provide safe and adequate drinking water supply to un-served, partially served and slipped back habitations with 47 *per cent* of the annual NRDWP fund. Further, the drinking water supply service level in rural areas was to be increased from 40 lpcd to 55 lpcd and at least 50 *per cent* of rural households were to be provided with piped water supply by 2017. NRDWP objectives also required that all Government schools and anganwadis have access to safe drinking water. Guideline further required examination of issues relating to preparation of DPRs, tendering, contract management, outcome of the completion of schemes along with the functional status of selected schemes viz. completed/incomplete/abandoned.

Scrutiny of records and physical verification revealed deficiencies under coverage. These were due to non-prioritisation, non-coverage of schools and angawadis with safe drinking water, non-commencement of RWSS works, abandonment of works, partial execution of

RWSS, tapping of water from non-perennial source and lack of co-ordination within the State Government departments. These adversely affected the targeted coverage of habitations as required under the Programme guidelines as discussed in the following paragraphs:

### ➢ *Priority in coverage*

Para 9.1 of the NRDWP guidelines envisaged that higher priority should be given for coverage of habitations with zero to 25 *per cent* and 25 to 50 *per cent* population, identified quality affected habitations, SC, ST and minority concentrated habitations to provide adequate and safe drinking water. Hence, the guidelines provide for according priority to habitations where least number of persons have access to adequate and safe drinking water.

The status of population coverage of habitations under the NRDWP is shown in the table below:

**Table 2.3.7**
**Status of population coverage of habitations**

| Status of habitations | Total habitations | No. of habitations with population coverage >0 and <25 *per cent* | No. of habitations with population coverage >25 and <50 *per cent* | No. of habitations with population coverage >50 and <75 *per cent* | No. of habitations with population coverage >75 and <100 *per cent* | No. of habitations with 100 *per cent* population coverage |
|---|---|---|---|---|---|---|
| As on April 2013 | 2084 | 505 | 359 | 520 | 198 | 502 |
| As on March 2017 | 2084 | 331 | 447 | 391 | 178 | 737 |
| Increase/Decrease (-) | | (-)174 | (+)88 | (-) 129 | (-)20 | (+)235 |

*Source: Departmental figure*

The above table shows that habitations with 100 *per cent* population coverage increased from 502 (April 2013) to 737 (April 2017).

Further, the Department did not give much priority to the less covered habitations i.e. > 0 to < 25 *per cent* and >= 25 to < 50 *per cent*. As against 864 habitations under these categories as of April 2013, only 86[6] habitations (9.95 *per cent*) could be brought under Fully Covered habitations as of March 2017. Further, against 718 habitations under >= 50 to <100 *per cent* as of April 2013, 149[7] habitations (20.75 *per cent)* were brought under Fully Covered habitations as of March 2017.

The above figures indicates that overall, the aim of providing at least 50 *per cent* of rural households with piped water supply by the year 2017 was not achieved as only 35 *per cent* of rural households (737 habitations out of 2,084) were covered till March 2017.

The Department stated (November 2017) that more schemes with >= 25 to < 50 *per cent* of population coverage habitations were taken up instead of sanctioning population coverage habitations of > 0 to < 25 during 2013-14. They also assured to take up schemes of > 0 to < 25 *per cent* coverage only in all future sanction of schemes. The reply was not

[6] *86 = Total of habitations with population coverage > 0 and < 25 per cent and> 0 and < 50 per cent (505 + 359) less (331 + 447).*

[7] *149 = Total of habitations with population coverage >50 and <75 per cent and>75 and <100 per cent (520 + 198) less (391 + 178).*

acceptable as the prioritisation of less population coverage habitations of 0-25 *per cent* and 25-50 *per cent* should have been done as per the norms of the guidelines.

### ➢ *Schools and Anganwadis*

NRDWP objectives required that all Government schools and anganwadis have access to safe drinking water facilities.

**Image 2.3.1**


**Empty Water Tank**

Audit scrutiny of records in respect of safe drinking water supply at various schools revealed that out of a total of 653 schools in the entire State, only 437 schools were covered under the NRDWP (July 2017) while 216 schools had not been provided with safe drinking water.

Similarly, in case of Anganwadi Centres, only 93 out of 172 Anganwadi Centres in the State, were covered till date of audit (July 2017) leaving 79 Anganwadi Centres yet to be provided with safe drinking water. No targets were fixed by the Department except in 2013-14 and 2015-16.

The joint physical verification (May 2017) of six works revealed that three[8] Anganwadi Centres were without drinking water supply as the water tanks were empty and dry due to non-availability of water sources.

While accepting the fact, the Department stated (November 2017) that due importance would be given for coverage of all schools and ICDS centres in the next batch of sanction.

### ➢ *Work execution*

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

Audit noticed that the Department had not complied with the above prescription leading to (i) delay in completion of schemes, (ii) non-commencement of work, (iii) abandonment of works, (iv) partial execution of Water Supply Scheme, (v) tapping of water from non-perennial source and (vi) lack of co-ordination within the State Government departments under NRWDP as discussed below:

### *a) Delay in completion of schemes*

Completion of projects/schemes in a timely manner was necessary to provide intended benefits to beneficiaries.

The status of sanctioned, executed and ongoing projects during 2012-17 was as given below:

[8] *Bikmat ICDS, Kateng ICDS and Maneydara ICDS*

**Table 2.3.8**

**Status of projects under NRDWP during 2012-17**

| Sl. No. | Details of Projects | Total number of Projects | | | | | Total Project cost (₹ *in crore)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | East | West | North | South | Total | East | West | North | South | Total |
| 1 | Opening balance (2012-13) | 1 | 0 | 0 | 1 | 2 | 0.21 | 0 | 0 | 0.85 | 1.06 |
| 2 | Sanctioned during 2013-14 | 182 | 107 | 54 | 117 | 460 | 32.67 | 29.71 | 8.77 | 38.03 | 109.18 |
| 3 | Projects/works completed | 130 | 93 | 54 | 80 | 357 | 21.73 | 18.60 | 8.77 | 12.06 | 61.16 |
| 4 | Projects/works in progress | 53 | 14 | 0 | 38 | 105 | 11.15 | 11.11 | 0 | 26.82 | 49.08 |

*Source: Departmental figure*

It will be seen that 357 projects (out of 462) had been completed and 105 were in progress. Out of the 357 completed projects, 309 projects were completed after delays between three and four years. The reasons for delay were attributed to non-availability of stock material, contractors' negligence, land disputes, forest clearance, non-identification of source, etc. A few cases of delayed projects are given in **Appendix 2.3.4**.

### *b) Other issues under coverage component*

Joint physical verification of various Rural Water Supply Schemes revealed that some of these were stalled on account of various reasons given in **Appendix 2.3.5.** The gist of the same is as under:

**Table 2.3.9**

| | No. of work | Sanctioned cost (₹ in lakh) | Date of commencement | Scheduled date of completion | Expd till August 2017 (₹ in lakh) | Reasons | Department's response |
|---|---|---|---|---|---|---|---|
| **Non-commencement of work** | Three | 55.63 | Feb 2014 to Feb 2015 | Jan 2015 to Jan 2016 | Nil | Water source dispute as the current water source identified for this work was already catering to another habitation and land dispute for laying of pipes. | Department stated that reports from the field had been sought and appropriate action would be taken to complete the work. |
| **Abandoned works** | Six | 153.89 | Mar 2011 to Aug 2014 | Sept 2011 to May 2015 | 19.43 | Non-identification of water source by the department, land dispute for laying of pipes and non–release of running account bills to the contractor. | The Department stated that the report from the field had been sought and appropriate action would be taken to complete the works. |
| **Partial execution of water supply schemes** | Three | 75.00 | Nov 2014 to Mar 2017 | Jul 2015 to Sept 2017 | 35.00 | Non- availability of material in time, provision was not made for tapping and laying pipelines from distribution tanks to the households. | Department stated that schemes were revised and water pipeline from source to main reservoir along with the construction of tank was being taken up. |
| **Tapping of water from non-perennial sources** | Four | 87.50 | Nov 2013 to Feb 2015 | Aug 2014 to Aug 2015 | Nil | The Department failed to identify the perennial source resulting in acute shortage in discharge of water. | Department stated that the perennial water sources were not available in the nearby locations and shortage of funds. |
| **Lack of co-ordination with other State Government departments** | Three | 185.23 | Mar 2011 to Nov 2013 | Feb 2014 to Nov 2014 | 76.53 | The work remained stalled due to damage of tanks and pipes during the construction of roads under PMGSY and the R&B Department. | Department stated that the matter to fund the repair work was being pursued with the concerned department. |

### *c) Implementation of mega RWSS projects*

The sources of water supply in Sikkim are mainly rivulets and spring water sources. Some of these are perennial but most dry up or lose discharge during lean seasons. To overcome the hardship faced in the water scarce areas of the State, three mega projects (RWSS at Yangang, Namphing and Chingthang) were taken up by the Department. Audit scrutiny of records of these three projects revealed the following.

i. During joint physical verification (May 2017) of the Yangang RWSS project it was noticed that the project was delayed by two and half years achieving 20 *per cent* of physical progress after spending ₹ 9.52 crore (63 *per cent*) against the scheduled date of completion of February 2015. The construction of sedimentation tank near source was stopped by Forest Department as forest clearance was not obtained. Only 16,154 mtrs. of pipes were laid as against the total requirement of 64,050 mtrs. of pipes. Out of 57 tanks, only four were installed/fabricated. Further, only 40 water hydrants were constructed as against the requirement of 735. The reasons for delay were non-availability of stock material, non-finalisation of actual site, delay in getting forest clearance for construction of sedimentation tank and objection by private landowners for laying pipes and GI tanks.

The Department stated (November 2017) that the project was being revised due to change in scope of work and scheduled to be completed by April 2018.

ii. Scrutiny of records revealed that the Department allowed the firm to conduct survey at the higher rate of ₹ 5,000 per acre as against ₹ 3,000 per acre allowed to the same firm during the same period and for similar assignment for two other contour surveys at Namphing RWSS (South District) and Chingthang RWSS (West District). Thus, an excess payment of ₹ 8.00 lakh was made to the firm.

iii. As per one[9] of the items of the estimate, the pipes measuring length of 64,050 mtrs. was required to be buried by excavating soil at a total cost of ₹ 21.59 lakh. Joint physical verification (May 2017), however, revealed that the pipes were laid without excavating soil and burying the pipes underneath. Thus, payment towards unexecuted work was irregular. Further, non-execution of this item of work led to laying of the pipelines on surface that exposed the pipes to high risk of damage.

While accepting the audit observation, the Department stated (November 2017) that it was issuing instructions to bury the pipelines as per the provisions of the estimate.

#### ➢ *RWSS at Namphing*

The GoI sanctioned ₹18.14 crore for a RWSS targeted to cater to 1200 households at Namphing and its surrounding areas in South Sikkim on 90:10 cost sharing with the State. The civil portion of work to the tune of ₹ 7.48 crore was awarded (February 2014) to a contractor and scheduled to be completed by February 2016. As per the DPR, the water was to be tapped from three different sources and three pressure filters were to be installed between these sources and the main reservoirs. As of March 2017, 66 *per cent* of the work was completed at a cost of ₹ 9.30 crore.

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[9]*Excavation in foundation trenches in mixed soil, hard rock and mixed filling in pipe line with excavated earth, etc. all complete'.*

The following observations are made on the project:

i. Rinkey-1**:** Against the required length of 550 mtrs (65 mm dia) of pipes, the Department laid 605 mtrs. (80 mm dia) of pipes from the main source to the reservoir tank. The reason for change in size and length of the pipes was not on record. No other components of works were executed as of July 2017.

**Image 2.3.2**

**Incomplete reservoir tank at Namphing.**

ii. Rinkey-2**:** As per DPR, the length of the pipes between the main source and reservoir tank was 3,916 mtrs. (100 mm dia). Joint physical verification (May 2017) revealed that 4,029 mtrs. length of pipes was laid with an additional requirement of 1,000 mtrs to reach the reservoir tank due to change in construction site of the reservoir tank as the landowner refused to give land in the original site. Audit noticed that only 10 *per cent* of the reservoir tank had been constructed as seen in the image. The delay was due to non-identification of site for installation of pressure filter.

iii. Bedhghari: The laying of 80 mm pipelines was completed from main source to reservoir tank. The reservoir tank and five steel tanks were also constructed. Physical progress of approximately 40 *per cent* was achieved in respect of laying of pipes. However, the pressure filter had not been installed between the main source and reservoir tank. Joint physical verification (May 2017) revealed that though the Department spent ₹ 54 lakh on survey work, the same was not conducted properly as the size of the pipes had to be changed during execution.

Thus, due to change in size of pipes during execution, non-availability of land for setting up of reservoir tank and non-installation of pressure filter, the project targeted to deliver drinking water to 1,200 households at Namphing and its surrounding areas in South District by February 2016 had not been completed.

The Department stated (November 2017) that the project was being revised due to landslide at water source and the change in size of pipes was as per the new alignment. It further stated that the pressure filters would soon be installed.

- ***RWSS at Chingthang***

The Chingthang mega project was sanctioned at an estimated cost of ₹ 7.59 crore. The civil portion of the work amounting to ₹ 1.97 crore was awarded (February 2014) to a Co-operative Society and scheduled to be completed within 18 months (August 2015).

Scrutiny revealed (July 2017) that the Department after incurring ₹ 4.77 crore (63 *per cent*) could physically complete only 10 *per cent* of the work. The Department procured materials viz. Poly Propylene Random (PPR) pipes and fittings (₹ 3.05 crore), storage tanks (₹ 20.65 lakh) and pressure filters (₹ 78.88 lakh) which were lying in the Store godowns and on private land/building. Joint physical verification (July 2017) revealed that the area under the project was very dry and the public were facing acute shortage of drinking water.

### 2.3.9.3.2 Water Quality

As per Para 9.3 of the NRDWP guidelines, 20 *per cent* of the State-wise allocation was to be utilised for Water Quality component for providing safe drinking water to water quality affected habitations. States had also been given flexibility to utilise the Coverage component funds for Water Quality and vice versa.

The Department stated (November 2017) that the State did not have any Water Quality affected habitation but the basis of the above statement was not substantiated by any documentary evidence. However, audit analysis revealed that there were some water quality related issues which are highlighted in the Para 2.3.9.3.6 (f and h).

### 2.3.9.3.3 Operation and Maintenance

As per Para 9.3 of NRDWP guidelines, funds under O&M were for expenditure on running and repair costs of drinking water supply projects. Further, State Government should endeavour to develop sustainable sources of funding for maintenance of RWSS.

Scrutiny of records and physical verification revealed short-utilisation of O&M fund, non-levy of water charges, diversion of natural calamity funds meant for immediate repairs and restoration works and other issues relating to O&M. These are discussed in the following paragraphs:

#### a) Short-utilisation of O&M fund

As per Para 9.3 of NRDWP guidelines, 15 *per cent* of the total fund releases under NRDWP is to be earmarked for O&M component.

As can be seen from Table 2.3.10, against the total available funds of ₹ 19.15 crore under O&M during 2012-17, the Department spent only ₹ 5.16 crore (27 *per cent*). The utilisation of O&M funds ranged between zero and 30 *per cent* during 2012-17. No expenditure was incurred on O&M in 2016-17.

**Table 2.3.10**
**O&M funds during 2012-2017**

*(₹ in crore)*

| Year | Opening Balance | Release by GoI | Misc. receipts | Available funds | Expenditure | Closing Balance |
|---|---|---|---|---|---|---|
| 2012-13 | 1.13 | 4.83 | 0.27 | 6.23 | 0.03 (1) | 6.20 |
| 2013-14 | 6.20 | 3.87 | 0.16 | 10.23 | 3.11 (30) | 7.12 |
| 2014-15 | 7.12 | 4.96 | 0.04 | 12.13 | 1.81 (15) | 10.31 |
| 2015-16 | 10.31 | 1.75 | 0.02 | 12.08 | 0.21 (2) | 11.87 |
| 2016-17 | 11.87 | 2.11 | 0.01 | 13.99 | 0 (0) | 13.99 |
| **Total** | | **17.52** | **0.50** | | **5.16** | |

*Source: Departmental figure; note: Figures in bracket indicate percentage*

Thus, despite availability of fund, the Department failed to adequately prioritise repair and maintenance works of the non-functional projects. This was evident from the physical verification (June 2017) wherein three[10], out of 15 physically verified, water supply works were lying defunct for want of repairs and maintenance.

### *b) Water charges*

As per Para 14.1 of the Manual of O&M the water charges were to be fixed by the water agency/GPUs taking into account the ability of the system to meet the expenditure on O&M. The Department fixed (27 September 2010) water and sanitation charges of Rupee one per month per household under the GPUs who were responsible for collecting those charges to fund O&M of rural water supply schemes.

Joint physical verification (May/June 2017) of GPUs covered under this PA revealed that the recovery mechanism to collect user charges for O&M was not in place as GPUs had not realised water charges from any of the beneficiaries. This had resulted in non-realisation of water charges to the tune of ₹ 26.71 lakh[11] during 2012-17 which could have been utilised under O&M for repair and maintenance of various rural water supply schemes. The fact was further corroborated during beneficiary survey conducted between May and July 2017 on 600 beneficiaries, that no user charges were collected and used for operation and maintenance of the water supply schemes.

### *c) Issues related to Operation and Maintenance*

Joint physical verification (May 2017) of RWSS works of GPUs covered under this PA revealed the following:

- As per Para 9.7 of the NRDWP guidelines, the O&M fund were essential to be made available to PRIs for long term usability of RWSS. The Department transferred only ₹ 1.76[12] crore in 2013-14 and no funds were released to any of the GPUs since 2014-15 despite availability of sufficient funds. Hence, the persons responsible i.e. Bare Foot Engineers (BFEs) for maintenance of RWSS were not paid wages regularly. Instead the Department had prioritised Coverage component over the O&M and as against the available funds of ₹ 19.15 crore during the last five years, the Department spent only ₹ 5.16 crore while the balance was diverted to Coverage component, i.e. augmentation of RWSS works.

- Beneficiary survey in May to July 2017 on 600 beneficiaries also disclosed that none of them were aware of O&M funds. In the event of any immediate repair, the beneficiaries themselves repaired the RWSS. Thus, lackadaisical approach by the GPUs led to beneficiaries bearing financial burden to avail drinking water facilities.

In its reply, the Department stated (November 2017) that the funds from14th Finance Commission (FC) and 4th State Finance Commission (SFC) were released for implementing basic services including O&M of RWSS. The reply was not tenable as

[10]*Augmentation of RWSS from Chuba source to Kolbong, South Sikkim 2) Kalimate source to Upper Rateypani, South Sikkim and 3) Augmentation of RWSS from Hitti source to Karungthang Secondary School, South Sikkim.*

[11]*Calculation was done based on number of households provided with drinking water facilities during 2012-17 @ ₹ one per household per month.*

[12]*(@₹ 1 lakh per GPU X 176 GPUs).*

physical verification (of 15 GPUs) revealed that none of the checked GPUs were released any fund by the State towards O&M.

### *d) Natural Calamity Funds released under NRWDP*

A major earthquake hit Sikkim on 18 September 2011, which resulted in loss of lives and damage to public and private properties. In order to provide immediate relief to the affected populace, the GoI under NRDWP sanctioned ₹ 41.64 crore towards restoration of various damaged rural water supply schemes. The irregularities on utilisation of Natural Calamity Fund noticed are given below:

i. As per the records of the Department it was found that the entire fund of ₹ 41.64 crore received during 2011-12 was utilised by 2014-15. However, scrutiny revealed that the Department executed 514 works (East-183, West-112, North-60 and South-159) at a sanctioned cost of ₹ 40.44 crore[13] which were completed by 2014-15 incurring an expenditure of ₹ 35.84 crore. The balance amount of ₹ 5.80 crore was diverted on other works that were not within the ambit of Natural Calamity Fund.

The Department stated (November 2017) that the funds were utilised in few cases for augmentation works of rural water supply schemes under coverage which were severely damaged by the devastating earthquake of September 2011 purely on need basis and cannot be classified as deviation. The reply of the Department was not acceptable as the expenditure on augmentation works were not covered under the ambit of natural calamity funds.

ii. Out of 514 works executed under Natural Calamity Fund at a sanctioned cost of ₹ 40.44 crore, 79 works amounting to ₹ 1.91 crore were diverted to new augmentation works which were not damaged by the earthquake and hence, not covered under Natural Calamity Fund.

iii. The Department procured 84[14] electro-chlorinators worth ₹ 1.18 crore during 2012-13 from the Natural Calamity Fund released by the GoI during 2011-12. The electro-chlorinators were procured for disinfection of bacteriological contamination by using sodium hypochlorite solution obtained from common salt through those electro-chlorinators. These chlorinators were distributed to all the GPUs of South and West districts but were not put to use in any of the GPUs.

**Image 2.3.3**


**Electro Chlorinator lying idle**

Joint physical verification (May 2017) along with the departmental engineers and gram panchayats members of eight out of 15 GPUs corroborated that none of these chlorinators were put to use and were lying idle in stores/godowns in dilapidated condition as

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*[13] East - ₹ 10.98 crore, West - ₹ 8.74 crore, North - ₹ 6.75 crore and South ₹ 13.97 crore*

*[14] 84 electro-chlorinator: 47 in GPUs of South district, 36 in GPUs of West district and one in CCDU/SIRD, Jorethang, South*

shown in the photograph. Thus, the expenditure of ₹ 1.18 crore which was diverted from the Calamity Fund meant for immediate repair and restoration proved wasteful.

The Department while accepting the audit observation stated (November 2017) that the electro-chlorinators were procured for supplying safe and chlorinated drinking water to the people in the GPUs. Further, the electro-chlorinator machines would be repaired and made functional in all the GPUs**.**

The above observation on operational management revealed that there was absence of preparedness to absorb the available fund leading to meagre utilisation (27 *per cent*) and diversion of O&M fund to other component. This was coupled with non-levy of water charges (₹ 26.71 lakh) which could have been utilised at village level towards repairs and maintenance of existing water supply schemes to ensure availability of drinking water round the year.

#### *2.3.9.3.4 Sustainability*

Para 6 of the NRDWP guidelines stipulated to ensure lifeline drinking water security under all circumstances and at all times. Treatment could be at the delivery point or at the source but water quality testing could be done at both ends.

Scrutiny of records and physical verification revealed short-utilisation of Sustainability fund and inoperative Roof Rain Water Harvesting Structures, which are discussed in the following paragraphs:

#### *a) Short-utilisation of Sustainability fund*

As against the total available fund of ₹ 12.76 crore[15] during the last five years, the Department spent ₹ 10.03 crore. The utilisation of available funds ranged from seven to 77 *per cent* during 2012-17 as given in the table below:

**Table 2.3.11**
**Financial status of Sustainability fund during 2012-13 to 2016-17**

*(₹ in crore)*

| Year | Opening Balance | Release by GoI | Misc. receipts (Interest and other receipts) | Available funds | Expenditure | Closing Balance |
|---|---|---|---|---|---|---|
| 2012-13 | 0.74 | 3.22 | 0.18 | 4.14 | 2.14(52) | 2.00 |
| 2013-14 | 2.00 | 2.58 | 0.10 | 4.68 | 3.60(77) | 1.08 |
| 2014-15 | 1.08 | 3.31 | 0.03 | 4.42 | 3.23(73) | 1.19 |
| 2015-16 | 1.19 | 1.17 | 0.01 | 2.37 | 0.87(37) | 1.50 |
| 2016-17 | 1.50 | 1.41 | 0.01 | 2.92 | 0.19(7) | 2.73 |
| **Total** | | **11.69** | **0.33** | | **10.03** | |

*Source: Departmental figure*
*Note: Figure in bracket indicates percentage*

During 2016-17, the Department spent only ₹ 19.11 lakh against the available fund of ₹ 2.92 crore for the sustainability component which accounted for only seven *per cent* of total available find. The reason for short utilisation of funds was not on record. It was noticed that the funds under this component (Sustainability) was diverted to 'Coverage' component of the Programme.

[15] *OB (₹ 0.74 crore) plus total release by GoI (₹ 11.69 crore) plus miscellaneous receipt ₹ 0.33 crore).*

### *b) Inoperative Roof Rain Water Harvesting Structures*

Under NRDWP (Sustainability), the Department constructed 140 Roof Rain Water Harvesting Structures (RRWHS) with filter and gutter system at roof top at the cost of ₹ 3.19 crore (₹ 2.28 lakh per unit) across the State. The main objective of the scheme was to provide safe drinking water to the schools at water scarce and dry areas of the State. However, joint physical verification (May 2017) of 12 RRWHS under 42 schools revealed that none of the RRWHS was functioning as no gutter system was fitted with the roofs of the schools. Further, it was also seen that none of the RRWHT had any type of filtration system.

The objective of providing safe drinking water to schools in dry and water scarce area through RRWHS was not fulfilled in respect of the above schools even after spending ₹ 3.19 crore.

The Department stated (November 2017) that the RRWHS, wherever implemented, would be revisited and all works would be rectified and made functional under O&M, though the responsibility of maintenance of assets created by the Department lay with the School Management Committee/GPU as the works were handed over to them after completion. The Department further stated that henceforth it would regularly monitor the same and deficiencies observed would be verified for taking appropriate action.

### *2.3.9.3.5 Support activities*

Para 9.3(ii) of the NRDWP guidelines stipulated five *per cent* of NRDWP funds on a 100 *per cent* Central share basis to be used for different support activities to enable the rural communities to have access to assured availability of potable drinking water, use of advanced technology, viz. satellite data/imagery; GIS mapping; MIS and computerisation; etc. and other sector support activities, viz. IEC; HRD; MIS; Computerisation and R&D besides undertaking software support activities on WSSO.

Scrutiny of records and physical verification revealed persistent savings under Support fund, shortfall in training and discrepancies in MIS figures as discussed in the following paragraphs:

### *a) Persistent saving*

The GoI released only 1.62 *per cent* (₹ 2.18 crore) of its total commitment (₹ 134.61 crore) under the component, Support activities as against the required release of five *per cent* (₹ 6.73 crore) during the period 2012-17. Against the available funds of ₹ 2.80 crore (including opening balance and interest earned), the Department spent ₹ 2.66 crore on training for IEC and HRD, District Water Testing Laboratories, etc. The details are given in the table below:

**Table 2.3.12**
**Financial status under support funds during the period 2012-17**

*(₹ in lakh)*

| Year | Opening Balance | Release by GoI | Interest earned during the year | Available Funds | Expenditure | Closing Balance |
|---|---|---|---|---|---|---|
| 2012-13 | 52.63 | 5.09 | 3.26 | 60.98 | 54.43 | 6.55 |
| 2013-14 | 6.55 | 86.02 | 1.43 | 94.00 | 71.83 | 22.17 |
| 2014-15 | 22.17 | 80.82 | 1.02 | 104.01 | 73.33 | 30.68 |
| 2015-16 | 30.68 | 24.08 | 2.28 | 57.04 | 28.37 | 28.67 |
| 2016-17 | 28.67 | 21.9 | 1.66 | 52.23 | 37.77 | 14.46 |
| **Total** | | **217.91** | **9.65** | | **265.73** | |

*Source: Departmental figure*

Audit scrutiny revealed that there was a short release of support funds by the GoI. However, the Department did not utilise even the available funds with them and there were persistent savings in all the five years. The fund could have been utilised in objectives of this component such as refilling of FTKs, R&D, etc. The reasons for short release of support funds by the GoI and short-utilisation of available funds by the Department was not available in the records.

### b) *Research and Development (R&D)*

Para 10.3 of the NRDWP guidelines envisaged that to strengthen the R&D facilities, State Government was encouraged to establish R&D cells with adequate manpower and infrastructure. The core objective of this sub component was to strengthen the R&D facilities and were also to be in link with the Monitoring and Investigation Unit and study the Monitoring and Evaluation Study Reports for initiating appropriate follow up action.

However, Audit noticed that the Department had not created any R&D cell in the State and no research and development activity was done during 2012-17.

### c) *Information, Education and Communication (IEC) and Human Resource Development (HRD) activities*

Para 1 of Annexure IV of the NRDWP guidelines lay great emphasis on use of IEC and HRD to generate demand and create awareness and participation of the community. WSSO[16] has been designed to support the Engineering Department by taking up software activities like IEC, HRD, MIS etc. to improve the quality of the implementation in each State for promoting initiatives in water supply and sanitation sector.

The target and achievement of activities conducted by the Department on drinking water supply programme under IEC and HRD are as given below:

[16] *Communication and Capacity Development Unit (CCDU) to be merged with the WSSO*

**Table 2.3.13**
**Target and achievement of activities on drinking water supply programme under IEC and HRD**

| Year | IEC Activities | | HRD Activities | | | |
|---|---|---|---|---|---|---|
| | No. of targeted IEC activities | No. of IEC activities undertaken | No. of Training programmes conducted | No. of persons required to be trained (5 persons per GPU) as per guidelines | No. of trainees covered | Shortfall in achievement |
| 1 | 2 | 3 | 5 | 4 | 6 | |
| 2012-13 | Not fixed | 32 | 8 | 880 | 654 | 226 |
| 2013-14 | | 2 | 38 | 880 | 2334 | Nil |
| 2014-15 | | 6 | 20 | 880 | 980 | Nil |
| 2015-16 | | 1 | 7 | 880 | 378 | 502 |
| 2016-17 | | 13 | 1 | 880 | 33 | 847 |

*Source: Departmental records*

From the above table it can be seen that there was shortfall in the number of trainees covered during the period 2012-13, 2015-16 and 2016-17. During 2013-14, 38 trainings were conducted covering 2,334 trainees whereas during 2016-17 only one training was conducted covering merely 33 trainees. The trainings covered handling of electro chlorinator, handling of FTKs to BFE and preparation of Village Plan to Village Committees. No trainings and awareness generating IEC activities were ever imparted to the beneficiaries during the period of PA. Beneficiaries survey (May-July 2017) also revealed that none of the beneficiaries were ever given training and awareness generating IEC activities on drinking water.

### *2.3.9.3.6 Water Quality Monitoring and Surveillance (WQMS)*

As per Para 9.3(ii) of the NRDWP, 3 *per cent* of State allocation was to be provided on a 100 *per cent* Central funding basis. The guidelines envisaged that the States should establish/upgrade Water Testing Laboratories at the State, district and sub-district levels with a provision of testing a few selected chemical and biological parameters. The FTKs could be used for primary detection of chemical and biological contamination of drinking water sources in the village with provision for refills and replacement of FTKs with the fund under WQMS. They were also to authenticate the test results of FTKs used in the village.

Scrutiny of records and physical verification revealed saving under WQMS fund, shortfall in water quality test, not refilling of FTKs, idle equipment, undue benefit, non-establishment of testing labs, non-availability of lab instruments and chemicals, shortage of manpower and shortfall in water sample testing. The details are discussed in the following paragraphs:

#### *a) Under Utilisation of funds for WQMS*

The financial position under WQMS during performance audit period was as given below:

**Table 2.3.14**
**Financial position under WQMS during2012-17**

*(₹ in lakh)*

| Year | Opening Balance | Release by GoI | Total Available fund | Expenditure | Closing Balance |
|---|---|---|---|---|---|
| 2012-13 | 20.38 | 11.87 | 32.25 | 32.25 | Nil (0) |
| 2013-14 | Nil | 55.23 | 55.23 | 53.82 | 1.41 (3) |
| 2014-15 | 1.41 | 58.42 | 59.83 | 30.67 | 29.16 (49) |
| 2015-16 | 29.16 | 14.45 | 43.61 | 11.64 | 31.97 (73) |
| 2016-17 | 31.97 | 13.14 | 45.11 | 35.31 | 9.80 (22) |
| **Total** | | **153.11** | | **163.69** | |

*Source: Departmental figure*
*Note: Figure in bracket indicates percentage*

It can be seen from the above table that during the financial years 2014-15 and 2015-16, there were high savings of ₹ 29.16 lakh (49 *per cent*) and ₹ 31.97 lakh (73 *per cent*) respectively. However, the reasons for such savings could not be found in records. Although there were savings upto 73 *per cent,* the Department did not initiate any step towards refilling of FTKs after their procurement in 2013-14.

### *b) Water Treatment Plant*

One Water Treatment Plant (WTP) was proposed to be constructed at Yangang mega project at an estimated cost of ₹ 4.00 crore for setting up of water filtration and disinfection plant for the drinking water tapped from the Rangpo Khola Source. The work was awarded (March 2013) to a Kolkata based firm on turnkey basis with the completion time of 18 months. It was noticed that the contractor supplied all the machines and equipment in November-December 2013 and October 2015 at WTP site and was paid ₹ 2.91 crore (₹ 2.40 crore on procurement of machineries and equipment and ₹ 0.51 crore on civil work) till date of audit (July 2017).

Joint physical verification (May 2017) of the WTP site revealed that the machineries and equipment procured for the WTP worth ₹ 2.40 crore were lying idle at site for more than four years and was in dilapidated condition as there was no proper place for storing the equipment at the site. The site engineer was also not in a position to explain the number of equipment and machines brought into site as there was no inventory or stock register of those valuable items.

The Department stated (November 2017) that the project was implemented on turnkey basis and machine of WTP could only be installed prior to commissioning of the plant. The Department would ensure that the functional machines with required specification would be installed so that intended benefit could be provided to the beneficiaries.

### *c) Procurement of Pressure filters*

The Department awarded the work of supply of three pressure filters for the work at Namphing mega project to a supplier in February 2014 at a cost of ₹ 1.48 crore. As per agreement, the payment was to be released to the supplier in four instalments: (i) 40 *per cent* on procurement of material against bank guarantee, (ii) 40 *per cent* on delivery of material at work site, (iii) 10 *per cent* on erection and installation, and (iv) 10 *per cent* on testing and commissioning of the pressure filter. Further, as per the clauses of agreement, the pressure filters were to be supplied with one year onsite comprehensive warranty from the date of supply of the pressure filters.

Scrutiny of records revealed that the Department released three instalments to the suppliers amounting to ₹ 1.33 crore (i.e. upto installation and erection of the pressure filters) during February 2014 to March 2015.

**Image 2.3.4**

**Image 2.3.5**

**Pressure filters lying idle at Chingthang, West Sikkim and Singtam, East Sikkim**

Joint physical verification (May 2017) revealed that none of the three pressure filters were available at site. Later, it was found that the supplier parked these pressure filters at Singtam around 30 kms. away from the project sites in an open yard since February 2014 in a dilapidated condition. The warranty period had also lapsed in February 2015. Thus, undue financial benefit of ₹ 1.33 crore was extended to the supplier in violation of the agreement which provided that payment of ₹ 1.33 crore was to be made only after the supply of pressure filters at work site and after its erection and installation.

Similarly, as per DPR, one Water Treatment Plant was to be constructed at Chingthang mega project for the treatment of drinking water. The Department, however, procured (December 2013) two pressure filters at a cost of ₹ 98.60 lakh and made provision for installation of both the pressure filters at one place just before the main reservoir which was not necessary as there was only one water source. Procurement of two pressure filters instead of one was unwarranted resulting in extra expenditure of ₹ 49.30 lakh.

The Department stated (November 2017) that it would ensure that filters were properly installed and made functional as laid down in the procurement order as 20 *per cent* payment for installation & commissioning was due. The reply was not tenable as the material were to be delivered at work site before release of the second instalment of 40 *per cent* which was not done.

### *d) Water Quality Testing Laboratories*

Para 5.1.2 of Uniform Drinking Water Quality Monitoring Protocol envisaged that the State was required to set up one State Level Lab, four District Level Labs and nine Sub-Divisional (Block) level Labs for testing all drinking water sources at least twice a year for bacteriological contamination and once a year for chemical contamination. However, it was noticed that only two District Level Labs (East and South) were established in the State. Although the approval of ₹ 69.92 lakh for two more District Level Labs at North and West districts were granted in 2013-14 by the SWSM, they had not been established. The reasons for non-establishment were not on record.

While accepting the audit contention, the Department stated (November 2017) that the laboratories at Gyalshing and Mangan would be taken up on priority on availability of funds.

### *e) District Laboratories*

Para 5.4.3 of Uniform Drinking Water Quality Monitoring Protocol envisaged the District Laboratories to play a pivotal role in ensuring adequate monitoring of water quality and water safety in the entire RWSS. The District Laboratory team was responsible for allocating resources needed to ensure that the water quality monitoring was undertaken with an objective for corrective action in ensuring safe water provision to the community. The requirement and availability of items of two District Laboratories (South and East) was as given below:

**Table 2.3.15**
**Details of requirement and availability of items of District Laboratory**

| Sl. No. | Particulars | Required numbers | Actual numbers available and monitored | |
|---|---|---|---|---|
| | | | North-East (NE) | South-West (SW) |
| 1 | List of Parameters to be monitored | 34 | 17 | 11 |
| 2 | Instruments requirement in laboratories | 43 | 12 | 21 |
| 3 | Chemicals requirement | 140 | 90 | 47 |

*Source: Departmental figure*

The above table indicated that there were shortages of chemicals, instruments and parameters to be monitored by the District Laboratories during the period of audit. Out of 34 parameters to be monitored, only 17 (NE) and 11 (SW) were monitored. Similarly, against the required 43 instruments and 140 chemicals, only 12 (NE) and 21 (SW) instruments and 90 (NE) and 47 (SW) chemicals respectively were available. Testing of Sulphate, Nitrate-R. Chlorine, Iron, etc. at District Laboratory (East) were not done due to Spectrophotometer being non-functional since February 2015.

### *f) Biological examination*

In terms of Para 2.2.3 of Standard IS, the water sample was to be examined within 2 to 3 hours after collection, when the organisms were alive. If this was not possible, the samples were to be preserved in ice or in the refrigerator (3 to 4 degree Celsius) for a few days taking care not to allow it to freeze. Further, Sampling Assistant (SA) was responsible for identifying and reporting any quality problems encountered to the respective leader.

Scrutiny revealed that against the sanctioned strength of two Sampling Assistants (SAs) in each District Labs, no SAs were appointed and the collection of water samples were being done by the Bare Foot Engineers (BFEs) who were not provided with any mobility for timely submission of samples to the Laboratory as well as the refrigerator to preserve the water samples at 3 to 4°C. Further, scrutiny of GPUs covered under this PA revealed that there were 149 water sources, out of which, samples of only 26 sources (17 *per cent*) were taken up by the BFEs and sent to District Laboratories for testing. However, it was found that the results of laboratory reports of only two sources were received by one GPU (Sripatam-Gagyong) out of which one source (Tingtingay) had issues of turbidity. But, no remedial measure was found to have been taken up at the GPU level. Hence, the samples collected from source water by BFEs for testing and the potency remained questionable in audit.

The Department accepted the audit observation and stated (November 2017) that the shortcomings on biological examination of water testing would be addressed.

### *g) Shortage of manpower*

The sanctioned strength determined as per the guidelines and men-in-position in two District Level Water Testing Laboratories in the State is given below:

**Table 2.3.16**
**Staff position in the District Level Water Testing Laboratories**

| Sl. No. | Name of the post | Sanctioned strength | Men-in-position | Excess(+)/ Shortfall(-) |
|---|---|---|---|---|
| 1 | Chemist/Water Analyst | 2 | 2 | Nil |
| 2 | Microbiologist/Bacteriologist | 2 | Nil | (-)2 |
| 3 | Laboratory Assistant | 4 | 2 | (-) 2 |
| 4 | Lab Attendant | 2 | Nil | (-) 2 |
| 5 | Data Entry Operator | 2 | 1 | (-) 1 |
| 6 | Sampling Assistants | 4 | Nil | (-) 4 |

*Source: Uniform Drinking Water Quality Monitoring Protocol*

The above table indicated that there was no Microbiologist/Bacteriologist, Laboratory Attendant and Sampling Assistants in the District Labs. Further; there were shortages of two Laboratory Assistant and one Data Entry Operator in the Labs. Shortage of manpower resulted in huge shortfall of testing of water samples. In the absence of Data Entry Operator in East District Lab, the Chemist himself entered the data and performed other record keeping jobs in the Lab. Further, the two Chemists were appointed on temporary basis and were drawing consolidated pay from NRDWP Fund. The Department may ensure that at least one dedicated post of Water Analyst/Chemist in all four districts was created and filled on regular basis.

While accepting the audit contention, the Department stated (November 2017) that the shortfall of manpower would be taken up appropriately.

### *h) Water Quality Testing*

The target and achievement of water quality testing by the District Labs under WQMS was as under:

**Table 2.3.17**
**Status of water quality testing by the District Labs under WQMS**

| Financial year | No. of sources to be tested | No. of water samples to be tested by District Laboratory | | | | | | | | | Shortfall against the required targets as per guidelines | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Target as per guidelines | | | Target as fixed by the SWSM | | | Achievement | | | | | |
| | | Bacterio-logical | Chemical | Total | Bacterio-logical | Chemical | Total | Bacterio-logical | Chemical | Total | Bacterio-logical | Chemical | Total |
| 2012-13 | 12266 | 24532 | 12266 | 36798 | 1000 | 1000 | 2000 | 183 | 183 | 366 | 24349 | 12083 | 36432 |
| 2013-14 | 12266 | 24532 | 12266 | 36798 | 1000 | 1000 | 2000 | 887 | 887 | 1774 | 23645 | 11379 | 35024 |
| 2014-15 | 12266 | 24532 | 12266 | 36798 | 1000 | 1000 | 2000 | 825 | 825 | 1650 | 23707 | 11441 | 35148 |
| 2015-16 | 12266 | 24532 | 12266 | 36798 | 1000 | 1000 | 2000 | 852 | 852 | 1704 | 23680 | 11414 | 35094 |
| 2016-17 | 12266 | 24532 | 12266 | 36798 | 1000 | 1000 | 2000 | 163 | 163 | 326 | 24369 | 12103 | 36472 |
| **Total** | **61330** | **122660** | **61330** | **183990** | **5000** | **5000** | **10000** | **2910** | **2910** | **5820** | **119750** | **58420** | **178170** |

*Source: Departmental records and IMIS*

Analysis of data of water quality tests conducted by both the District Labs of the State revealed that there was shortfall in achieving the targets by 95 to 99 *per cent* during 2012-17. As against the total requirement of 36,798 tests (24,532 bacteriological and 12,266 chemical test) every year, the actual water quality testing ranged between one and five *per cent* only. The reason for shortfall was attributed to acute shortage of manpower in the District Labs.

Further, scrutiny of records at both the Districts Labs of the State revealed that the Department collected water samples and conducted water quality tests on 2,910 samples, out of which, 488 samples were found contaminated with pH (30), turbidity (52), coliform (406). No remedial measures were however, taken at any level by the Department.

This fact was also corroborated in beneficiaries survey (May to July 2017) wherein 465 (77 *per cent*) out of 600 beneficiaries were not satisfied with the water quality, 468 (78 *per cent*) beneficiaries had grievances of water during rainy season, i.e. dirty and murkier water and 407 (67 *per cent*) beneficiaries were not aware that supplied drinking water was safe/potable.

### *i) Field Testing Kits*

Para 5.1.1 of Uniform Drinking Water Quality Monitoring Protocol envisaged that GPU and Water Quality Testing Laboratories were to use Water Quality FTKs for primary investigation for physio-chemical analysis. This kit could carry out 100 tests for 11 parameters[17]. The water sources were to be tested twice a year for bacteriological parameters and once a year for chemical parameters with positive detects triggering clear pre-defined interventions. All positively tested samples using FTKs was to be referred to the nearest district/sub-divisional water quality testing laboratory for confirmation. Accordingly, the Department procured 220 FTKs during 2013-14 for ₹ 77.17 lakh and issued to BFEs.

Records of the two Water Testing Labs in the State revealed that no target was fixed by the Department for water samples to be tested with FTKs. There was huge shortfall in achievement of targets against the requisite norms as per guidelines of water source

[17] *(i) Turbidity, (ii) pH, (iii) Total Hardness, (iv) Total Alkalinity, (v) Chloride, (vi) Ammonia, (vii) Phosphate, (viii) Residual Chlorine, (ix) Iron, (x) Nitrate and (xi) Fluoride.*

testing by the BFEs using FTKs in the State during 2012-17. As against the total requirement of 36,798 test each year, only 10; 1,922; 743; 427 and Nil number of water sources were tested with a shortfall of 36,788; 34,876; 36,044; 36,371 and 36,798 respectively.

Joint physical (May 2017) verification of GPUs covered under this PA revealed that after the FTKs were issued to the BFEs in 2013-14, no refilling of kits was ever done by the Department even though there was provision and availability of funds under the scheme. The water samples from the sources were tested by BFEs only once in 2014-15 in two GPUs and twice in two GPUs during the last five years. The test reports were sent in February 2015 by the BFEs to the District Labs for their confirmation and analysis on some parameters (Chloride, turbidity and total hardness) which was found in excess of desirable limits. However, no reports were received by any of the GPUs from the District labs to address the issue, if any. Thus, the entire expenditure of ₹ 77.17 lakh spent on procurement of FTKs remained unfruitful as these FTKs were unusable due to non-refilling in time.

The Department stated (November 2017) that the capacity building of Panchayat functionaries and BFEs would be taken up by CCDU so that they were well equipped to handle FTKs at GPU Level. The reply was not tenable as the FTKs were not in use.

#### *j) Fencing provision not kept in the estimates*

In order to protect the main source of water through stream, gravity and spring water, every source compound was required to be fenced to avoid contamination and to protect from grazing of animals. However, the provision for fencing of source were not taken into account while framing the estimates.

Joint verification (May to July 2017) in water sources covered under this PA revealed that all the drinking water sources were without any fencing leaving them prone to biotic interference and contamination which would result in health hazard.

The Department stated (November 2017) that the schemes under WQMS were taken up as and when required as per the availability of funds.

### *2.3.9.4 Monitoring and Evaluation*

Regular monitoring of implementation of various activities of any programme is an inevitable part of the Management’s responsibility to ensure optimum performance and timely fulfilment of objectives of the projects.

Para 19.2 of the NRDWP guidelines provided for Vigilance and Monitoring Committees (VMC) to monitor the progress and exercise vigilance of the programme. Regular field inspections by officers from the State and the district levels were essential for effective implementation of the programme. DWSM was required to constitute a team of experts in the district, which reviewed the implementation in different blocks frequently. Similarly, the SWSM was to conduct review of the programme in the districts once in six months.

Audit scrutiny revealed that neither the State Vigilance and Monitoring Committee (SVMC) nor DVMC were constituted in the State. As a result, monitoring on the progress and exercise of vigilance in respect of NRDWP were absent which can be corroborated by the fact that 414 (out of 462) projects were delayed and incomplete as of July 2017.

Further, monitoring through regular field inspections by officers from the State and the District level was not conducted for effective implementation of the programme. There were no records to show that the field inspections were conducted by the officers and engineers from the Central Ministry, State and districts on monitoring and evaluating the projects. Quarterly and six monthly review meetings were not held by the SWSM and the DWSM. Social audit was never conducted for the rural water schemes. Complaint Grievance Redressal Mechanism did not exist both at the State and at District Level.

The Department stated (November 2017) that the National Level Monitors independently inspect the works carried out regularly. Regular inspections were also done by the concerned at all levels. The reply was not acceptable as the Department could not furnish any of the monitoring reports of inspection conducted for NRDWP works to Audit.

#### *2.3.9.4.1 Data Analysis of Integrated Management Information System (IMIS)*

The IMIS is a key mechanism for monitoring any programme. To this end, the officials were required to furnish all the data and information, as may be prescribed by the Ministry of Drinking Water Supply, GoI from time to time, in the relevant module of the online IMIS.

Audit scrutiny revealed inconsistencies in data with regard to various parameters as given below:

➢ Discrepancies in the number of functional RWSS, targets and achievement of drinking water, coverage of schools and Anganwadi and number of water samples tested in the District Labs were as follows:

**Table 2.3.18**
**Data discrepancies regarding water samples tested in the District Labs**

| Parameter | As per IMIS | Audit analysis |
|---|---|---|
| Functional water schemes | Number of functional RWSS was 278 in ten GPUs checked. | It was found that only 161 RWSS schemes were functional in those GPUs and 117 RWSS were non-functional. |
| Collection of samples | Testing of water samples in the District Labs during 2012-17 = 273 | As per the records maintained at District Water Testing Laboratories the number of testing during 2012-17 = 243 |
| Category of scheme | No. of schemes in the GPUs covered under this PA = 246 | Actual number of schemes in the GPUs covered under this PA= 156 |

*Source: IMIS*

➢ Discrepancies in data maintained on IMIS and those at the 15 GPUs covered under this PA in respect of status of drinking water facility at schools and Anganwadis were as follows:

**Table 2.3.19**
**Data discrepancies regarding status of drinking water facility at schools and Aganwadis**

| Sl. No. | Name ofGPUs covered under this PA | Schools | | | | Anganwadis | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total number of Schools | | No. of Schools with drinking water facility | | Total number of Anganwadis | | No. of Anganwadis with drinking water facility | |
| | | IMIS | As per site Record | IMIS | As per site or Physical Record | IMIS | As per site Record | IMIS | As per site or Physical Record |
| 1 | Khamdong | 7 | 6 | 3 | 6 | 0 | 6 | 0 | 4 |
| 2 | Sirwani | 6 | 5 | 5 | 3 | 0 | 14 | 0 | 3 |
| 3 | Chalamthang | 8 | 4 | 5 | 0 | 0 | 6 | 0 | 0 |
| 4 | Taza | 6 | 3 | 4 | 1 | 1 | 4 | 1 | 3 |
| 5 | Namthang | 2 | 5 | 2 | 5 | 1 | 8 | 1 | 8 |
| 6 | Sadam | 9 | 2 | 8 | 2 | 3 | 2 | 1 | 0 |
| 7 | Niya | 2 | 6 | 1 | 3 | 1 | 7 | 0 | 3 |
| 8 | Sripatam | 4 | 7 | 0 | 3 | 0 | 9 | 0 | 6 |

*Source: Departmental records and IMIS*

➢ Discrepancies were also noticed in the figures of total number of schemes in the districts covered under this PA as given in the table below:

**Table 2.3.20**
**Discrepancies in total number of schemes in districts**

| Name of districts | Total number of scheme | | |
|---|---|---|---|
| | As per IMIS | As per physical record | Discrepancies in uploading of numbers |
| East | 1,424 | 524 | 900 |
| South | 1,455 | 411 | 1,044 |

*Source: Departmental records and IMIS*

➢ Discrepancies in financial figure (opening balance, total funds received and expenditure) during 2012-17 uploaded in MIS compared to figures of the departmental records are depicted in table below:

**Table 2.3.21**
**Discrepancies in financial figure during 2012-17 uploaded in IMIS**

*(₹ in crore)*

| Year | As per MIS | | | As per Department records | | | | |
|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Funds Receipts | Expenditure | Opening Balance | Funds Receipts | Interest earned | Expenditure | Closing Balance |
| 2012-13 | 20.15 | 43.91 | 38.89 | 50.88 | 32.36 | 1.81 | 44.44 | 40.61 |
| 2013-14 | 0 | 71.32 | 71.25 | 40.61 | 27.21 | 1.05 | 67.99 | 0.88 |
| 2014-15 | 0 | 32.46 | 32.03 | 0.88 | 34.45 | 0.3 | 33.65 | 1.98 |
| 2015-16 | 0 | 14.81 | 14.81 | 1.98 | 14.37 | 0.13 | 11.58 | 4.9 |
| 2016-17 | 0 | 24.19 | 23.30 | 4.9 | 26.22 | 0.09 | 23.27 | 7.94 |
| **Total** | | **186.68** | **180.28** | | **134.61** | **3.38** | **180.93** | |

*Source: Departmental records and IMIS*

Thus, there were inconsistencies in figures in the opening balances, total funds received and total expenditure uploaded in the IMIS as compared to the actual figures in the departmental records. There were no opening balances shown during 2013-14 to 2016-17 in IMIS. Funds received during 2012-17 were shown as ₹ 186.68 crore in IMIS against the actual receipt of ₹ 134.61 crore.

The above discrepancies indicated unreliability of data maintained on IMIS, which was expected to serve as the key tool for planning, monitoring and evaluation of the programme.

While accepting the fact, the Department stated (November 2017) that the data gap as per actual and IMIS was being reconciled in consultation with the concerned section of the Ministry of Drinking Water & Sanitation.

## 2.3.10 Conclusion

*Implementation of the National Rural Drinking Water Programme in Sikkim was riddled with deficiencies in planning, programme execution and monitoring. The Five-year comprehensive plan was not prepared which resulted in water supply schemes being taken up without an integrated approach. The Department failed to constitute the Source Finding Committee. As of March 2017, the Department was able to cover only 737 habitations out of 2084 habitations as Fully Covered (40 lpcd, though the target for Fully Covered habitation was 55 lpcd by March 2017) while the remaining 1,347 habitations (65 per cent) had not been covered even after the implementation of revised scheme in 2009. There were instances of short-release of State share and delay in release of funds by State to State Water and Sanitation Mission. Out of 462 RWSS projects in the State, 105 projects had not been completed recording delay between three and four years beyond the stipulated date of completion. Programme implementation had been characterised with non-commencement of work, abandonment of work, tapping of water from non-perennial source, lack of co-ordination with other departments, etc. This was mainly due to ineffective monitoring and evaluation of physical and financial performance and management of the water supply by the SWSM. The water quality monitoring and testing for detection of chemicals and bacteriological contamination was only one to five per cent in a year. Discrepancies between data in the IMIS and that maintained by the implementing agencies undermined the reliability of the system as a viable tool for monitoring.*

## 2.3.11 Recommendations

The Department may consider the following recommendations:

- Strengthening of institutional set up for effective coordination, implementation and monitoring of the schemes taken up under National Rural Drinking Water Programme;
- Constituting the Source Finding Committee to ascertain the perennial water source;
- Ensuring timely submission of Annual Action Plans as well as the Utilisation Certificates and timely release of State's matching share;
- Ensuring timely completion of the projects;
- Ensuring integrity of data maintained in the Integrated Management Information System for effective monitoring of programme at various levels.

# TRANSPORT DEPARTMENT

## 2.4 Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System

In Sikkim, the control and transportation of all goods and of passengers within the State and also to and from outside the State are carried out by the Sikkim Nationalised Transport Division (SNT) of the State Transport Department. Performance Audit of the SNT including implementation of the Integrated Depot Management System (IDMS) for the period 2012-17 revealed that the Government had not accorded adequate priority to public transport in the State. Besides, the IDMS which was an IT based application for supervision of fleet, management of workshops and collection of supervision charges was beset with flaws making the data in the system unreliable. The main findings are highlighted below.

### Highlights

**There exists no policy or road map to chalk out long term perspective plan with a view to make operations of the SNT sustainable in the long run.**

**(Paragraph 2.4.9.1)**

**The Capital expenditure of ₹ 7.20 crore constituting barely 3 *per cent* of the total expenditure of ₹ 220.15 crore during 2012-17 indicated low priority accorded to public transport.**

**(Paragraph 2.4.9.2.2)**

**The SNT had a yearly revenue gap of the order of ₹ 1.58 crore to ₹ 18.75 crore during the period 2012-17.**

**(Paragraph 2.4.9.3.1)**

**The SNT was unable to fulfil its social responsibility of providing connectivity equitably to all areas of the State. There was no connectivity of West district with the capital town (Gangtok). Further, far flung areas in the North and West districts like Lachung, Lachen and Yuksom were not provided bus connectivity even to the respective district headquarters.**

**(Paragraph 2.4.9.1)**

**The IDMS scheme which was expected to substantially improve operational efficiency of the SNT had not delivered the desired result. There was no scope in the IDMS to capture vital data required for monitoring the functioning of SNT by the top management. Instances of incorrect data feed, due to absence of standardised mode of data entry and data authentication were noticed. It may render the data fed unreliable.**

**(Paragraph 2.4.9.4)**

### 2.4.1 Introduction

The history of the Sikkim Nationalised Transport Division of the Transport Department, Government of Sikkim dates back to more than 72 years. The Truck Department was created by the Sikkim Durbar in 1944 which was subsequently renamed as the Sikkim Nationalised Transport (SNT) in 1955. After merger of the kingdom of Sikkim with India (April 1975), the Motor Vehicles Department and the SNT were merged to form the Transport Department with two divisions – the SNT Division and the Motor Vehicles Division. Brief statistics of operation of SNT for the year 2012-13 to 2016-17 are given below:

**Table 2.4.1**
**Brief statistics of SNT operation**

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Number of buses | 95 | 96 | 84 | 125 | 120 |
| Number of trucks | 56 | 49 | 48 | 42 | 32 |
| Number of tankers | 34 | 33 | 30 | 30 | 34 |
| Revenue receipt (₹ in crore) | 29.01 | 34.10 | 27.63 | 41.55 | 48.76 |
| Expenditure (₹ in crore) | 36.87 | 41.65 | 46.38 | 43.13 | 52.12 |
| Revenue collection for passenger fare from SNT buses (₹ in crore) | 4.44 | 5.19 | 5.62 | 5.46 | 6.81 |
| Net freight earned from SNT trucks (₹ in crore) | 2.46 | 2.93 | 2.24 | 2.85 | 1.96 |
| Net freight earned from SNT tankers (₹ in crore) | 1.96 | 2.33 | 2.38 | 2.68 | 2.69 |
| Commission earned from hired private trucks (₹ in crore) | 1.77 | 1.98 | 2.99 | 3.24 | 3.94 |
| Commission earned from hired private tankers (₹ in crore) | 2.39 | 2.61 | 2.70 | 3.26 | 4.71 |
| Supervision charges (₹ in crore) | 17.95 | 15.87 | 13.92 | 20.39 | 24.88 |
| Railway out agency post bag carriage lease rent etc (₹ in crore) | 0.59 | 0.51 | 1.07 | 0.54 | 0.34 |
| Revenue expenditure (₹ in crore) | 35.84 | 39.65 | 44.38 | 43.13 | 49.95 |
| Capital expenditure (₹ in crore) | 1.03 | 2.00 | 2.00 | 0.00 | 2.17 |
| Revenue gap (₹ in crore) | 7.86 | 7.55 | 18.75 | 1.58 | 3.36 |
| Effective KM operated (in lakh Kms) (for bus operations) | 17.89 | 18.82 | 16.76 | 18.98 | 22.86 |
| Traffic Revenue per KM ( in ₹/Km) | 24.76 | 27.58 | 33.53 | 28.77 | 29.79 |
| Repair & Maintenance expenses per vehicle per year (₹ in lakh) | 0.76 | 0.79 | 1.54 | 0.71 | 1.34 |
| Kilometre Per litre (KMPL) (buses) | 4.27 | 4.56 | 4.39 | 4.18 | 3.77 |

### 2.4.2 Mandate of the Sikkim Nationalised Transport (SNT)

In terms of the Government of Sikkim (Allocation of Business) Rules, 2008 the SNT was mandated to provide public transport in the State through controlling and transportation of all goods and passengers on routes within Sikkim and also outside the State *(under Inter-State agreement)*. SNT was also mandated for:

- The running of Railways Out-Agency[18] for carriage of goods and passengers;
- Transportation of postal mail within and outside the State;

[18]*Railway ticket booking counter*

- Fixation of tariffs[19], purchase of Government vehicles, accessories and spare parts from manufacturers and authorised dealers;
- Running of workshop for repair and maintenance of departmental fleet of SNT;
- Running of Car Workshop for repairs of Government vehicles;
- Supply of petrol, oil and lubricants to Government vehicles; and,
- Maintenance of stores[20] for SNT fleet and Government department vehicles,

The SNT had a network of eight depots, eight booking offices and four workshops and owned and operated a fleet of 34 tankers, 32 trucks and 120 buses as at the end of 2016-17.

The SNT implemented (2014-15) the Integrated Depot Management System (IDMS) with one time financial assistance of ₹ 4.52 crore (50 *per cent* of project cost) from Government of India (GoI), Ministry of Road Transport and Highways (MORTH).

## 2.4.3 Organisational Set-up

Secretary, Transport Department is the head of the SNT. He is assisted by a Chief Engineer-cum-General Manager (CE-cum-GM). CE is supported by an Additional Chief Engineer, an Additional General Manager, an Additional Director, a Joint General Manager, two Superintending Engineers, a Joint Director, a Chief Accounts Officer, an Accounts Officer, eight Deputy General Managers, a Deputy Director and a host of other officers and staff. SNT comprised of seven functional wings – Mechanical, Operational, Enforcement, Administration, Accounts, Revenue and Statistics.

The additional Chief Engineer had been declared as nodal officer to oversee the functioning of the IDMS.

## 2.4.4 Scope of Audit

The Performance Audit (PA) of the SNT and implementation of IDMS covering the period from 2012-13 to 2016-17 was conducted during May to August 2017. Records in the departmental headquarters, three selected depots/booking offices (Gangtok, Rangpo and Siliguri) out of eight depots/booking offices and two workshops (Gangtok and Jalipool) out of four workshops were test checked. Besides, joint physical verification of three out of four weigh-bridges and the two check-posts existing at the selected depots was also conducted.

## 2.4.5 Audit Objectives

The PA was conducted with the objective to assess:

[19] *Bus fares, freight charges of goods carriers (trucks & tankers) and supervision charges*
[20] *Stores of spare parts maintained by the SNT attached to its workshops for repair/maintenance of Government vehicles.*

- the availability and implementation of any policy, plan or strategy for effective functioning of the SNT;
- efficacy of overall financial management of the SNT;
- operational efficiency and efficacy of the SNT;
- efficacy of IDMS in facilitating functional efficiency of the SNT; and,
- effectiveness of monitoring and supervision of the SNT's functions and activities by the top management.

### 2.4.6 Audit Criteria

The Audit findings were benchmarked against:

- Norms prescribed by the SNT and Sikkim Financial Rules;
- Physical and financial targets fixed by the Management and the Government;
- Performance standards and operational norms determined by the Association of State Road Transport Undertakings (ASRTU) and Central Institute of Road Transport (CIRT), Pune; and
- All India Average (AIA) for performance parameters relating to operation of State Transport Undertakings and good practices followed for public transport.

### 2.4.7 Audit Methodology

The audit objectives, audit criteria and the methodology adopted for drawing the audit conclusions were explained to the departmental authorities in an entry conference (14 July 2017) with the head of the Department and his team of officers.

The field work was carried out (May-August 2017) through examination of records in the departmental headquarters at Gangtok supplemented with scrutiny of records in three Depots/Booking offices[21] and two workshops[22] selected through random sampling as follows:

**Table 2.4.2**
**Sampling**

| Particulars | Total no. | Selected for scrutiny |
|---|---|---|
| Depots | 8 | 3 |
| Workshops | 4 | 2 |
| Buses | 120 | 39 |
| Trucks | 32 | 11 |
| Tankers | 34 | 11 |

[21] *Gangtok, Rangpo and Siliguri*
[22] *Gangtok and Jalipool*

A sample of 30 *per cent* of the fleet[23] (39 buses, 11 trucks and 11 tankers) was drawn using random sampling technique. Two check-posts at Rangpo and Melli and the weighbridges located at those check-posts were also inspected. Prior to the commencement of audit, analysis of data sourced from the IDMS was conducted using 'Tableau reader' software with the objective of identifying risk areas relating to utilisation of vehicles, variation in earning between vehicles, performance of drivers, collection of supervision charges, geographical reach of public bus service within the State, etc. The implementation of the IDMS and its functioning was examined with reference to the leads obtained from the data analytics.

The audit findings were discussed with departmental officers in an exit conference held on 13 October 2017. Replies furnished by the Department during and after the exit conference have been suitably incorporated in the Report.

### 2.4.8 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation extended by the officers and staff of the SNT of Transport Department, Government of Sikkim in the successful completion of the PA.

### 2.4.9 Audit Findings

The results of audit are given below:

#### *2.4.9.1 Planning for public transport*

Effective management of any operation requires proper planning to ensure that an organisation is able to fulfil its mandate in the most effective and efficient manner while also taking care of its social responsibility. Similarly, for the SNT to exercise its mandate effectively and efficiently, it was imperative to formulate detailed plans for providing connectivity equitably to the people of the State through sustainable operations and judicious use of its available resources.

The deficiencies noticed in this respect were as follows:

- The SNT had not conducted any need assessment of overall public transport requirement in Sikkim to keep pace with the changing times as the State's population grew from 5.41 lakh in 2001 to 6.11 lakh in 2011 and tourist inflow rose from 5.85 lakh in 2012-13 to 8.07 lakh in 2016-17.
- Route planning of SNT buses was not evident. The SNT plied its buses on 48 routes within and outside the State. However, the basis for determining the routes was not evident on records.
- The West district headquarter of Gyalshing remained unconnected with the capital town Gangtok by SNT buses and remote locations like Lachung, Lachen (North) and Yuksom (West) were unconnected to their respective district headquarters.

[23] *120 buses, 34 tankers and 32 trucks*

➢ The SNT had not conducted any assessment of the requirement of goods carriers (trucks/tankers) to cater to the growing demand due to increased commercial and industrial activities in the State.

➢ Purchase planning of fleet was not done. Purchases were made as and when funds were provided by the State or available under central schemes. During the period 2012-17, the SNT could increase its bus fleet from 97 to 120[24]. Out of the 120 buses, eleven buses were older than 10 years and hence, had outlived their economic life as prescribed by the SNT.

➢ Sixteen JNNURM buses designed for short distance urban transport were deployed for long distance journeys to Siliguri (15 buses) and Namchi (01 bus) even though they lacked basic structure for long distance journey like overhead racks (Image 2.4.1) for keeping passenger belongings. Further, 11 JNNURM buses meant for urban transport were being deployed for rural destinations.

**Image 2.4.1**

**Bus having no overhead racks**

➢ While the SNT added only 49 new buses to its fleet between 2012-13 and 2016-17, the volume of private passenger carriers grew from 5,413 at the beginning of 2012-13 to 11,897 at the end of 2016-17, which was an increase of 6,484 vehicles *(268 buses, 2,159 maxi-cabs, 3,326 taxi-cabs & 731 luxury tourist vehicles)* indicating the rapidly rising demand for public transport in the State which was not being capitalised by the SNT.

The SNT stated (October 2017) that it had a well laid down policy for public transport and that the State followed the National Transport Policy.

The reply of the SNT was not factual and relevant. SNT had not adhered to the basic requirements under the National policy framework for Public Bus Transport (PBT). SNT had also not laid down a clear and stable policy framework that defined roles and responsibilities of all stake-holders in the PBT system to facilitate long term planning, sound day-to-day operation and a firm basis for launching public private partnership. The national policy also envisaged putting in place an efficient PBT system to contain runaway growth in personalised mode of transport, which the SNT had not been able to fulfil.

### *2.4.9.2 Financial Management*

The estimates and actuals of revenue receipts and expenditure of the SNT during 2012-13 to 2016-17 was as under:

[24] *Against an opening balance of 97 buses in 2012-13, 49 buses were added during 2012-17 and 26 buses were disposed of during the same period leading to net increase of 23 buses.*

**Table 2.4.3**
**Receipt and expenditure of SNT**

*(₹ in crore)*

| Year | Revenue Receipt | | Expenditure | |
|---|---|---|---|---|
| | Estimate | Actual | Estimate | Actual |
| 2012-13 | 31.77 | 29.01 | 38.07 | 36.87 |
| 2013-14 | 36.04 | 34.10 | 41.67 | 41.65 |
| 2014-15 | 43.00 | 27.63 | 52.04 | 46.38 |
| 2015-16 | 42.36 | 41.55 | 45.82 | 43.13 |
| 2016-17 | 50.00 | 48.76 | 52.12 | 52.12 |
| **Total** | **203.17** | **181.05** | **229.72** | **220.15** |

*Source: State Finance Report and Detailed Appropriation Accounts*

➢ Annual estimates of revenue for the SNT were fixed by the Finance, Revenue and Expenditure Department (FRED) of the State Government. It may be seen that the targets were scaled up from ₹ 31.77 crore to ₹ 50 crore for the SNT during 2012-17, except for the year 2015-16 when the target was slightly scaled down to ₹ 42.36 crore from ₹ 43 crore in 2014-15. However, the basis or analysis for determination of SNT's annual revenue targets by the FRED could not be ascertained in audit. The SNT on its part also did not prepare any revenue model for itself for optimising the revenue collection while ensuring sustainable operations.

➢ The SNT prepared a deficit budget in all five years. The expenditure estimates were always kept higher than the revenue estimates, indicating that the SNT assumed incurring loss right from the budgeting stage. Further, the accounts of the SNT were not maintained in commercial model despite the fact that major activities of the SNT were related to commercial operations.

➢ The revenue earning of SNT fell short of the estimates in all the five years with substantial shortfall of ₹ 15.37 crore in revenue collection in 2014-15. This shortfall in 2014-15 was due to low realisation of supervision charges from private trucks/tankers. The position improved in the subsequent years with SNT's revenue collection increasing from ₹ 29.01 crore to ₹ 48.76 crore (68 *per cent* increase) between 2012-13 and 2016-17. The increase was mainly due to increased vigil in collection of supervision charges, revision of passenger fares, rates of goods freight, and introduction of new fleet of buses under the JNNURM scheme.

The SNT stated (October 2017) that since public transport came under the social sector and transport facilities were being provided on subsidised rates, it was not possible to operate public transport on a revenue model. It further stated that the revenue targets were fixed by FRED with due consultation with the SNT. Reply of the SNT was not acceptable as 84 *per cent* of its total revenue came from collection of freight charges/commission from trucks/tankers, supervision charges etc. which were commercial activities while only 16 *per cent* came from its bus service, which had social responsibility angle. Further, the Chief Minister who was also the Finance Minister had specifically instructed (February 2016) the SNT to function as a revenue generating Department for the State while working in public interest, and ensuring qualitative delivery of service and winning the trust of the consumers.

### 2.4.9.2.1 System of collection and deposit of revenue

The revenue of SNT comprised earnings from passenger fare, freight charges collected from SNT's own trucks/tankers, commission earned from private trucks/tankers hired and let out by SNT, supervision charges collected from private trucks/tankers at the check-posts, supervision charges from private buses under SNT supervision, commission from railway out agency, post bag carriage charges and rent earned from leased out properties.

The revenue earned by the SNT from various sources[25] is shown in the table below:

**Table 2.4.4**
**Components of revenue**

*(₹ in crore)*

| Year | Passenger fare from SNT buses | Net Freight earned from SNT | | Commission earned from hired Private | | Supervision Charges | Railway out agency, Post bag carriage, lease rent etc. | Total |
|---|---|---|---|---|---|---|---|---|
| | | Trucks | Tankers | Trucks | Tankers | | | |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* |
| 2012-13 | 4.44 | 2.46 | 1.96 | 1.77 | 2.39 | 17.95(57) | 0.59 | 31.56 |
| 2013-14 | 5.19 | 2.93 | 2.33 | 1.98 | 2.61 | 15.87(51) | 0.51 | 31.42 |
| 2014-15 | 5.62 | 2.24 | 2.38 | 2.99 | 2.70 | 13.92(45) | 1.07 | 30.92 |
| 2015-16 | 5.46 | 2.85 | 2.68 | 3.24 | 3.26 | 20.39(53) | 0.54 | 38.42 |
| 2016-17 | 6.81 | 1.96 | 2.69 | 3.94 | 4.71 | 24.88(55) | 0.34 | 45.33 |

*Source: Departmental records. Figures in bracket indicate percentage*

It can be seen that the maximum revenue of SNT was from collection of supervision charges from private trucks/tankers at the check-posts, which constituted 45 to 57 *per cent* of the total revenue. The collection on this account was lowest in 2014-15 at ₹ 13.92 crore. This was due to inadequacy in monitoring collection of supervision charges at the check-posts, as corroborated by facts mentioned below.

The SNT personnel stationed at the check-posts at Rangpo and Melli were required to ensure deposit of supervision charges into Government account in the State Bank of Sikkim Branch located at the check-posts by the goods carrying private trucks/tankers. Any truck/tanker permitted to pass through the check-posts by SNT personnel without ensuring deposit of appropriate supervision charges would escape paying supervision charges since there was no system in the SNT for secondary verification of payment of supervision charges by such trucks/tankers. The low revenue realisation from supervision charges due to likely misappropriation of revenue at the check-posts during 2014-15 came to the notice of the Chief Minister (CM) and the Chief Secretary (CS) in December 2015 resulting in the CM visiting the Rangpo check-post on 10 February 2016. Thereafter, the situation improved from 2015-16 as is evident.

The SNT stated (October 2017) that there was no laxity/pilferage of revenue and that with the implementation of IDMS and operation of static and weighs-in-motion weighbridges,

[25] *The difference in figures of revenue earned in Table 2.4.3 & Table 2.4.4 is due to maintaining a separate account in the Axis Bank by SNT for dealing with receipts and payments relating to hire business of trucks/tankers. Net revenue from hire business was transferred into Government account from time to time after receipt into the separate account first. The time lag in receipt/deposits caused the difference.*

the system of enforcement and monitoring had increased resulting in higher revenue. The reply was not tenable as (i) the weighbridges were found mostly non-functional and (ii) working of the IDMS was found largely inadequate.

### 2.4.9.2.2 Revenue expenditure vis-a-vis Capital expenditure

97 *per cent* of the expenditure of ₹ 220.15 crore of SNT during 2012-17 was of revenue nature comprising expenditure on salaries, allowances, office expenses, repair and maintenance of vehicles, minor repair of buildings and guest houses, implementation of IDMS project etc., while only 3 *per cent* was of a capital nature, as shown in the table below:

**Table 2.4.5**
**Expenditure: Revenue vis-à-vis Capital**

*(₹ in crore)*

| Year | Revenue Expenditure | Capital Expenditure | Total Expenditure |
|---|---|---|---|
| 2012-13 | 35.84 | 1.03 | 36.87 |
| 2013-14 | 39.65 | 2.00 | 41.65 |
| 2014-15 | 44.38 | 2.00 | 46.38 |
| 2015-16 | 43.13 | 0.00 | 43.13 |
| 2016-17 | 49.95 | 2.17 | 52.12 |
| | **212.95** | **7.20** | **220.15** |

*Source: Detailed Appropriation Accounts and Budget Estimates*

The fact that capital expenditure accounted for a bare three *per cent* of the total expenditure indicated that the SNT remained more or less stagnant in terms of organisational growth with just sufficient expenditure (capital and revenue) to maintain the status quo. The capital expenditure of ₹ 7.20 crore during 2012-17 was used by SNT for purchase of four trucks, seven tankers, eight buses, installation of weighs-in-motion at the check-posts and purchase of minor tools, equipment and other items.

The SNT stated (October 2017) that all the funds provided for infrastructure development had not been reflected in the capital account. Government had provided additional funds of ₹ 7.26 crore for infrastructure development towards implementation of the IDMS and allied works which were of capital nature but had been reflected under revenue head of account.

The reply was not tenable as depiction of capital expenditure under revenue head of account was irregular. Besides, out of ₹ 7.26 crore mentioned by the SNT, ₹ 5.36 crore pertained to implementation of the IDMS for which 50 *per cent* of the funds had been provided by the GoI.

### 2.4.9.3 Operational Performance of SNT

The vehicle fleet held by the SNT during 2012-17 was as under:

**Table 2.4.6**
**Year-wise fleet strength of SNT**

| Year | Buses | | | | Trucks | | | | Tankers | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | O.B. | New | Disposed | C.B. | O.B. | New | Disposed | C.B. | O.B. | New | Disposed | C.B. |
| 2012-13 | 97 | 0 | 2 | 95 | 52 | 4 | 0 | 56 | 33 | 1 | 0 | 34 |
| 2013-14 | 95 | 8 | 7 | 96 | 56 | 0 | 7 | 49 | 34 | 2 | 3 | 33 |
| 2014-15 | 96 | 0 | 12 | 84 | 49 | 0 | 1 | 48 | 33 | 0 | 3 | 30 |
| 2015-16 | 84 | 41 | 0 | 125 | 48 | 0 | 6 | 42 | 30 | 0 | 0 | 30 |
| 2016-17 | 125 | 0 | 5 | 120 | 42 | 0 | 10 | 32 | 30 | 4 | 0 | 34 |
| **Total** | | **49** | **26** | | | **4** | **24** | | | **7** | **6** | |

*Source: Departmental records*

➢ During 2012-17, the SNT added 49 new buses to its fleet and disposed of 26 old buses. The 49 new buses included 41 buses procured in 2015-16 funded under the JNNURM scheme of GoI while eight buses procured in 2013-14 were funded under State Plan.

➢ During 2012-17, the Department procured only four new trucks and disposed of 24 old trucks with the SNT's truck fleet dwindling from 52 at the beginning of 2012-13 to 32 at the close of 2016-17. The decline in the number of trucks was due to disposal of aged fleet and lack of funds for purchase of new fleet to replace the aged fleet.

➢ During 2012-17, the SNT procured seven new tankers while disposing of six old tankers. The number of SNT owned tankers remained almost static at 33 at the beginning of 2012-13 and 34 at the close of 2016-17.

In the absence of proper assessment of needs and fleet planning audit could not comment on the adequacy or shortfall of the fleet position of the SNT. Nonetheless, considering the increased population, flow of tourists, increasing industrialisation of the State and consumption of goods, there was obvious scope for enhancement of the SNT's fleet.

### *2.4.9.3.1 Revenue Gap*

Though the bus fleet constituted 65 *per cent* of total fleet strength (31 March 2017), the SNT did not maintain separate records relating to various components of costs relating to bus operations. However, traffic revenue and effective kilometres were recorded for bus operations separately. The details of consolidated working results of SNT for the period 2012-17 are highlighted below.

**Table 2.4.7**
**SNT's consolidated working result**

*(₹ in crore)*

| Sl.No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| 1 | Total Revenue (A) *(including traffic revenue, misc. revenue & net revenue from hired fleet of trucks / tankers)* | 29.01 | 34.10 | 27.63 | 41.55 | 48.76 |
| 2 | Total Expenditure (B) | 36.87 | 41.65 | 46.38 | 43.13 | 52.12 |
| 3 | Revenue gap for the year (B-A) | 7.86 | 7.55 | 18.75 | 1.58 | 3.36 |
| 4 | Traffic Revenue (for bus operations only) (C) | 4.43 | 5.19 | 5.62 | 5.46 | 6.81 |
| 5 | Effective KM operated (in lakh Kms) (for bus operations only) (D) | 17.89 | 18.82 | 16.76 | 18.98 | 22.86 |
| 6 | Traffic Revenue per KM ( in ₹/Km ) (Cx100/D) | 24.76 | 27.58 | 33.53 | 28.77 | 29.79 |

*Source: Monitoring & Evaluation cell, SNT. Effective KM: Total revenue earning kilometres*

➢ As can be seen from the above table, while the total expenditure of SNT ranged from ₹ 36.87 crore to ₹ 52.12 crore, the revenue collection was only in the range of ₹ 27.63 crore to ₹ 48.76 crore with consequent revenue gap ranging between ₹ 1.58 crore (2015-16) and ₹ 18.75 crore (2014-15) during 2012-17. The SNT does not maintain its accounts as per commercial system and hence, items like depreciation, cost of assets, etc., could not be worked out.

➢ The revenue gap of ₹ 18.75 crore during 2014-15 was due to low non-traffic revenue from collection of supervision charges, decrease in revenue from operation of trucks and high expenditure during the year. The gaps were however, reduced considerably after 2014-15.

➢ The effective kilometres operated by the SNT buses increased from 17.89 lakh Kms in 2012-13 to 22.86 lakh Kms in 2016-17 and traffic revenue was also on an upward trend and increased from ₹ 24.76 per Km in 2012-13 to ₹ 29.79 per Km in 2016-17.

The SNT stated (October 2017) that it had not suffered losses but that the revenue targets were too high while the fares had not been revised.

The reply of the SNT was irrelevant as the revenue gap mentioned in audit were worked out by comparing the actual revenue earned *vis-a-vis* the expenditure incurred, which had no relation with the revenue targets fixed for the Department. The non- revision of fares by the SNT at regular intervals indicated its failure in establishing an institutional mechanism to protect the SNT against inflation, which, otherwise, has the potential to seriously impact on the bottom-line of the organisation.

### *2.4.9.3.2 Fleet strength and age profile*

The SNT prescribed the norm of 10 years or 3 lakh Kms, whichever was earlier, to declare a bus as over-aged. The table below indicates details of buses held by the SNT during the period 2012-17.

**Table 2.4.8**
**Details of SNT buses**

*(in numbers)*

| Sl.No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| 1. | Total number of buses at beginning of the year | 97 | 95 | 96 | 84 | 125 |
| 2. | Additions during the year | Nil | 8 | Nil | 41 | Nil |
| 3. | Buses condemned/disposed during the year | 2 | 7 | 12 | 0 | 5 |
| 4. | Buses held at the end of year | 95 | 96 | 84 | 125 | 120 |
| 5. | Number of buses more than 10 years old | 32 | 25 | 17 | 15 | 11 |
| 6. | Percentage of over-age buses to total buses (Based on the SNT norms) | 34 | 26 | 20 | 12 | 9 |

*Source: Monitoring & Evaluation cell, SNT*

The number of over-aged buses had reduced from 32 in 2012-13 to 11 in 2016-17 which was an encouraging trend.

The SNT stated (October 2017) that for the year 2016-18, the State Government had provided ₹ 3.05 crore for purchase of nine new buses and approved in principle purchase of 10 new small good quality/luxury buses to meet the need of tourists, etc.

### 2.4.9.3.3 Vehicle productivity

Vehicle productivity refers to the average Km run by each bus per day in a year. The vehicle productivity of the SNT ranged from 42 Km/day/bus during 2015-16 to 55 Km/day/bus during 2014-15. Compared to the All India Average of 196 Kms per day for hilly areas (2009), the vehicle productivity of the SNT was substantially low. The reason for low vehicle productivity of SNT buses was low fleet utilisation by the SNT. Despite continued low productivity, effective steps to improve vehicle productivity by the SNT were not evident on record.

The SNT stated (October 2017) that it had taken all necessary steps after the observation of Audit to enhance vehicle productivity.

### 2.4.9.3.4 Repairs and Maintenance

A summarised position of fleet holding and Repair and Maintenance (R&M) expenditure for the period 2012-17 is given in the table below:

**Table 2.4.9**
**Summary of fleet, overage vehicle and R&M**

| Sl. No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| Total vehicles at the end of the years | | | | | | |
| 1. | Buses | 95 | 96 | 84 | 125 | 120 |
| 2. | Trucks/Tankers | 90 | 82 | 78 | 72 | 66 |
| | **Total** | **185** | **178** | **162** | **197** | **186** |
| | Over-age vehicles ( more than 10 years old) | | | | | |
| | Buses | 32(34) | 25 (26) | 17 (20) | 15 (12) | 11 (9) |
| | Trucks/Tankers | 46(51) | 31(38) | 21(27) | 21(30) | 14 (21) |
| 3. | R& M expenses (₹ in crore) | 1.4 | 1.4 | 2.5 | 1.4 | 2.5 |
| 4. | R& M Expenses per vehicle (₹) | 75,676 | 78,652 | 1,54,321 | 71,066 | 1,34,409 |

*Source: Monitoring & Evaluation cell, SNT. (Figures in bracket indicate percentage)*

The R&M expenditure of the SNT was erratic during the five year period 2012-13 to 2016-17 ranging between ₹ 0.71 lakh per vehicle to ₹ 1.54 lakh per vehicle. In 2014-15, when the SNT held least number of vehicles (162), the R&M expenditure per vehicle was maximum (₹ 1.54 lakh) while in 2015-16, when the number of vehicles held was maximum (197), the R&M expenditure per vehicle was minimum (₹ 0.71 lakh). Further, the total number of vehicles reduced from 178 in 2013-14 to 162 in 2014-15, while the number of overage vehicles reduced from 57 to 38 during the period but the per vehicle R&M expenditure increased from ₹ 0.79 lakh to ₹ 1.54 lakh per vehicle during the period. This defied logic. Further, the SNT was not able to reduce the R&M expenditure which rose from ₹ 0.76 lakh per vehicle in 2012-13 to ₹ 1.54 lakh per vehicle in 2014-15 and ₹ 1.34 lakh in 2016-17. This was despite induction of new vehicles and reduction in the number of over-aged buses. The SNT did not maintain data on vehicle-wise R&M expenditure. Hence, Audit could not analyse the trend of R&M expenditure *vis-à-vis* the age of the buses.

The SNT stated (October 2017) that the maintenance cost included additional facilities like dust bin, hanger, fire extinguisher and upgradation of the buses while the market cost of spares was on an increasing trend. The reply of the SNT could not be vouched for, in the absence of specific data on vehicle-wise R&M expenditure. The erratic trend of R&M expenditure of the SNT, therefore, needed to be properly investigated.

#### 2.4.9.3.5 Fuel consumption

The position of effective kilometres covered by the SNT buses *vis-a-vis* fuel consumed during 2012-17 is depicted in the table below:

**Table 2.4.10**
**Kilometre per litre achieved by SNT**

| Sl. No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| 1. | Effective KMs operated (in lakh) | 17.89 | 18.82 | 16.76 | 18.98 | 22.86 |
| 2 | Fuel Consumption (in lakh litres) | 4.19 | 4.13 | 3.82 | 4.54 | 6.07 |
| 3. | Actual KMPL[26] (1/2) | 4.27 | 4.56 | 4.39 | 4.18 | 3.77 |
| 4. | Target of KMPL fixed by SNT | 3.00 | 3.00 | 3.30 | 3.30 | 3.30 |

*Source: Monitoring & Evaluation cell, SNT*

Except during 2014-15, the effective kilometres operated by the SNT buses were on an increasing trend. However, despite improvement in the quality of the SNT's fleet in terms of age profile over the period 2012-17, there was continuous decline of the distance performed per litre of fuel by the SNT vehicles from 4.56 kmpl in 2013-14 to 3.77 kmpl in 2016-17. The SNT had neither evaluated the reasons for decline in performance of its fleet in respect of fuel efficiency nor taken any steps to improve the situation.

The SNT stated (October 2017) that the hilly terrain, road and weather conditions did not allow optimum output by the vehicles. The reply did not address the fact that despite improvement in the age profile of the fleet over the period 2012-17, the fuel efficiency was on a declining trend.

#### 2.4.9.3.6 Private vehicles hired by SNT

Apart from its own trucks/tankers, the SNT also hired private trucks/tankers and rented them to various agencies. All private trucks/tankers entering Sikkim (not hired by SNT) were required to pay supervision charges at specific rates calculated on the basis of load carried and distance travelled. Audit noticed that the rate difference between hire charges collected from the SNT's customers and the hire charges paid to the owners of private trucks/tankers by the SNT equalled the supervision charges applicable to other private trucks/tankers not hired by SNT. Details of the rate of hire charges collected vis-à-vis hire charges paid by the SNT and the Supervision charges applicable to other private tankers and trucks are given in the table below:

[26] *Kilometre Per litre.*

**Table 2.4.11**
**Rate of hire charge vis-à-vis supervision charge (2016-17)**

| Sl. No. | Name of Users | Hire charge collected by SNT from its Users (₹/MT/Km) | Hire charges paid by SNT to owners of private trucks/tankers (₹/MT/Km) | Difference | Supervision charge (₹/MT/Km) |
|---|---|---|---|---|---|
| | *a* | *b* | *c* | *d=b-c* | *e=d* |
| 1 | Army & Project Swastik | 14.64 | 10.98 | 3.66 | 3.66 |
| 2 | Hydel project developer & ancillary units, para-military forces, pharmaceutical companies etc. | 14.64 | 10.98 | 3.66 | 3.66 |

Hence, the SNT did not gain anything by undertaking the hiring business of private trucks/tankers. On the contrary the SNT had to incur extra expenses on managing the hired trucks/tankers (309).

The SNT also allotted 8.89 lakh litres of high speed diesel (HSD) from its pump at Rangpo at a cost of ₹ 4.78 crore on the hired private trucks/tankers during 2015-17 for performing 5,743 trips. This constituted undue favour to the private vehicle owners. Had the SNT collected supervision charges at the check-posts instead of hiring the private trucks/tankers, it could have earned the same amount of revenue promptly without incurring additional administrative cost and incurring expenditure on purchase of HSD.

The SNT stated (October 2017) that it had introduced additional administrative charges of 1.73 *per cent* against hiring of private trucks/tankers since 2016-17.

### *2.4.9.3.7 Measurement of weights of goods transported*

All private trucks/tankers carrying load in the State of Sikkim, whether inter-State or intra-State, were required to pay supervision charges to the State at rates notified by the SNT from time to time. The supervision charge was determined on the basis of load carried, distance travelled and the type of organisation/business/individual on whose behalf goods were carried. The supervision charges were collected at the check-posts located at Rangpo and Melli.

The following deficiencies were noticed in audit:

- ***Functioning of weighbridges***

For the purpose of determining weights carried by vehicles entering or exiting Sikkim, the SNT took up (February 2011) work of installing two weighbridges at Mining about 5 Kms from the Rangpo check-post and another at Melli check-post at a cost of ₹ 64.91 lakh. Installation of the weighbridges was to be completed by April 2011. The weighbridges were commissioned in September 2012 and December 2015 respectively, after a delay of more than one year in Mining

**Image 2.4.2**

**Weighbridge at Mining**

and more than four years in Melli. A joint visit (August 2017) by Audit along with departmental officers revealed that the weighbridge at Mining was installed about 50 metres away from the national highway inside a residential complex of the State Government and remained largely unused due to the unplanned nature of its installation. The weighbridge could be accessed by loaded vehicles coming from Siliguri only after crossing the highway and after measurement, the vehicles had to reverse and turn round to exit the complex, there being no thoroughfare from the other end of the weighbridge. Scrutiny of weighing done at the weighbridge during March 2017 revealed that weighing was done only for 14 days *(between 1 March 2017 and 21 March 2017)* for 126 vehicles only out of 6362 private goods carriers, which passed through the Rangpo check-post during the same period[27]. Out of these, 45 vehicles were found carrying excess load ranging from 300 kgs to 6,810 kgs indicating that the practice of carrying excess load was prevalent.

At the weighbridge, Melli check-post, only 12 vehicles were measured during March 2017 out of 3,407 goods carrying vehicles, passing through the check-post. Out of these 12 vehicles measured, eight vehicles were found carrying excess weights between 1,690 and 4,630 Kgs indicating widespread prevalence of excess loading.

Despite this fact, mandatory weighing of all vehicles was not enforced and supervision charges were levied on fixed weights based on carrying capacity of the vehicles.

- ***Installation and functioning of weighs-in-motion***

The Chief Secretary (CS) expressed concern (December 2015) over virtual non-utilisation of weighbridges located at Rangpo and Melli and consequent loss of revenue to the Government due to likely connivance of Government servants with businessmen in misappropriating Government revenue. The CM also ordered (December 2015) for repair of the weighbridges within one week.

The CM also approved (February 2016) the proposal of the Department for installation of new sets of Weighs-in motion[28] (WIM) at various check-posts of the State and at district headquarters. In the first phase, installation of four Weighs-in motions (WIMs) was taken up (July 2016), two each at the Rangpo and Melli check-posts for weighing incoming and outgoing vehicles. The WIMs were expected to automatically measure weights of vehicles passing through the check-posts without stopping them thereby saving time and the trouble of taking weights, as in the case of conventional weighbridges.

The SNT directly obtained (February 2016) rates for supply and installation of the WIMs from three agencies[29] without publicising tenders in the national papers as required under Sikkim Financial Rules (Rule 127). The work was awarded (July 2016) to two firms (M/s Essae Digitronics Ltd., Bangalore and M/s Precision weighing system, Pune) for supply and installing two WIMs, one at Rangpo and other at Melli check-post at total cost of ₹ 65.78 lakh.

[27] *1 March 2017 to 21 March 2017.*

[28] *Total12 Weighs-in Motion (WIM) to be installed at the check-posts located at Rangpo, Melli and Reshi besides purchase of five portable WIM system to be kept in the District Headquarters.*

[29] *M/s Essae Digitronice Ltd., Bangalore, M/s Precision weighing system, Pune and M/s Kunal Enterprise, Pune.*

The installation of the WIMs was to be completed, in all respects, by 3 September 2016 but was actually completed only in July 2017, after delay of almost a year. The delay was due to (i) oversight in obtaining timely clearances from the Ministry of Road Transport & Highways and the Border Roads Organisation for installing the WIMs right across the highways and (ii) delay in supply and installation of the WIMs by the selected firms.

A joint inspection (August 2017) of the WIMs installed at Rangpo and Melli check-posts by Audit along with departmental officers revealed that while the WIM at Rangpo functioned for a brief trial period in March 2017, the WIM at Melli check-post was never functional. Besides, the two sensor poles installed in the middle of the road forming part of the WIMs at Rangpo check-post were missing and was stated (August 2017) to be damaged by miscreants. The other two sensor poles set on either side of the road were not fixed firmly on the ground and wobbled on being manually shaken. Cameras placed in the complex were non-functional while the electronic circuit embedded in the ground below the WIMs were stated (August 2017) to be damaged due to seepage of rain water and flow of slush underground.

**Image 2.4.3**

**WIM at Melli Check post**

The damage of WIMs located within direct visual range of the custodians of the check-post by miscreants was an unacceptable excuse as there was 24 hour surveillance in the check-posts through different agencies of the State[30]. Further, the WIMs were pit type machines requiring embedding in the ground where water from rain could seep in. Yet the Department did not take preventive measures to address the issue at the outset indicating negligence on the installation and upkeep of the WIMs at the check-posts.

Between 22 March 2017 and 31 March 2017, weights of 72 vehicles only were taken in the WIM located at Rangpo check-post out of 3,485 goods carrying vehicles for which supervision charges were levied during the period[31]. All 72 vehicles were found carrying excess load between 500 kg and 9000 kg beyond the specified carrying capacity of the vehicles. This clearly indicated that there was widespread prevalence of carriage of excess load by the transporters.

While the first set of static weighbridges installed in 2012 and 2015 at a cost of ₹ 64.91 lakh were sparingly used and hence, almost redundant, the second set of WIMs installed at a cost of ₹ 65.78 lakh at the check-posts were lying useless indicating lack of initiative on the part of the Department in operationalising the weighing machines for generating revenue for the State.

The SNT stated (October 2017) that (i) due to space/manpower constraints and traffic congestion at the check-posts, only those vehicles were taken to the weighbridges which were suspected of carrying excess load (ii) the WIMs were procured directly from the

[30] *State Police, Commercial Taxes Division, Forest Department, Motor Vehicles Division, Agriculture Department, Animal Husbandry Department and State Bank of Sikkim.*

[31] *22 March 2017 to 31 March 2017.*

manufacturers in extreme urgency due to shortage of time to call for tenders (iii) the installation of WIMs was done as a pilot project on trial basis to prevent revenue pilferage and enhance efficiency at the check-posts, and (iv) the damaged component of the WIM at Rangpo check-post had since been identified and rectified.

Reply of the SNT was not tenable as (i) taking weights of goods vehicles at the check-posts was being done on arbitrary basis on the whims of the personnel stationed at the check-posts, and, (ii) while the SNT exhibited all urgency in procuring the WIMs, it did not demonstrate the same enthusiasm for timely installation of the WIMs and making them functional.

#### *2.4.9.3.8 Non-levy of supervision charges from intra-State transport of goods*

The State Government issued notification (May 2016) specifying the rate of ₹ 3.66/MT[32]/Km supervision charge for transportation of goods within the State of Sikkim in respect of hydropower project developers & ancillary units, paramilitary forces, pharmaceutical companies, private companies, any commercial companies and organisations. In terms of the notification, the minimum chargeable rate for supervision would be 10 MT or as per pay load mentioned in the registration certificate with minimum chargeable distance of 20 Kms.

Audit verification revealed that 1,50,66,315 cubic feet (cft) of sand, stone and stone chips had been transported within State during 2016-17 in the East district alone. This translated to a total of 75,332 trips calculated at the rate of 200 cft[33] per trip. Supervision charges for the East district alone for one year would therefore, work out to ₹ 5.51 crore[34].

Audit noticed that weighbridges had been installed only at the two check-posts at Rangpo and Melli for measuring weights of vehicles engaged in inter-state transportation. No arrangement had been made by SNT to take weights of goods carrying vehicles engaged in intra-State transportation within the State. Thus, the SNT's oversight in laying systems, procedures and facilities for collection of supervision charges from goods carrying vehicles for intra-state transport had resulted in huge recurring loss of revenue to the State with no scope of recovery.

#### *2.4.9.4 Information Management System*

The GoI, Ministry of Road Transport and Highways (MORTH) introduced (March 2010) the scheme 'Central Assistance for strengthening Public Transport System in the Country' to address the problems faced by Public Transport Institutions and to ensure better transport mechanism which could provide world class passenger bus service across the country. The objectives of the scheme were to provide financial assistance to the States for use of latest technologies such as Global Positioning System (GPS)/Global System of Mobile communication (GSM) based vehicle tracking system, computerised reservation system, automatic fare collection system, electronic ticket vending machines,

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[32] *MT=Metric Tonne*

[33] *Carrying capacity of trucks for sand, stone etc. for Sikkim (hilly region)*

[34] *Calculated at the chargeable rate of ₹ 3.66/MT/Km for minimum weight of 10 MT per trip and minimum distance 20 Kms.*

inter-modal fare integration and passenger information system for services covering inter-city and mofussil[35] areas and to provide financial assistance for preparation of total mobility plan for the entire State. The scheme provided one time financial assistance to States to the extent of 50 *per cent* of the project cost for IT related projects.

Based on the proposal for developing an Integrated Depot Management System (IDMS) submitted (March 2013) by the SNT, the GoI sanctioned (March 2013) ₹ 4.52 crore for the project on 50:50 cost sharing basis between the Centre and the State with stipulation to complete the project within 16 months (July 2014). The project consisted of Depot Computerisation (₹ 1.95 crore), Electronic Ticketing Machines (₹ 0.22 crore), Real Time Passenger Information System (₹ 2.30 crore) and preparation of DPR (₹ 0.04 crore). In addition, the GoI also sanctioned (March 2013 ) ₹ 1.99 crore towards annual maintenance cost for the hardware and software components of the project for five years in the funding pattern 50:50 between the Centre and the State.

Tenders were invited online (24 September 2013) through the State Government website 'www.sikkimtenders.gov.in' and also simultaneously published in the local and national papers. The SNT awarded (27 January 2014) implementation of the project to the firm M/s Aeon Software Pvt. Ltd. along with maintenance of the hardware and software systems for a period of five years at the GoI sanctioned cost of ₹ 6.51 crore.
The following issues were observed in audit:

### *2.4.9.4.1 Delay in execution and re-scoping of project*

The project (excluding maintenance) was to be completed within 365 days from the date of award (by 26 January 2015) while the contract for maintenance was for the period 2015-20. The Department reported completion of the project in September 2015, after a delay of seven months. The delay was due to delay in execution of the project by the contractor and re-scoping of the project by the Department leading to failure in timely delivery of targeted benefit of the project to the Department. Further, although the component 'Depot computerisation' was reported as completed, numerous flaws were observed in the software part of the component as highlighted in paras 2.4.9.4.4 (i, ii and iii). The other two components of Electronic Ticketing Machines and Real Time Passenger Information System *(which included installation of GPS, Speakers and LED signage)* had only been partially implemented, as highlighted in para 2.4.9.4.3 below.

In March 2015, when the project was nearing completion, the Department realised that there was a surplus of ₹ 1.05 crore funds resulting from savings on implementation of the project. Considering the surplus, the Department moved (March 2015) a proposal for re-scoping the project and took up four additional items[36] of work which were not contemplated in the original proposal and hence, not covered by the GoI/State Government sanction. This constituted diversion of project funds of ₹ 1.05 crore without obtaining approval of the GoI. This also indicated that the project requirement was

[35]*Provincial or rural districts of India*
[36]*i) Creation of website with facilities for self-management at ₹ 3.75 lakh (ii) Implementation of cloud based server hosting automated vehicle tracking software for private vehicles, luxury taxies and Government vehicles at ₹ 60.20 lakh (iii) Construction of control room at ₹ 34.36 lakh and (iv) Payment for user charges of Global Positioning System (GPS) sim cards (₹ 6.34 lakh).*

inflated at the DPR stage by the CIRT leading to surplus funds of ₹ 1.05 crore leaving scope for diversion of funds.

The SNT stated (October 2017) that the IDMS, launched as a pilot project, had enhanced the efficiency of SNT. Some funds under the IDMS were re-scoped and fruitfully utilised on important items of work which had not been contemplated under the project earlier like construction of control room, monitoring of the SNT Undertaking vehicles, private passenger carriers etc. using GPS system. These essential items had been left out inadvertently at the DPR stage.

The reply was not tenable as the items of work carried out by the SNT after re-scoping of the project were beyond the ambit of GoI sanction.

#### *2.4.9.4.2 Shortcomings in implementation of physical infrastructure under the IDMS*

The objectives of the IDMS scheme, *inter alia*, were to provide latest technological solution such as Global Positioning System (GPS) based vehicle tracking system, computerised reservation system, automatic fare collection system, electronic ticket vending machines, and passenger information system. It also included preparation of total mobility plan for the entire State. A number of shortcomings were observed in implementation of the physical infrastructure of the IDMS as highlighted below:

**Table 2.4.12**
**Details of items supplied under IDMS**

| Name of item | Quantity ordered and paid for | Cost (*₹ in lakh*) | Quantity actually supplied | Short-supply | No of items | |
|---|---|---|---|---|---|---|
| | | | | | Installed & Functional | Non-functional/idle |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| GPS machines | 167 | 25.05 | 160 | 07 | 114 | 46 |
| Electronic Ticket Vending Machines | 64 | 8.96 | 64 | 00 | 44 | 20 |
| Speaker System | 40 | 2.00 | 40 | 00 | 00 | 40 |
| LED display panel (signage) | 40 | 62.08 | 40 | 00 | 22 | 18 |

The above items were supplied to the SNT and payment for the same was released to the firm by March 2015. However, the exact dates of supply and period for which the items remained non-functional could not be ascertained in audit.

While accepting the audit observation, the SNT stated (October 2017) that the shortcomings noticed in the devices had been corrected while few of the non-functional devices and machines were under repair.

#### *2.4.9.4.3 Data Analytics and deficiencies in data management under the IDMS*

As part of the audit planning process, analysis of data captured under the IDMS was carried out using trial version of the software 'Tableau reader' with the objective of identifying risk areas in the functioning of SNT. This included distance covered and trips performed by the vehicles, trips performed and earnings by drivers, earnings from private hired trucks/tankers and earnings from supervision charges. This also included entry/exit of vehicles in workshops etc. The analysis indicated risks related to utilisation of vehicles, variation in earning between vehicles, performance of drivers, collection of supervision charges, geographical reach of public bus service within the State, etc. Examination of the identified risk areas in field audit, such as, low performing vehicles in terms of distance run, trips performed and revenue earned; low performing drivers; entry/exit of vehicles in workshops; collection of supervision charges etc. brought out inconsistencies and inadequacies in the software developed for the IDMS. Besides, there were weakness in input controls and data validation as detailed below:

***(i) Input controls***

➢ For proper input control, information like SNT vehicles driver's names, date of entry/exit of vehicles in the workshops, journey destinations, etc. could have been pre-fed in the system and accessed through drop down box in order to prevent incorrect entry of data and to maintain data uniformity and accuracy. This was, however, not done and data was being entered in an arbitrary manner. The registration numbers of vehicles (in case of supervision charges collected at check-posts) were entered in any form - in capital letters, small letters, alphabets and numerals in continuity or separated by slashes etc. Thus, even a small variation in the spelling of the SNT driver's name was treated as a different entry by the system indicating deficiency in the input control of the software programme. The arbitrary input and acceptance of data by the system made it impossible to extract details of a particular vehicle, driver etc. in a single sheet, for analysis. Further, the details of the entry and exit of vehicles in the workshop as maintained in the registers did not match with similar data entered into the system. For instance, while workshop records indicated that nine buses entered the workshop at Gangtok on 5 March 2016 for minor repairs, the IDMS data captured entry of only five vehicles on the date. Similarly, as per records maintained in the Jalipool workshop, three vehicles entered the workshop on 2 March 2017 for repairs, while the IDMS data reflected entry of five vehicles on the date. Out of the five vehicles entered in the IDMS data, only two vehicles matched with the vehicles entered in the workshop record.

➢ The SNT buses hired by the Army for transportation of manpower were included in the goods module and not in the passenger module. Hence, the details of journeys performed by such buses was not recorded in passenger module. During April 2016, the Army hired SNT buses on 179 occasions for which the details were captured in goods module and not in the passenger module. A proper input control system would have prevented this. Hence, the earning of transportation revenue, distance travelled, trips performed, HSD issued, drivers deputed, etc. in respect of those buses were left out while extracting consolidated details of the SNT buses from the IDMS.

➢ The SNT owned trucks and tankers were hired by the Army, Border Roads Organisation, Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL) and other organisations for carriage of goods and HSD from Siliguri to different destinations within Sikkim and also between different locations within Sikkim at freight charges fixed from time to time. The freight charges earned constituted Government revenue and credited into the Government account. There was no scope for re-imbursement of hire charges to private truck/tanker owners in this case as the vehicles were owned by the SNT. However, the data entered in the system showed re-imbursement of hire charges in six cases amounting to ₹ 1.68 lakh even in the case of goods transported by SNT owned vehicles. This was a case of unnecessary insertion of the field/column 'reimbursement' and erroneous entry of data in the field/column 're-imbursement', which was not necessary for SNT owned trucks.

The SNT stated (October 2017) that the deficiencies noticed under Input Control had since been identified and rectified to avoid recurrence of such errors.

***(ii) Mapping of requirement of SNT in the system***

- No fields had been created in the system to capture complete details of fleet under the SNT such as year of manufacture, engine number, chassis number, seating capacity of buses, laden and unladen weight, etc., which were essential for assessing performance of the vehicles and to assist in decision making on fleet operation. Due to absence of provision to capture basic information relating to individual vehicles, the age and other unique details of SNT's fleet could not be sourced from the IDMS.

- For every trip a unique challan number was generated with details of vehicles, client, load, distance etc. Audit noticed that there were double entries of details of the same trip including challan number, date, driver, vehicle number, consignor, place of origin and ending point, etc. for the same trip conducted by the truck/tanker on four occasions, creating confusion in interpreting the data. This was a systemic deficiency indicating absence of provision for mapping uniqueness of challan number in the system.

- There was no provision in the IDMS to display the weights of vehicles measured in the weighs-in-motion installed at the check-posts at Rangpo and Melli as the automatic weighing system at the check-posts had not been integrated with the IDMS programme.

- Huge quantities of goods like sand, stone, stone aggregates were transported within the State on a daily basis for infrastructure development projects like construction of roads, bridges, buildings, hydro-dams, tunnels etc. undertaken by various organisations and contractors. During 2016-17, 1.51 crore cft of sand, stone, stone aggregates were transported in the East district alone. However, no provision had been made in the IDMS to capture details of goods carried within State by private transporters for the purpose of collection of supervision charges.

The SNT stated (October 2017) that provision for recording details of SNT owned fleet in the system had since been put in place and data entry of vehicular details was under progress. Data validation of challan number with reference to trips performed had since been done and the errors highlighted had been identified and since rectified. The scope of the project did not include integration of IDMS and Weigh Bridge software while the supervision on movement of sand, stones, etc. within the State was not applicable.

The SNT accepted the lapses relating to mapping its requirements in the IDMS and stated that it would take corrective measures to rectify the errors. The reply regarding non-applicability of supervision charges on movement of sand, stones, etc. within State, was not tenable, as there was no notification/order of the Government exempting collection of supervision charges against movement of sand, stones, etc. within State. Further, integration of the IDMS with the WIMs was essential to automatically capture details of vehicles passing through the check-posts in the system. This would enable the SNT to both monitor the functioning of the WIMs and keep a vigil on vehicles passing through the check-posts.

### *(iii) Absence of validation control in IDMS*

The data entered in the system should be validated with the actual facts and figures to maintain authenticity. However, no such validation was conducted. As a result, the following deficiencies were noticed:

- The data fed in the IDMS relating to hire of trucks/tankers by SNT and leased out to the army for transport of goods between Kupup, Tsangu, Gnathang, Sirhi, Surasoi, Thegu, Yakla, etc. near the Nathula border depicted incorrect distance and quantity of goods carried. All distances were shown as 1 Km and all quantities of goods as 1 MT by default, irrespective of the actual distance travelled and the actual load carried. During 23 July 2016 to 6 October 2016, a total of 41 trips were performed by SNT trucks between the different locations. Out of this, while the distance between Kupup and Gnathang, which was 4 kms for which 4 journeys were performed could be ascertained, the distance in respect of other journeys and the loads carried could not be ascertained in audit. In all the above 41 cases, the distance travelled was shown as 1 Km and weights carried 1 MT. Thus the correct distances covered and loads carried by the SNT's trucks/tankers over time could not be known from the available IDMS data.

- The distance travelled by buses on a number of occasions was shown as '0' on the system although the vehicles were found to have travelled various distances. For instance, distance from Gangtok to Pakyong, Ranka, Jalipool and Penlong was 32 Kms, 14 Kms, 16 Kms and 14 Kms respectively. However in case of three buses, distance travelled was shown as '0' against 317 trips performed by the vehicles during the period June 2014 to March 2017.

- The fuel issued to the SNT owned buses were shown as '0' on several occasions in the formats although all buses were issued fuel before undertaking journey. For example, during the period June 2014 to March 2017, bus No SK01B0011 performed 236 trips in terms of the IDMS data, but fuel issued in case of 116 trips was shown as '0'. Similarly, out of 66 trips performed by bus No. SK01B0319, fuel issued in case of 20 trips was shown as '0'. Therefore, the quantity of fuel consumed by SNT vehicles and the fuel efficiency could not be assessed from data sourced from the IDMS.

- In six cases, the earning by SNT from hire of private tankers was shown as '0' in the 'Earning Statement' of private tankers. The discrepancy occurred due to posting of identical amount in the 'gross amount' column (meant for entering amount collected by SNT ) as well as in the 're-imbursement amount' column. Since the two figures were equal, the difference constituting net earning of SNT was shown as '0'. The system should have rejected or questioned any entry of 'gross amount' which was equal to or less than the 'reimbursed' amount.

Thus, due to poor input controls, inadequate mapping of requirements of the SNT in the IDMS and absence of secondary data validation, the data captured in the IDMS was inconsistent, incomplete and ridden with errors and could not be relied upon for further analysis to comment on the performance of the SNT's vehicles.

The SNT stated (October 2017) that in case of tippers carrying army consignments to forward areas, the freight rate was calculated on trip basis on fixed rate and not on actual weights and actual distance travelled. Hence, to record such trips, the parameter such as 1MT and 1 km were recorded in the system. All other deficiencies highlighted in the audit observation were identified and rectified.

Audit observed that the SNT needed to ensure data entry of actual distance travelled by the tippers even though the journeys performed were on 'per trip' basis. This will help ensure recording of the total distances travelled by the SNT tippers during the course of their life.

#### *(iv) Absence of data security and exit strategy*

As mentioned earlier (Para 2.4.9.4), the firm M/s Aeon Software Pvt. Ltd. had been awarded contract for implementation of the IDMS project alongwith maintenance of the hardware and software systems for a period of five years 2015-20. Audit noticed that the central servers of the IDMS were kept at Mumbai. For storage of the IDMS data, cloud storage facility was deployed by the firm (Aeon) by hiring services of a cloud service provider (Netmagic). The firm (Aeon) therefore, administered the system and had complete control over the IDMS data. Thus, there was no system in the SNT to prevent the private agency (Aeon) from manipulation or misuse of the IDMS data. The SNT also had not formulated any strategy for data storage, data management, data security and continuity of business after conclusion of agreement and exit of the firm from business.

### *2.4.9.5 Monitoring and Supervision*

Regular monitoring of functioning of various wings of the SNT by its top management was a necessary part of the management's responsibility with a view to ensure proper functioning of the depots, booking offices, workshops, weighbridges, check-posts, discharge of delegated duties by subordinate officers and staff and fulfilment of targets set by the Department.

Audit observed the following inadequacies:

- The SNT had not laid down mechanism for regular monitoring of various activities of the Department. It could not provide copies of manuals, office orders, circulars, notifications relating to establishment of monitoring mechanism and also copies of reports and returns relating to monitoring of various activities of the Department.

- The SNT had not maintained any Assets Register containing consolidated assets of the Department like land, buildings, machinery, equipment, vehicles etc. In the absence of such consolidated record, it was not clear how the SNT management monitored utilisation of the assets and their upkeep and vigilance. The SNT had also not laid down any norm for mandatory checking of its vehicles to ensure their fitness before undertaking journeys.

- The SNT had not established any mechanism to continuously monitor its functioning and provide guidance to achieve its objectives. The SNT had also not established any grievance redressal mechanism to address complaints/grievances from clients/passengers using SNT services.

- The GoI, while sanctioning (March 2013) the IDMS project, had specifically stressed that the State Government should monitor implementation of the IDMS project through a Monitoring Committee. Although the SNT constituted (May 2013) a monitoring committee consisting of two members, one from FRED and the other from the Information Technology Department, the SNT could not furnish any report on monitoring of the IDMS project by the Committee. Negligence in monitoring the implementation of the IDMS project resulted in delay in execution of the project besides failure to ensure installation of GPS system, speaker system, LED signage, etc. in the vehicles. Inadequate monitoring of the IDMS also resulted in absence of authentication of data entered at the depots, workshops and check-posts resulting in non-uniform and incorrect entries which rendered the data captured by the system unreliable.

The SNT stated (October 2017) that since the IDMS project was launched on trial basis, certain errors were obvious. However, the errors were being taken care of. Further, the monitoring of operations of the SNT was being done from the IDMS control room which was being carried out in shifts.

The SNT however, did not comment on slackness of overall monitoring system in the Department as indicated by non-existence of monitoring and grievance redressal mechanism, absence of departmental code and manual, non-maintenance of assets registers, etc.

## 2.4.10 Conclusion

*The Sikkim Nationalised Transport (SNT) had not prepared a long term plan and strategy keeping in perspective its mandate. As a result, no specific targets had been set for various its functions. The SNT was unable to meet the huge demand of public transport in the State despite its virtual monopoly within the State on public bus transport.*

*The SNT incurred huge recurring expenditure (₹ 213 crore) on salaries, allowances, office expenses, repair and maintenance which constituted 97 per cent of the budgeted expenditure, while only 3 per cent of the budgeted expenditure of ₹ 220.15 crore was spent on creation of assets. Although, there was slump in revenue collection during 2013-15, the SNT improved its earnings from 2015-16 onwards and made revenue collection of ₹ 48.76 crore in 2016-17.*

*Supervision charge, a non-transport revenue, which the SNT imposed on load carrying private trucks/tankers crossing the border check-posts at Rangpo and Melli constituted upto 57 per cent of the total revenue. The SNT was found lagging with regards to weighing load carrying vehicles at the check posts for determining weight of load and realising appropriate supervision charges. The weigh bridges installed at the check-posts at substantial cost were mostly non-functional. Further, supervision charges were not* *being collected from private trucks within the State carrying sand, stone, stone aggregates, etc., leading to loss of revenue.*

*The Integrated Depot Management System, which was expected to contribute substantially to improve operational efficiency of the Sikkim Nationalised Transport had not delivered the desired result. There was no scope in the Integrated Depot Management System to capture many vital data required for monitoring the functions of the Sikkim Nationalised Transport by the top management. There were instances of incorrect data feed due to absence of standardised mode of data entry and data authentication. Reliability of available data in the system was therefore low.*

### 2.4.11 Recommendations

The Government/Sikkim Nationalised Transport may consider the following recommendations:

- Laying down policy, vision, mission and road map for long term perspective plan with a view to make operations of the Sikkim Nationalised Transport sustainable.
- Initiate steps to improve fleet utilisation, vehicle productivity and enroute monitoring of its buses to enhance traffic revenue from passenger bus service.
- Initiate steps to establish a system for collecting supervision charges from private goods carrying vehicles within the State.
- Initiate steps to ensure Weighs-in-Motion (WIM) installed at the check-posts are made functional round the clock by providing specialised and dedicated manpower for monitoring and upkeep.
- Institutionalise a mechanism for proper management of the Sikkim Nationalised Transport's operations by making Integrated Depot Management System reliable through ensuring entry of all required data, standardisation of process of entering data and ensuring data security and business continuity.
- Institutionalise a system for fixing specific targets for various functional wings of the Department and ensure achievement of targets by establishing a systematic and well laid down monitoring mechanism.

## ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES AND VETERINARY SERVICES DEPARTMENT

### 2.5 Idling of feed mills and consequent non-production of fish feed

**Delay in installation of power supply resulted in idling of Fish Feed Mills worth ₹ 1.16 crore for more than three years and led to non-production of fish feed of ₹ 12.00 crore.**

The Directorate of Fisheries under Department of Animal Husbandry, Livestock, Fisheries and Veterinary Services established two Automatic Floating/Sinking Fish Feed

Mills at Rangpo and Rothak with a production capacity of 100 to 150 kgs feed per hour each for the development of Carp and Trout Fish Farm in the State. The project at Rangpo was completed (December 2013) at the total cost of ₹ 0.58 crore which was funded by National Fish Development Board (NFDB) and the project at Rothak was completed (February 2015) at the total cost of ₹ 0.58 crore funded by Rastriya Krishi Vikash Yojana (RKVY). The machinery/equipment of both the Fish Feed Mills were automatic and required power connection for operation. However, the provision for electrification services was not included in the estimate prepared. Instead, the Directorate requested (March 2014) the Energy and Power Department for electrical connection of 100 KW at the Feed Mills which was not provided as of March 2017. Despite completion of the projects at a cost of ₹ 1.16 crore, the feed mills at Rangpo and Rohtak could not be operationalised and remained idle for 36 months and 24 months respectively due to delay in obtaining power supply. This also led to non-production of minimum 600 tons of fish feed worth ₹ 12.00 crore[37] during the period from April 2014 to March 2017.

The Department stated (August 2017) that funds for electrification had since been made available with electrification expected to be completed within September 2017 and that the mills would be operational by the end of the year. However, the fact remained that due to idling of the mills, the Department failed to produce fish feed worth ₹ 12 crore.

# FOOD SECURITY AND AGRICULTURE DEVELOPMENT DEPARTMENT

## 2.6 Irregular expenditure

**Setting up of a new bio-fertiliser production unit at a cost of ₹ 1.29 crore at the same site of an existing unit whose products the Department was unable to utilise was unwarranted. This was also irregular as the approval from the national mission for sustainable agriculture was for state of art bio-pesticide unit and not for bio-fertiliser unit.**

The Food Security and Agriculture Development Department established (2008) one Bio-fertiliser Production Unit at Mazitar Farm, East Sikkim at a cost of ₹ 0.61 crore with an annual production capacity of 150 MTs and with further scope of augmenting the capacity under financial assistance from NEC (90 *per cent* grant and 10 *per cent* loan). The objective was to produce bio-fertilisers using local strains and to make this input easily accessible to the farmer. The Department's initial effort to operate the unit by providing training to two Village Level Workers did not work as qualified technical expert/Micro-biologist was required for running the plant and marketing additional products after meeting the State's requirement became difficult.

[37] *Taking into account production capacity 100 kgs per hour (minimum), production cycle of 150 days per year, production hour per day 8 hours and rate of feed ₹ 200 per kg (lowest rate of SIMFED). (Therefore 100 kg x 450 days x 8 hours = 360000 kg @ ₹ 200 per kg = ₹ 7.20 crore for Rangpo Mill) + (100 kg x 300 days x 8 hours = 240000 kg @ ₹ 200 per kg = ₹ 4.80 crore for Rothak Mill): Total ₹ 12.00 crore. (Calculation based on production cycles provided by the Directorate to the NFDB while sending proposal.)*

In order to make this unit viable and to make the products available within the State, the Department proposed to lease it out (November 2011) to the International Panaacca Ltd, New Delhi for a period of 15 years based on the highest lease rent of ₹ 10.06 lakh per annum offered by the Company. However, this did not materialise as the rate of the finished product fixed by the Department was not acceptable to the Company. The Department thereafter called for fresh tender (May 2012) and on the basis of highest lease rent of ₹ 18 lakh per annum, the Unit was leased out to M/s Balaji Crop Care Private Ltd (BCCPL) for 15 years. However, after completion of 16 months of the lease period, BCCPL intimated (18 September 2013) that the Department had not placed any order for supply of bio-fertilisers/bio agri inputs although the company had manufactured 15 MT of nutria pack organic manure. BCCPL also assured for payment of second year lease rent of ₹ 18.00 lakh after the supply starts. Despite the assurance by the BCCPL, the Department unilaterally cancelled (October 2013) the extension of lease to BCCPL and again called for fresh tender (February 2014) and bio-fertiliser unit was leased out to Vandeep Green Globe Ventures Pvt. Ltd, Hyderabad at the highest lease rent of ₹ 9.00 lakh per annum for 5 years. The MOU was accordingly signed (16 October 2014) between the Company and State Government.

Audit noticed that instead of placing the indents for demand of bio-fertiliser/bio-agri inputs to BCCPL which had the stock of 15 MT of nutria pack organic manure, the Department procured the same from SIMFED for ₹ 2.92 crore (September 2013 to March 2014) without any recorded reason.

Besides, the Department established (February 2016) another new bio-fertiliser production unit at the same place (Mazitar) with an installed capacity of 150 tonnes per annum incurring an expenditure of ₹ 1.29 crore (equipment: ₹ 1.00 crore and construction: ₹ 0.29 crore) from the National Mission for Sustainable Agriculture (NMSA), a 100 *per cent* CSS meant for setting up of a State of art liquid bio-pesticide unit.

Further, it was noticed that under Rastriya Krishi Vikas Yojana (RKVY), the Department took approval from GoI for establishment of bio-fertiliser and bio-pesticides production unit and obtained sanction of ₹ 1.62 crore in 2015-16. However, work had not started (December 2016) due to non-finalisation of land.

Expenditure of ₹ 1.29 crore for establishment of bio-fertiliser unit from NMSA fund was irregular as the NMSA's approval was for establishment of a 'State of art bio-pesticide unit' and not a bio-fertiliser unit. Besides setting up of a new bio-fertiliser unit rather than utilising/maintaining the existing production unit and instead procuring bio-fertiliser from SIMFED for ₹ 2.92 crore was unwarranted.

The Department stated (December 2017) that (i) the lease with BCCPL was cancelled as the Company failed to pay lease amount even after grace period of several months; (ii) the 15 MT nutria produced by the company was not indented as they were nearing expiry (being produced in early 2012-13) and constituted only a fraction of the Department's total requirement; (iii) the Department had to establish another unit in 2016 as most of the equipment of the old unit had become obsolete and equipment for liquid bio-fertiliser and liquid bio-pesticide units were similar with production depending on raw materials only; and (iv) the third unit was proposed to cater to South and West districts and production from all the three units was not sufficient to meet the entire State's requirement (over 600 MT).

However, the fact remained that the old unit was not put to any productive use by the Department resulting in the Department procuring bio-fertiliser from SIMFED instead of procuring the same through the bio-fertiliser unit.

# ROADS AND BRIDGES DEPARTMENT

## 2.7 Avoidable payment

**Delay in execution/completion of work due to prolonged tendering process and belated action for obtaining statutory clearances for encumbrance free land and shifting of power and electrical utilities led to avoidable payment of cost escalation of ₹ 1.40 crore.**

The Ministry of Development of North Eastern Region sanctioned (18 August 2011) "Widening, reconstruction and upgradation of State Highway from Manpur to Nayabazar (Sk-01) and Nayabazar to Namchi (Sk-02) roads (29.2 km)" at a cost of ₹ 95.39 crore (Centre: ₹ 89.01 crore and State: ₹ 6.38 crore) under Asian Development Bank (ADB) assisted 'North Eastern State Roads Investment Programme (NESRIP)'. The GoI entered into Loan Agreement with the ADB on 9 July 2012 for funding of the project as per which the State Level Executing Agency (SEA) was to obtain all necessary statutory clearances such as environmental clearances, forest clearances and No Objection Certificate (NOC) from the relevant State and Central level agencies prior to commencing any civil work.

The Project Director, Project Implementing Unit, NESRIP, Sikkim under the Roads and Bridges Department tendered (11 December 2011) the civil work (₹ 62.92 crore). The work was awarded (15 September 2012) to M/s BVSR Construction Pvt. Ltd., Hyderabad at a contract price of ₹ 69.68 crore to be completed within 18 months. The work commenced on 28 March 2013 and was to be completed by September 2014. However, the contract was initially extended till 19 May 2016 for 20 months and proposal for further extension till 26 June 2018 was forwarded to Ministry. As of July 2017, ₹ 28.72 crore had been paid to the contractor. As per the contract, the amount payable to the contractor was to be adjusted in respect of rise or fall in the indexed cost of labour, contractor's plants and equipment, material and other inputs to the works by addition or subtraction.

Though work was scheduled for completion by 28 September 2014, the financial and physical progress as of March 2017 was only 44 and 48 *per cent* respectively and it was expected to complete by June 2018, i.e. more than 3½ years beyond schedule.

Due to this delay, ₹ 2.47 crore was paid towards cost escalation due to rise in various costs till October 2016 as per conditions of contract. This included ₹ 1.40 crore for escalation cost relating to period from October 2014 to October 2016, i.e. after scheduled completion date of September 2014. The cost escalation of ₹ 1.40 crore could have been avoided had the Department completed the work within the scheduled date. Scrutiny of records revealed (June 2017) that the delay was due to belated action by Department at various stages as stated below:

(a) *Commencement of work*: Though project was sanctioned in August 2011, tender was floated only in December 2011 and work awarded nine months later (September 2012). The work finally commenced in March 2013, after 19 months of sanction of the project. The delay in awarding and commencement of project was due to delayed evaluation of bids (July 2012) and subsequent delay in obtaining Cabinet approval (August 2012).

(b) *Providing encumbrance free land*: The Department requested the Energy and Power Department (EPD) for shifting of electrical utilities existing along the project areas only in October 2012 for which fund of ₹ 224.95 lakh was transferred to the EPD during March 2013 to September 2015[38]. Similarly, request to Water Security and Public Health Engineering Department for shifting of water utilities was made only in October 2012 and fund transferred during April 2013 to October 2015[39]. Thus, the Department could handover only 33 *per cent*[40] of encumbrance free land for road length of Section SK-02 to the contractor before the scheduled completion date.

(c) *Environmental clearance*: Though Department obtained *in-principle* approval for diversion of forest land measuring 3.636 hectare during 2008, final approval was obtained after award of work only in July - November 2012. Also while request for felling of trees was made to the Forest, Environment and Wildlife Management Department in September 2015 and fund transferred during November 2015 to January 2017[41], the approval for felling of trees was obtained only in December 2016 and marking orders issued in January 2017. Approval for Environment clearance, the process for which was initiated in May 2013, was obtained only in May 2014.

Thus, the Department did not adhere to the provision of the loan agreement and initiated the tendering/execution of the works without obtaining all the statutory clearances, which could not be provided even after lapse of the original scheduled completion date leading to delay in completion of work. This not only resulted in avoidable payment of cost escalation of ₹ 1.40 crore[42] (October 2014 to October 2016), but also caused disruption in road connectivity.

The Department in an initial reply accepted (February 2017) that there was delay on its part to handover the encumbrance free land to the contractor due to environmental clearance, shifting of utility, etc. However, it did not respond on cost escalation of the project.

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[38] *March 2013: ₹ 50 lakh; July 2013: ₹ 25 lakh; January 2014: ₹ 5 lakh; September 2014: ₹ 20 lakh and September 2015: ₹ 124.95 lakh*

[39] *March 2013: ₹ 15 lakh; March 2014: ₹ 20 lakh and October 2015: ₹ 65.06 lakh*

[40] *As ascertained from Contractor's correspondence with the Project Director (ADB Projects)*

[41] *November 2015: ₹ 67.15 lakh and January 2017: ₹ 11.41 lakh.*

[42] *Total Escalation paid upto Interim Payment Certificate VIII: ₹ 2,46,69,355*
*Escalation paid upto scheduled date of completion (27 September 2014) : ₹ 1,06,81,302*
*Escalation paid after scheduled date of completion: ₹ 1,39,88,053*

The matter was reported to the Department (July 2017); reply was awaited (March 2018).

## 2.8 Avoidable liability

**Failure to exercise due diligence by the Roads and Bridges Department in executing the deposit work led to abandonment of project by user agency and consequent unwarranted burden of ₹ 24.58 crore on the State exchequer.**

The Sikkim Public Works Manual 2009 (SPWM), *inter alia*, envisaged levy of 9 *per cent* establishment charge and other departmental charges as applicable on Deposit works which was to be recovered in advance[43] from the user agency. Further, the agency on whose behalf the work was done was to be made to understand that the Department does not bind itself to complete the work within the amount of estimate and that the agency agrees to finance any excess that may occur. The transfer of funds or deposits should be realised before any liability is incurred on account of the work[44]. Estimate for road works should invariably include 'No Objection Certificate' from the landowners[45], and before approval of Notice Inviting Tender (NIT), availability of site and funds should be ensured[46].

Himagiri Hydro Energy Private Limited (HHEPL), a private hydropower project developer involved in development of the Panan hydropower project in North Sikkim approached (February 2009) Roads and Bridges Department (RBD) with a proposal for improvement/upgradation of the road from Sankalang Bridge to Lingzya village in North Sikkim which included widening/upgradation of existing road (10 Km) and construction of two bridges en-route. The project was to be undertaken as a deposit work with 100 *per cent* funding from HHEPL. After working out (May 2009) the project cost at ₹ 14.96 crore[47] and floating NIT (July 2009), the RBD entered into a Memorandum of Understanding (MOU) with HHEPL on 5 October 2009.

In terms of the MOU, the HHEPL entrusted the work to RBD to be completed within one and half year from date of award of work at a total cost of ₹ 15.65 crore *(including the tender premium)*. The MOU, inter alia, envisaged the following:

- The cost of work was all inclusive and any upward revision was not allowed. The entire cost of works would be met from the total amount provided for the works in the MOU (unless there was a natural calamity).
- The RBD would insure both the bridges and the road during the construction stage as well as after commissioning against all possible risks.

Work order for the civil portion of the project was issued (14 October 2009) to the lowest bidder (S. K. Agarwal) at a value of ₹ 13.16 crore at 20 *per cent* tender premium with completion within 18 months i.e. by April 2011.

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[43] *SPWM Clauses 35.4 & 35.7.*
[44] *SPWM clause 35.9*
[45] *SPWM Clause 4.12(i)*
[46] *SPWM clause 10.4*
[47] *Improvement/widening of road ₹ 8.36 crore & Construction of two bridges ₹ 6.60 crore.*

The contractor stopped work in August 2013 due to failure of the Department to make the site available and non-payment of bills. The Department could only obtain forest clearance and clearance from private land owners more than two and half years after issue of work order, much after the stipulated completion period. In April 2015, the contractor issued legal notice to the Department to clear his dues with cost escalation of 7.5 *per cent* besides compensation of ₹ 50 lakh towards cost incurred on idle labour, plant and machinery. HHEPL on its part stopped releasing funds to the Department after initial release of ₹ 6.33 crore from October 2010 to March 2013 on the grounds of tardy progress of work and failure to obtain timely insurance of roads/bridges by the Department.

In December 2015, the Department moved a proposal for revision of estimate of the project citing non-inclusion of sufficient quantities of hill cutting works, protective walls, drainage works, pavement works, absence of provision of launching of two steel bridges in the original estimate and cost escalation of 7.5 *per cent* per annum over a six-year period (2009-16). The project cost was accordingly revised from ₹ 15.65 crore to ₹ 30.91 crore. Audit, however, noticed that all the items of works which were revised were foreseeable and could have been included in the original estimate itself had due diligence been exercised at the time of framing the original DPR.

Since the Department failed to obtain further funds from the HHEPL, it was decided (March 2016) to take up the work under State plan through the same contractor. As of March 2017, the Department had incurred ₹ 13.54 crore on the project.

Thus, absence of due diligence in framing the estimate and inordinate delay in making the site available led to unwarranted burden of ₹ 24.58 crore on the State Plan due to upward revision of project cost and unwarranted cost escalation of over ₹ 5.64 crore.

The matter was reported to the Department (August 2017); reply was awaited (March 2018).

# RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

## 2.9 Excess payment

**There was excess payment of (i) ₹ 0.60 crore to the contractor on haulage charge of non-stock material and (ii) ₹ 0.64 crore towards labour on resizing and carriage of stones beyond requirement despite availability of stone at the work site.**

### *A) Payment towards haulage charges*

Pradhan Mantri Gram Sadak Yojana (PMGSY) works were executed based on State Schedule of Rates (SoR). One of the components under carriage of non-stock material paid for carriage of stone and sand, was haulage charges. The SoR had various rates for haulage depending on types of works. Some rates were for per cubic meter and some were for per ton of non-stock material. Haulage was calculated by multiplying the quantity of non-stock material, distance transported from the quarry to work site and applicable rate as per SoR. However, if the rate applicable was on per ton basis and quantity of sand/stone executed was in cubic meter, the quantity executed was converted to ton by multiplying by 2 or 2.2 in case of sand or stone respectively before applying rate on per ton basis.

Scrutiny of records revealed (March 2017) that in respect of seven PMGSY road works (during 2013-14 to 2016-17) the Department allowed carriage of 39,313.24 cum of non-stock material for which 11,74,054.30 cum and 12,81,462.54 ton of haulage was allowed against the required 7,69,007.84 cum and 8,97,972.15 ton of haulage to the contractors i.e. an excess haulage of 4,05,046.46 cum and 3,83,490.39 ton. This resulted in excess payment of ₹ 0.60 crore (**Appendix 2.9.1**) to the contractors on account of excess carriage of haulage for non-stock material as tabulated below:

**Table 2.9.1**
**Details of carriage and haulage of non-stock materials**

| Quantity of work executed (in cum) | Actual haulage that should have been allowed | Haulage on carriage allowed | Excess haulage allowed | Excess payment made to contractors by the Department ( ₹ in lakh) |
|---|---|---|---|---|
| 20982.74 | 7,69,007.84 cum | 11,74,054.30 cum | 4,05,046.46 cum | 42.96 |
| 18330.50 | 8,97,972.15 ton | 12,81,462.54 ton | 3,83,490.39 ton | 17.23 |
| **39,313.24** | | | | **60.19** |

Thus, due to allowing excess haulage on carriage of non-stock material to the contractors, there was an excess payment to the tune of ₹ 0.60 crore.

### *(B) Payment towards labour and carriage charges on stone*

Scrutiny of records (March 2017) relating to the work 'Construction of Rural Connectivity Road from Maney Sisney to Thoker Reghu,' revealed that the contractor was paid (2016-17) in excess of the actual requirement of the total quantity of work requiring stones for various item of works. Audit noticed that the Department made labour payment for breaking and resizing of 27,490.44 cum @ ₹ 142.62/cum amounting to ₹ 0.39 crore from usable stone retrieved from hill cuttings and also made payment for carriage of stone for civil works amounting to ₹ 0.36 crore. However, the total requirement of stone for the civil works executed was only 7,874.23 cum which could have been met from the usable stone retrieved from the hill cutting by spending ₹ 0.11 crore (7,874.23 cum @ ₹ 142.62/cum). This led to an excess expenditure of ₹ 0.64 crore to the contractor as shown in the table below:

**Table 2.9.2**
**Details of labour payment and carriage charges to the contractor**

| Particulars | Quantity | Amount |
|---|---|---|
| Labour payment to the contractor for breaking and resizing of usable stone retrieved from hill cutting | 27490.44 cum @ ₹142.62/cum | ₹ 39,20,687 |
| Payment of carriage of stone for civil works | | ₹ 36,41,339 |
| Total amount paid to the contractor for stone | | ₹ 75,62,026 |
| Less - Total quantity of stone and amount required for the civil work executed | 7874.23 cum @ ₹ 142.62/cum | ₹ 11,23,023 |
| Excess payment to the Contractor | | ₹ 64,39,003 |

Thus, payment of excess haulage charge and payment for extra labour charge on breaking and resizing and carriage of stone resulted in excess payment of ₹ 1.24 crore to the contractor.

The matter was reported to the Department (August 2017); reply was awaited (March 2018).

# URBAN DEVELOPMENT AND HOUSING DEPARTMENT

## 2.10 Avoidable cost escalation

**Lack of proper planning to provide encumbrance free site prior to issue of work order resulted in delay in commencement of the work leading to cost escalation of ₹ 1.22 crore.**

Para 5.1 of the Sikkim Public Works (SPW) Manual, 2009 envisaged that on receipt of technical sanction to the estimate, action should immediately be initiated for taking possession of land acquired by the Government for the purpose and preparation of draft Notice Inviting Tender (NIT). Further, Para 10.4 of the Manual provided that before approval of NIT, the availability of site should be ensured.

Thus, it was the responsibility of the Department to ensure proper planning viz. availability of encumbrance free site, forest clearance, availability of funds, etc. before any project was submitted to the Government for sanction so that the project commenced immediately on receipt of sanction from the Government. This would facilitate hindrance free execution of work/project and avoid delay in execution and cost overrun.

The work *"Construction of Kissan Bazaar at Namchi, South Sikkim"* was sanctioned (March 2011) by the GoI at an estimated cost of ₹ 28.26 crore based on SoR 2006 under Additional Central Assistance/Special Plan Assistance funding to be shared between Centre and the State Governments in the ratio of 90:10 (i.e. Centre: ₹ 25.44 crore and State: ₹ 2.82 crore).

Scrutiny of records revealed (January 2017) that the civil portion of work valuing ₹ 13.48 crore was tendered (July 2011) and the lowest tendered rate of ₹ 17.26 crore which was 28 *per cent* above the estimated cost offered by a Namchi based contractor[48] was accepted (November 2011). The work order was issued (29 November 2011) with stipulation for completion within 36 months (i.e. by 28 November 2014). However, the proposed work site was under the custody of Sikkim Police who did not vacate the land immediately as four units quarter and two units of Police barrack fell within the work site. Sikkim Police finally gave their consent for dismantling the structures in July 2013 by which time the commencement of the work was delayed by more than 20 months.

[48] *Shri Mahabir Prasad Agarwal*

Citing the delay in the commencement of the work due to non-providing of encumbrance free work site, the contractor demanded (April 2013) for grant of differential cost of stock material and labour due to hike in market rate during the intervening period of November 2011 (date of issue of work order) to July 2013, which was accepted (September 2013) by the Department. The differential cost was worked out to ₹ 1.22 crore. Accordingly a revised work order of value of ₹ 18.48 crore (₹ 17.26 crore plus ₹ 1.22 crore) was issued (1 October 2013) with stipulation for completion within October 2016 (36 months). However, as of May 2017, the project was under execution with physical and financial progress of the work at 75 *per cent* and 60 *per cent* respectively. Work valuing ₹ 11.29 crore was completed till March 2017 against which payment of ₹ 11.09 crore[49] was made (20 March 2017) inclusive of differential cost amounting to ₹ 74.39 lakh.

Thus, lack of proper planning by the Department to provide encumbrance free site to the contractor before issue of work order, led to extra cost of ₹ 1.22 crore in construction of Kissan Bazaar at Namchi, out of which, ₹ 74.39 lakh was already spent till March 2017. Besides, non-completion of the project despite extension of stipulated completion date by two years (from November 2014 to October 2016) also denied the kissan (farmers) of the locality of timely benefit from the project.

The Department accepted the observation and stated (January 2017) that Sikkim Police took considerable time in relocating the Police Station and other infrastructures to a suitable location. It further added that it had to consider the claim of the contractor due to delay in providing hindrance free site to the contractor. Thus, lack of proper planning to ensure acquisition of land before floating of NIT resulted in delay in commencement of the work for more than 20 months.

## 2.11 Avoidable expenditure

**Failure to award the declaration under Section 11 of the Land Acquisition Act, 1894 due to absence of budgetary provision for land acquisition and subsequent revision of compensation resulted in avoidable committed liability of ₹ 23.73 crore.**

Land Revenue and Disaster Management Department (LRDMD) was responsible for acquisition of land required by Government departments for implementation of various projects/schemes as well as land required by other agencies. While acquiring land from the public, the LRDMD applied two different methodologies for determination of rates for land compensation depending upon the landowner's willingness or otherwise. Where the landowner was willing to sell, the rate notified by the Government (LRDMD) from time to time based on the agriculture productivity was applied. In the event of the landowner not willing to sell the land, acquisition was effected after determining the prevailing market rate in terms of Section 23 of the Land Acquisition (LA) Act, 1894. In such an event of compulsory acquisition, the landowner was entitled to a sum of 30 *per cent* of market value of land as solatium in addition to market value of land as incentive.

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[49] *₹ 9.22 crore (7th RA bill vide Vr. No. 13 dated 28.12.2016 + ₹ 1.87 crore i.e. Adhoc payment on 8th RA bill vide Vr. No. 06 dated 20.03.2017)*

The Government of India (GoI) implemented The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLRR) Act, 2013 with effect from 27 September 2013 repealing the LA Act, 1894. According to Sub-Para (a) of Para 24(1) of the Act (2013), in any case of land acquisition, proceedings initiated under the LA Act, 1894, where no award under Section 11[50] of the said Act had been made, all provision of the Act (2013) relating to the determination of compensation shall apply. Further, Para 30(1) of the new Act provided for payment of solatium equivalent to one hundred *per cent* of the compensation amount against 30 *per cent* provided in the LA Act, 1894. The State Government implemented the Act of 2013 in the State with the publication (13 October 2015) of The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Sikkim) Rules, 2015.

Urban Development and Housing Department's proposal to acquire land belonging to two landowners measuring 1.7258 hectare at Rangpo for the purpose of Basic Service for Urban Poor project and creation of Town Hall/Amusement Park was approved by the Government in March 2011. Assessment of land compensation of ₹ 5.22 crore[51] was forwarded (October 2012) by the LRDMD to the Department with the request to release ₹ 4.02 crore (80 *per cent*) for disbursement to the landowners. Audit noticed that despite having the land acquisition proposal approved (March 2011), the Department had not made any provision for it in its budget till 2014-15. Hence, it transferred ₹ 3.92 crore to LRDMD in October 2013 with loan from State Bank of India (SBI CAP Loan) leaving a balance of ₹ 1.30 crore. The Department proposed for allocation of fund for compensation in its supplementary budget in September 2014 but no funds were provided.

While the Department failed to release the balance payment of compensation of ₹ 1.30 crore, the landowners through legal notice (12 August 2014) requested the Department for revision of compensation as per RFCTLRR Act, 2013 along with interest and immediate release of compensation. Considering the landowners' request, the LRDMD forwarded revised assessment of compensation of ₹ 4.62 crore in September 2016 to the Department by adding 12 *per cent* interest on balance payment of ₹ 1.30 crore till July 2015 and increased the solatium from the original 30 *per cent* to 100 *per cent* in accordance with RFCTLRR Act, 2013. Dissatisfied with the revised compensation and also due to non-release of compensation by the Department, the land owners again requested (8 June 2016) for revision of land compensation. As the award under Section 11 of the LA Act, 1894 was pending till implementation of the RFCTLRR Act, 2013, the LRDMD revised (June 2017) the compensation to ₹ 28.84 crore (land compensation: ₹ 24.64 crore @ ₹ 663.19 per sq. ft. and interest on delayed payment: ₹ 4.20 crore) excluding ₹ 0.99 crore towards establishment charges.

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[50] *Section 11 of LA Act, 1894 provides for the Collector to make an award of true area of land to be acquisitioned, compensation to be allowed and apportionment of such compensation among persons believed to be interested in the land after making inquiry into the objection (if any) which any person interested has stated.*

[51] *Cost of land @ ₹ 208/sft for 1.7258 hectare: ₹ 3,86,39,144 + 30 % Solatium: ₹ 1,15,91,743 + Contingent/Establishment charges @ 4 %: ₹ 20,09,235 + Capitalised value of LR: ₹ 346 = ₹ 5,22,40,468.*

Thus, delay in release of balance compensation of ₹ 1.30 crore resulted in additional burden to the State exchequer of ₹ 23.62 crore (₹ 28.84 crore – ₹ 5.22 crore excluding contingency charge). As of June 2017, the Department had released ₹ 5.11 crore (October 2013: ₹ 3.92 crore and September 2016: ₹ 1.19 crore) leaving a balance of ₹ 23.73 crore.

Thus, the Department acquired land without ensuring funds and did not propose/provide necessary funds in the budget. Despite invoking (May 2012) compulsory clause under Section 23 of LA Act, 1894, there was inordinate delay in declaration of award under Section 11 of the LA Act, 1894 resulting in avoidable committed liability of ₹ 23.73 crore on account of revision of land compensation as per RFCTLRR Act, 2013. Besides, this also led to blockade of Government fund of ₹ 3.92 crore for more than three and half years as creation of Town Hall and Amusement Park had not been started.

In an interim reply, the Department stated (January 2017) that 75 *per cent* of the cost was already paid to the landowners from the funds available from the SBI CAP loan component. The balance amount was requested every year to the Government during annual budget and the supplementary demand for grants. However, no funds were provided. The fact however, remained that the Department could have paid the balance of ₹ 1.30 crore out of funds (₹ 3.57 crore) transferred to the LRDMD for payment of compensation to other areas (Majwa, Rangpo and Tadong blocks) which were lying idle (February 2013) with the LRDMD (District Collector, East) due to de-acquisition.

Responsibility for inordinate delay in payment causing extra financial burden of ₹ 23.62 crore may be fixed. The angle of collusion of officials of LRDMD with land owner to extend financial benefits for personal gains may also be investigated.

The matter was reported to the Department (August 2017); reply was awaited (March 2018).

# CHAPTER III
# ECONOMIC SECTOR
# (PUBLIC SECTOR UNDERTAKINGS)

# CHAPTER III
# ECONOMIC SECTOR
# (PUBLIC SECTOR UNDERTAKINGS)

## 3.1 Overview of State Public Sector Undertakings

### Introduction

**3.1.1** The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. In Sikkim, the SPSUs occupy an insignificant place in the State economy. As on 31 March 2017, there were 16 SPSUs (including 13 Government Companies and 3 Statutory Corporations). None of the companies were listed on the stock exchange and no company was closed down during the year. The details of the SPSUs in Sikkim as on 31 March 2017 are given below.

**Table 3.1.1**
**Total number of SPSUs as on 31 March 2017**

| Type of SPSUs | Working SPSUs | Non-working SPSUs[1] | Total |
|---|---|---|---|
| Government Companies | 10 | 3 | 13 |
| Statutory Corporations | 2 | 1 | 3 |
| **Total** | **12** | **4** | **16** |

The working SPSUs registered a turnover of ₹ 185.64 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 0.98 *per cent* of State Gross Domestic Product (GDP[2]) of ₹ 18,852.00 crore for 2016-17. During 2015-16, however, the contribution of turnover (₹ 178.81 crore) of working SPSUs was higher at 1.05 *per cent* of State GDP (₹ 16,954.00 crore). During 2016-17, the working SPSUs had incurred an aggregate loss of ₹ 331.21 crore as per their latest finalised accounts as of September 2017. In comparison, during 2015-16 they had incurred aggregate loss of ₹ 80.21 crore as per their latest finalised accounts as of September 2016. The increase in the aggregate loss of working SPSUs was mainly on account of heavy losses (₹ 315.10 crore) incurred by one power sector SPSU[3]. The working SPSUs had employed 871 employees as at the end of March 2017.

The total investment in 12 working SPSUs was ₹ 15,457.76 crore. The Return on Equity (RoE) in respect of seven[4] out of twelve working SPSUs was negative {(-) 0.23 *per cent*} as per their latest finalised accounts as on 30 September 2017. The accumulated losses

[1]*Non-working SPSUs are those which have ceased to carry on their operations.*
[2]*Source: Department of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim. For the year 2012-13 to 2013-14, actual GDP figures have been adopted. For 2014-15 to 2016-17, the GSDP estimates (provisional figures) were yet to be approved by Government of Sikkim.*
[3]*Serial No. A-8 of Appendix 3.1.1. The audit of this company was entrusted to Comptroller and Auditor General of India during the year 2015*
[4] *Sl. no. A4, A5, A6, A7, A10, B11 and B12 of* ***Appendix 3.1.1***

(₹ 634.58 crore) of the remaining five[5] working SPSUs had completely eroded their share capital (₹ 21.46 crore) as per their latest finalised accounts. Hence, RoE of these five SPSUs was not workable.

As on 31 March 2017, there were four non-working SPSUs with total investment of ₹ 56.17 crore (Paid up capital: ₹ 55.63 crore and long term loan: ₹ 0.54 crore). This was a critical area as the investments in non-working SPSUs did not contribute to the economic growth of the State.

## Accountability framework

**3.1.2** The Companies Act 1956 as well as the New Companies Act, 2013 had not been extended to the State of Sikkim. Out of 13 Government Companies in Sikkim, 11 were registered under the 'Registration of Companies Act, Sikkim 1961'. The accounts of these 11 State Government companies are audited by Statutory Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BoDs) of the respective companies. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these companies had also been taken up by the Comptroller and Auditor General of India (CAG). This was done on the request of the Governor of the State under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

**3.1.3** During the year 2015-16, one State Government company[6] acquired 51 *per cent* of equity share capital of Teesta Urja Limited (TUL). TUL, a Company registered under the Companies Act 1956, is the holding company of another State Government Company namely, Teesta valley Power Transmission Limited (TPTL). Hence, both the companies (TUL and TPTL) were governed by the provisions of the Companies Act, 1956/Companies Act, 2013. The accounts of these two companies are audited by Statutory Auditors (Chartered Accountants) who are appointed by the CAG. In addition, supplementary audit of these companies had also been taken up by the CAG under Section 143(6)(a) of the Companies Act 2013[7].

**3.1.4** There are three Statutory Corporations in the State, namely, State Bank of Sikkim, State Trading Corporation of Sikkim and Sikkim Mining Corporation established under the proclamation of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are audited by the Chartered Accountants directly appointed by the Board of Directors (BoDs) of the respective Corporation. Supplementary Audit of these Corporations was taken up by CAG under Section 19(3)[8] of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

[5] *Sl. no. A1, A2, A3, A8 and A9 of* ***Appendix 3.1.1***
[6] *Sikkim Power Investment Corporation Limited*
[7] *The audit of accounts of the Government Companies from the financial year 2014-15 onwards is governed by the Companies Act, 2013.*
[8] *Based on the entrustment/request for the audit of the accounts of these corporations from the Governor of the State from time to time.*

## Stake of Government of Sikkim

**3.1.5** The State Government has huge financial stake in these SPSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- **Guarantees-**State Government also guarantees the repayment of loans with interest availed by the SPSUs from Financial Institutions.

## Investment in SPSUs

**3.1.6** As on 31 March 2017, the investment (capital and long-term loans) in 16 SPSUs was ₹ 15,513.93 crore as per details given below.

**Table 3.1.2**
**Total investment in SPSUs**

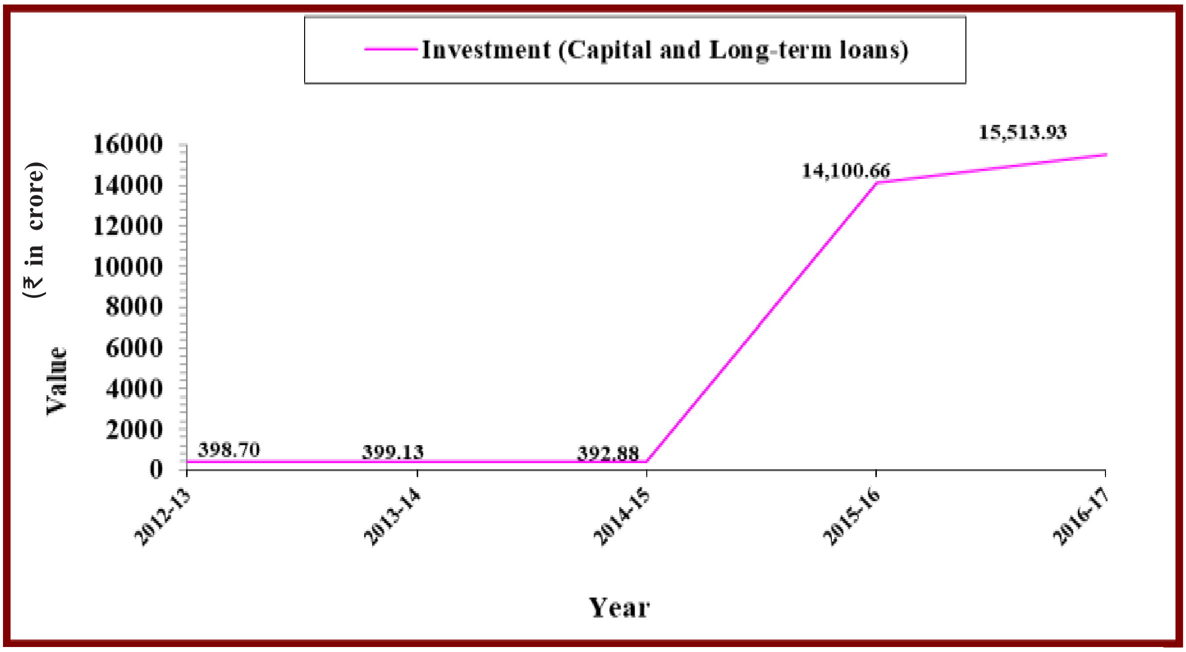
*(₹ in crore)*

| Type of SPSUs | Government Companies | | | Statutory Corporations | | | Grand Total |
|---|---|---|---|---|---|---|---|
| | Capital | Long Term Loans | Total | Capital | Long Term Loans | Total | |
| Working SPSUs | 3037.43 | 12239.94 | 15277.37 | 2.14 | 178.25 | 180.39 | 15457.76 |
| Non-working SPSUs | 43.13 | 0 | 43.13 | 12.50 | 0.54 | 13.04 | 56.17 |
| **Total** | **3080.56** | **12239.94** | **15320.50** | **14.64** | **178.79** | **193.43** | **15513.93** |

Out of the total investment of ₹ 15,513.93 crore in SPSUs as on 31 March 2017, 99.64 *per cent* was in working SPSUs and the remaining 0.36 *per cent* was in non-working SPSUs. This total investment consisted of 19.95 *per cent* in capital and 80.05 *per cent* in long-term loans. The investment had increased significantly by 3791.13 *per cent* from ₹ 398.70 crore (2012-13) to ₹ 15,513.93 crore (2016-17) as shown in ***Chart 3.1.1.*** The increase (₹ 15,115.23 crore) in the total investment was mainly due to investment aggregating ₹ 14,956.60 crore (capital: ₹ 2,974.10 crore; long term loans: ₹ 11,982.50 crore) in respect of three power[9] sector companies. These companies were added under the audit purview of CAG during the year 2015-16.

[9] *Sikkim Power Investment Corporation Limited (SPICL), Teesta Urja Limited (TUL), a subsidiary of SPICL; and Teestavalley Power Transmission Limited (TPTL), a subsidiary of TUL.*

**Chart 3.1.1**
**Total investment in SPSUs**




**3.1.7** The sector wise summary of investments in the SPSUs as on 31 March 2017 is given below:

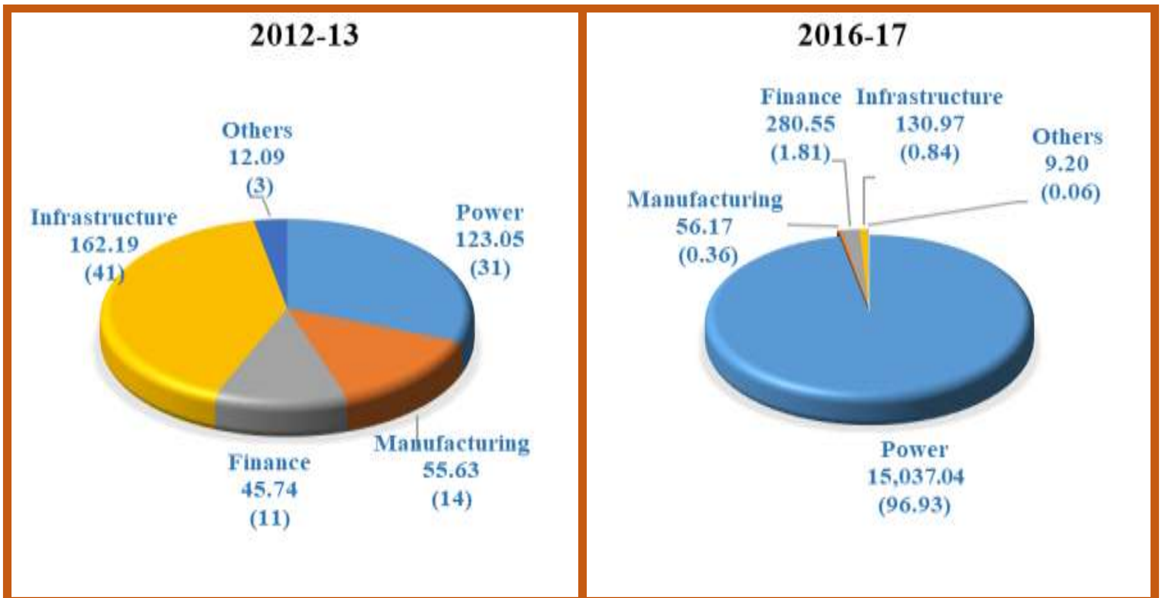
**Table 3.1.3**
**Sector-wise investment in SPSUs**

| Name of Sector | Government/*Other*[10] *Companies* | | Statutory corporations | | Total | Investment |
|---|---|---|---|---|---|---|
| | Working | Non-Working | Working | Non-working | | *(₹ in crore)* |
| Power | 4 | 0 | 0 | 0 | 4 | 15037.04 |
| Manufacturing | 0 | 3 | 0 | 1 | 4 | 56.17 |
| Finance | 1 | 0 | 1 | 0 | 2 | 280.55 |
| Service | 1 | 0 | 1 | 0 | 2 | 8.07 |
| Infrastructure | 1 | 0 | 0 | 0 | 1 | 130.97 |
| Agriculture & Allied | 3 | 0 | 0 | 0 | 3 | 1.13 |
| **Total** | **10** | **3** | **2** | **1** | **16** | **15,513.93** |

The investment in five significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in ***Chart No. 3.1.2***.

[10] *'Other Companies' as referred to under Section 139(5) and 139(7) of the Companies Act,2013*

**Chart 3.1.2**
**Sector wise investment in PSUs**




**Investment figures: ₹ in crore; Figures in brackets indicated percentage to total investments**

It could be noticed from ***Chart No. 3.1.2*** that during 2016-17, the thrust of SPSU-investment was mainly in power sector companies[11], which constituted more than 96 *per cent* of the total investment (₹ 15,513.93 crore) in SPSUs. During the period of five years from 2012-13 to 2016-17, investment in SPSUs increased in three out of five sectors (viz. finance, manufacturing and power sector). The investments in power sector SPSUs, however, had increased significantly by ₹ 14,913.99 crore from ₹ 123.05 crore (2012-13) to ₹ 15,037.04 crore (2016-17). As mentioned under **paragraph 3.1.6** *supra*, the significant increase in the power sector investments was mainly on account of investments relating to three power sector companies (SPICL, TUL and TPTL).

## Special support and returns during the year

**3.1.8** The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written-off and interest waived along with the position of guarantee in respect of SPSUs are given in ***Table 3.1.4*** for three years ended 2016-17.

**Table 3.1.4**
**Details regarding budgetary support to SPSUs**

*(₹ in crore)*

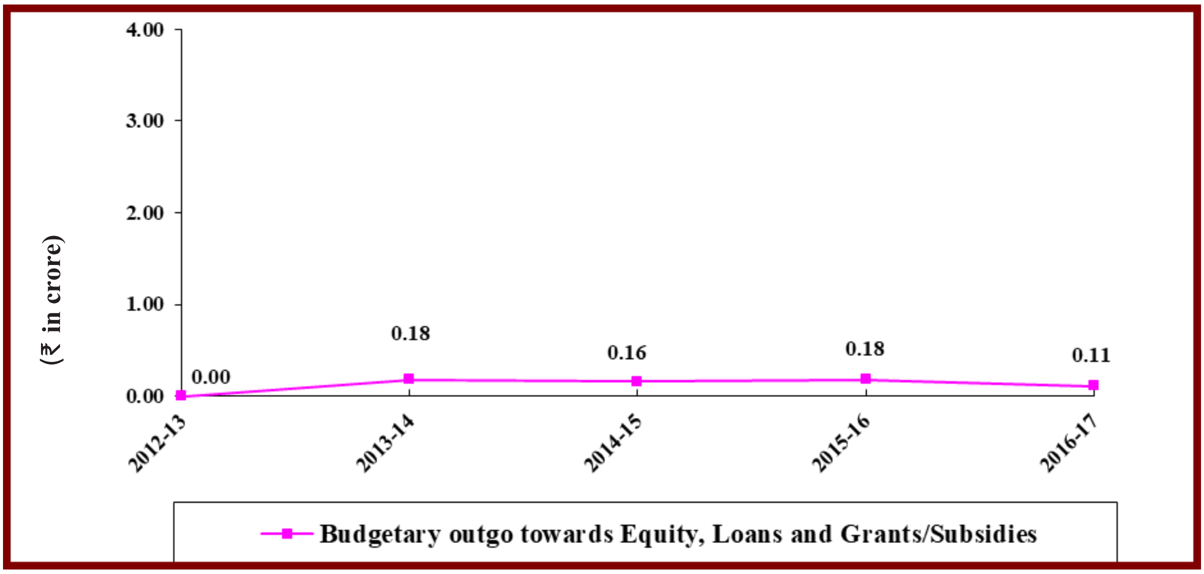
| Sl. No. | Particulars | 2014-15 | | 2015-16 | | 2016-17 | |
|---|---|---|---|---|---|---|---|
| | | No. of SPSUs | Amount | No. of SPSUs | Amount | No. of SPSUs | Amount |
| 1. | Equity Capital outgo from budget | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Loans given from budget | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | Grants/Subsidy from budget | 1 | 0.16 | 1 | 0.18 | 1 | 0.11 |
| **4.** | **Total Outgo (1+2+3)** | **1** | **0.16** | **1** | **0.18** | **1** | **0.11** |

[11] *Serial No. A-6,7,8 and 9 of* ***Appendix 3.1.1***

| Sl. No. | Particulars | 2014-15 | | 2015-16 | | 2016-17 | |
|---|---|---|---|---|---|---|---|
| | | No. of SPSUs | Amount | No. of SPSUs | Amount | No. of SPSUs | Amount |
| 5. | Waiver of loans and interest | 1 | 0.06 | 1 | 0.05 | 1 | 13.41 |
| 6. | Guarantees issued | 1 | 96.57 | 1 | 84.50 | 2 | 65.78 |
| 7. | Guarantee Commitment | 2 | 109.50 | 2 | 91.02 | 3 | 81.83 |

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in ***Chart 3.1.3***.

**Chart 3.1.3**
**Budgetary outgo towards Equity, Loans and Grants/Subsidies**




While no budgetary outgo was provided to any SPSU during 2012-13, during the next four years (2013-17), State Government has provided the budgetary outgo aggregating ₹ 0.63 crore to one SPSU (Sikkim Poultry Development Corporation Limited). As can be noticed from **Table 3.1.4** above, the Guarantee commitment during 2014-17 had shown a decreasing trend mainly due to repayment of Government guaranteed loans by one SPSU[12]. As on 31 March 2017, the Guarantee commitment stood at ₹ 81.83 crore against the three SPSUs[13]

## Reconciliation with Finance Accounts

**3.1.9** The figures in respect of equity, loans and guarantees outstanding as per the records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is given in ***Table 3.1.5.***

[12] *serial no. A-5 of **Appendix 3.1.1.***
[13] *serial no A-4, A-5 and B-12 of **Appendix 3.1.1***

**Table 3.1.5**
**Equity, loans, guarantees outstanding as per Finance Accounts vis a vis records of SPSUs**

*(₹ in crore)*

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of SPSUs | Difference |
|---|---|---|---|
| Equity | 87.87 | 88.28 | 0.41 |
| Loans | 37.03 | 2.03 | 35.00 |
| Guarantees | 79.85 | 81.83 | 1.98 |

** SPSU-wise figures of loans/guarantee not available in the finance accounts of the State.*

Audit observed that the differences in equity investment[14] occurred in respect of nine[15] SPSUs. While the un-reconciled differences in respect of equity of SPSUs decreased by ₹ 0.45 crore from ₹ 0.86 crore (2015-16) to ₹ 0.41 crore (2016-17), the differences in respect of loans to SPSUs remained unchanged at ₹ 35.00 crore during the two years. Further, the un-reconciled differences in respect of guarantee outstanding of SPSUs had decreased to ₹ 1.98 crore (2016-17) from ₹ 18.48 crore (2015-16). The Accountant General had pursued the issue regularly with the Principal Secretary (Finance), Government of Sikkim and the heads of the SPSUs concerned for early reconciliation of long pending differences. The Government and the SPSUs concerned should take concrete steps to reconcile the differences in a time-bound manner.

## Arrears in Finalisation of accounts

**3.1.10** The Companies Act, 1956/Companies Act, 2013 have not been extended to the State of Sikkim. The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 while the Statutory Corporations are governed by the proclamation of the erstwhile Chogyal (King) of Sikkim. During 2015-16, two power sector companies {Teesta Urja Limited (TUL) and its subsidiary, Teesta Valley Power Transmission Limited (TPTL)} which were registered under the Companies Act, 1956 became subsidiaries of one state owned company namely, Sikkim Power Investment Corporation Limited (SPICL) by virtue of acquisition of majority equity stake of TUL by SPICL. The ***Table 3.1.6*** provides the details of progress made by working SPSUs in finalisation of their accounts as of 30 September 2017.

**Table 3.1.6**
**Position relating to finalisation of accounts of working SPSUs**

| Sl. No. | Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| 1. | Number of Working SPSUs | 8 | 8 | 9 | 12 | 12 |
| 2. | Number of accounts finalised during the year | 10 | 5 | 3 | 8 | 14 |
| 3. | Number of accounts in arrears | 18 | 21 | 27 | 31 | 29 |
| 4. | Number of Working SPSUs with arrears in accounts | 7 | 8 | 9 | 8 | 9 |
| 5. | Extent of arrears (numbers in years) | 1 to 4 | 1 to 5 | 1 to 6 | 1 to 7 | 1 to 8 |

The arrear of accounts of working SPSUs had shown an increasing trend during four years (2012-16) due to less number of accounts finalised by working SPSUs during these

[14] *SPSU-wise figures of loans/guarantee not available in the finance accounts of the state*
[15] *Serial No. A-2, A-4, A-5, A-8 to A-10 and C-13 to C-15 of* ***Appendix 3.1.1***

years. As on 30 September 2017, total 29 accounts of 9 working SPSUs were pending for finalisation, of which, 16 accounts (55 *per cent*) pertained to 2 SPSUs[16]. The delay in finalisation of accounts of these 2 SPSUs was mainly due to delay in compilation/adoption of accounts by the Board of Directors of the respective SPSUs. The administrative departments of the SPSUs concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted within the stipulated period. The departments/ministries concerned were informed regularly (on quarterly basis) of the arrears in finalisation of accounts by these SPSUs. No significant improvement was, however, noticed in the position of arrears of accounts of the working SPSUs.

**3.1.11** The State Government had invested ₹ 0.29 crore in one SPSU (Sikkim Poultry Development Corporation) by way of Grant in 2015-16.

The said SPSU had finalised accounts upto 2008-09 and accounts for subsequent eight years (2009-10 to 2016-17) were pending finalisation.

## Placement of Separate Audit Reports

**3.1.12** The position depicted in ***Table 3.1.7*** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations in the State Legislature.

**Table 3.1.7**
**Status of placement of SARs in Legislature**

| Sl. No | Name of Statutory Corporation | Year up to which SARs placed in Legislature | Year for which SARs not placed in Legislature | |
|---|---|---|---|---|
| | | | Year of SAR | Date of issue to the Government |
| 1. | State Bank of Sikkim | 2012-13 | 2013-14 to 2015-16 | 08 September 2017 |
| 2. | State Trading Corporation of Sikkim | 2015-16 | - | - |

## Impact of non-finalisation of accounts

**3.1.13** The delay in finalisation of accounts pointed out in ***para 3.1.10 to 3.1.11*** may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

**It is, therefore, recommended that:**

- **the Government may ensure preparation of accounts by SPSUs to clear arrears in accounts and set targets for individual SPSU which could be monitored.**

[16] *Sl. No A-1 and A-2 of* ***Appendix 3.1.1***

## Performance of SPSUs as per their latest finalised accounts

**3.1.14** The financial position and working results of working Government companies and Statutory Corporations are detailed in **Appendix 3.1.1**. A ratio of SPSU turnover to State GDP shows the extent of SPSU activities in the State economy. ***Table 3.1.8*** provides the details of working SPSU-turnover and State GDP for a period of five years ending 2016-17.

**Table 3.1.8**
**Details of working PSUs turnover vis-a vis State GDP**

*(₹ in crore)*

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Turnover | 143.91 | 147.55 | 149.28 | 178.81 | 185.64[17] |
| State GDP[18] | 12,338 | 13,862 | 15,407 | 16,954 | 18852 |
| Percentage of Turnover to State GDP | 1.17 | 1.06 | 0.97 | 1.05 | 0.98 |

The year-wise contribution of working SPSU-turnover to State GDP during 2012-17 had shown a decreasing trend from 1.17 *per cent* (2012-13) to 0.98 *per cent* (2016-17) of the State GDP for the respective years.

***3.1.14.1 Erosion of capital due to losses:*** The paid up capital and accumulated losses of 12 working SPSUs as per their latest finalised accounts as on 30 September 2017 were ₹ 3,030.40 crore and ₹ 742.23 crore respectively (**Appendix 3.1.1**). Analysis of investment and accumulated losses of these SPSUs revealed that the accumulated losses (₹ 634.58 crore) of five[19] working SPSUs had completely eroded their share capital (₹ 21.46 crore) as per their latest finalised accounts.

Of these five SPSUs, the primary erosion of paid up capital was in respect of two SPSUs, namely, Sikkim Power Investment Corporation Limited (paid up capital: ₹ 0.01 crore; accumulated losses: ₹ 547.39 crore) and Sikkim Power Development Corporation Limited (paid up capital: ₹ 20.30 crore; accumulated losses: ₹ 83.77 crore).

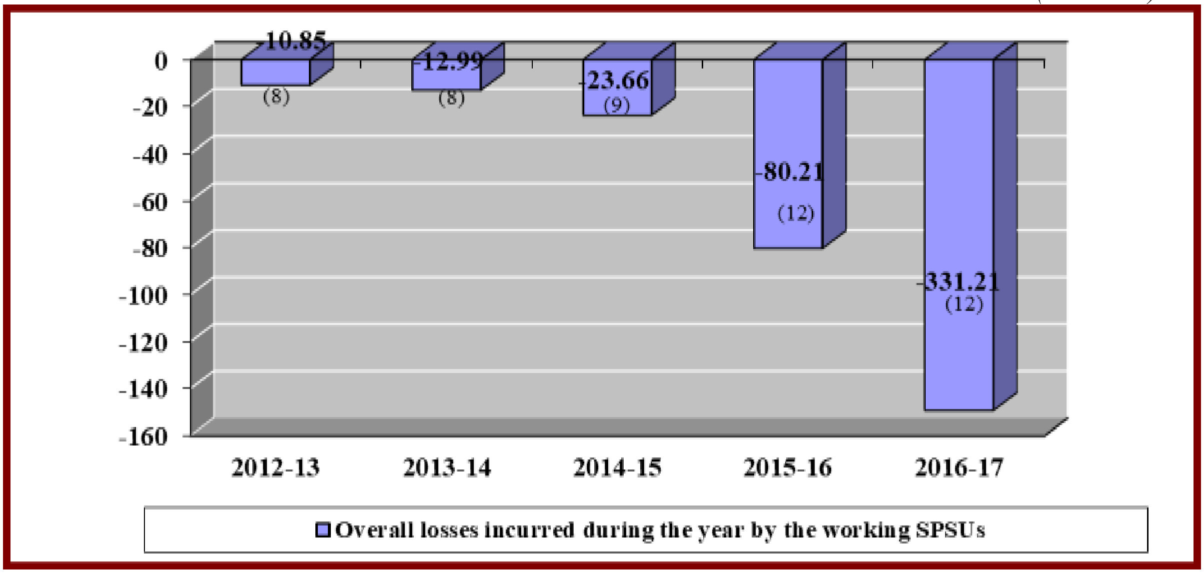
Accumulation of huge losses by these SPSUs had eroded public wealth, which was a cause of serious concern.

**3.1.15** Overall losses incurred by working SPSUs during 2012-13 to 2016-17 are given in ***Chart 3.1.4***.

[17] *Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2017*
[18] *Source: Department of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim, For the years from 2014-15 to 2016-17, the GSDP (provisional figures) estimates are pending for approval by Government of Sikkim (September 2017).*
[19] *Sl. no. A-1, A-2, A-3 A-8 and A-9 of* ***Appendix 3.1.1***

**Chart 3.1.4**
**Overall losses of working SPSUs**

*(₹ in crore)*




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

As per the latest finalised accounts of twelve working SPSUs as on 30 September 2017, three[20] SPSUs earned profit of ₹ 8.47 crore and nine SPSUs incurred loss of ₹ 339.68 crore. The major contributor to profit was State Bank of Sikkim (₹ 6.79 crore). The heavy losses were incurred by Sikkim Power Investment Corporation Limited (₹ 315.10 crore) and Sikkim Power Development Corporation Limited (₹ 9.22 crore). As could be noticed from ***Chart 3.1.4*** above**,** the overall losses incurred by working SPSUs showed an increasing trend during the five years from 2012-13 to 2016-17. The loss had increased from ₹ 10.85 crore (2012-13) to ₹ 331.21 crore (2016-17). The significant increase in the overall losses of working SPSUs during 2016-17 was attributable to the losses of ₹ 315.10 crore (2016-17) incurred by Sikkim Power Investment Corporation Limited. The audit of the Corporation was entrusted to CAG during December 2015.

**3.1.16** Some other key parameters of SPSUs for last five years (2012-13 to 2016-17) as per their latest finalised accounts as on 30 September of the respective year are given in ***Table 3.1.9***.

**Table 3.1.9**
**Key Parameters of State PSUs**

*(₹ in crore)*

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Return on Capital Employed (*Per cent*) | 4.30 | 4.36 | 3.91 | 10.34 | 9.57 |
| Debt | 279.07 | 273.89 | 273.25 | 8936.15 | 12225.77 |
| Turnover[21] | 143.91 | 147.55 | 149.28 | 178.81 | 185.64 |
| Debt-Turnover Ratio | 1.94:1 | 1.86:1 | 1.83:1 | 49.98:1 | 65.86:1 |
| Interest Payments | 87.49 | 90.15 | 88.16 | 1235.63 | 1659.22 |
| Accumulated losses | 90.29 | 97.92 | 117.72 | 328.72 | 794.95 |

[20] *Serial No. A-5,10 and B-11 of* ***Appendix 3.1.1***
[21] *Turnover of working SPSUs as per their latest finalised accounts as on 30 September of respective year.*

From the Table above, it can be noticed that the Debt-Turnover Ratio of SPSUs has increased significantly after 2014-15 mainly due to addition of three power sector companies[22] under the audit purview of CAG during 2015-16. During 2016-17, the said three SPSUs had significant debts aggregating ₹ 11,982.51 crore as per their latest finalised accounts as on 30 September 2017.

**3.1.17** The State Government had not formulated (October 2017) any dividend policy regarding payment of minimum dividend by SPSUs. As per their latest finalised accounts as on 30 September 2017, three[23] SPSUs earned aggregate profit of ₹ 8.47 crore, however, no SPSU declared dividend during the year.

## Winding up of non-working SPSUs

**3.1.18** There were four non-working SPSUs (three Companies and one Statutory Corporation) as on 31 March 2017. The audit of accounts of three[24] out of these four SPSUs had been entrusted to CAG for five years upto 2016-17. The audit of the fourth[25] SPSU was, however, entrusted to CAG for five years upto 2017-18. All the SPSUs mentioned above were under closure (April 2011) under the order of the Government. The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 while Statutory Corporations are governed by the proclamation of the erstwhile Chogyal (King) of Sikkim. There was, however, no prescribed procedure for liquidation of Government Companies/Statutory Corporations under their respective governing Act/Statute. The details of non-working SPSUs at the end of each of the last five years are given in ***Table 3.1.10***.

**Table 3.1.10**
**Non-working SPSUs with entrustment**

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| No. of non-working companies | 6 | 6 | 5 | 3 | 3 |
| No. of non-working corporations | 1 | 1 | 1 | 1 | 1 |
| **Total** | **7** | **7** | **6** | **4** | **4** |

**3.1.19** The stages of closure in respect of non-working SPSUs are given in ***Table 3.1.11***.

**Table 3.1.11**
**Closure of Non-working SPSUs**

| Sl. No. | Particulars | Companies | Statutory Corporations | Total |
|---|---|---|---|---|
| 1. | Total No. of non-working SPSUs | 3 | 1 | 4 |
| 2. | Of (1) above, the No. under | | | |
| (a) | liquidation by Court (liquidator appointed) | 0 | 0 | 0 |
| (b) | Voluntary winding up (liquidator appointed) | 0 | 0 | 0 |
| I | Closure, i.e. closing orders/instructions issued but liquidation process not yet started. | 3 | 1 | 4 |

22 *Serial no A-6, A-7 and A-8 of* ***Appendix 3.1.1***
23 *Serial No. A-5, A-10 and B-11 of* ***Appendix 3.1.1***
24 *Serial No, C-13, C-14 & D-16 of* ***Appendix 3.1.1***
25 Serial No, C-15 of ***Appendix 3.1.1***

The assets of the three out of four non-working SPSUs (all companies) had been disposed of and the proceeds remitted (December 2012) to the Government of Sikkim. The liquidation of the fourth non-working SPSU (Sikkim Mining Corporation) was approved (October 2016) by the Department of Mines, Minerals and Geology, Government of Sikkim and its liabilities (₹ 6.85 crore) were also waived (October 2016).

## Accounts Comments

**3.1.20** Six working companies forwarded their nine audited accounts to Accountant General during the year 2016-17 (October 2016 to September 2017). Six out of nine accounts pertaining to four companies which were selected for supplementary audit had received qualified certificates. Supplementary audit of remaining three accounts of three companies was in progress (November 2017). The details of aggregate money value of comments of statutory auditors and CAG for last three years (2014-17) are given in ***Table 3.1.12.***

**Table 3.1.12**
**Impact of audit comments on working Companies**

*(₹ in crore)*

| Sl. No. | Particulars | 2014-15 | | 2015-16 | | 2016-17 | |
|---|---|---|---|---|---|---|---|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | Nil | Nil | 1 | 0.01 | 1 | 2.92 |
| 2. | Increase in loss | 1 | 0.01 | 2 | 6.57 | 2 | 6.38 |
| 3. | Non-disclosure of material facts | 1 | 0.02 | 1 | 1.22 | 1 | 2.03 |
| 4. | Errors of classification | Nil | Nil | Nil | Nil | Nil | Nil |

During the year, 2016-17, two working Statutory corporations[26] had submitted five years accounts to the Accountant General for supplementary audit. The audit of all the five accounts was completed and Separate Audit Reports also issued (June/September 2017). All five accounts of two Statutory corporations received qualified certificates.

## Response of the Government to Audit

### Performance Audits and Paragraphs

**3.1.21** For the present chapter of Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, Government of Sikkim, one performance audit report involving Finance, Revenue and Expenditure Department (FRED) was issued to the Secretary of the Department with request to furnish replies within six weeks. However, reply was awaited from the State Government (November 2017).

## Follow up action on Audit Reports

### Replies outstanding

**3.1.22** The Report of the CAG represents the culmination of the process of audit scrutiny.

[26] *State Bank of Sikkim and State Trading Corporation of Sikkim*

It is, therefore, necessary that they elicit appropriate and timely response from the executive. According to instructions issued by the FRED, Government of Sikkim, all the administrative departments concerned were required to furnish explanatory notes on the paragraphs/performance audits included in the Audit Reports of the CAG of India. The explanatory notes were to be furnished within a period of three months of Report's presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Public Accounts Committee.

**Table 3.1.13**
**Explanatory notes not received (as on 30 September 2017)**

| Year of the Audit Report (Commercial/PSU) | Date of placement of Audit Report in the State Legislature | Total Performance audits (PAs) and Paragraphs in the Audit Report | | Number of PAs/ Paragraphs for which explanatory notes were not received | |
|---|---|---|---|---|---|
| | | PAs | Paragraphs | Pas | Paragraphs |
| 2012-13 | 28 June 2014 | 0 | 2 | 0 | 1 |
| 2013-14 | 17 March 2015 | 1 | 4 | 1 | 3 |
| 2014-15 | 28 March 2016 | 0 | 2 | 0 | 0 |
| 2015-16 | 18 March 2017 | 1 | 1 | 1 | 1 |
| **TOTAL** | **-** | **2** | **9** | **2** | **5** |

From the ***Table No. 3.1.13***, it could be seen that the explanatory notes to 5 paragraphs and 2 performance audits pertaining to six Companies/Corporations[27] and Department (Energy and Power Department) were not received (November 2017).

### Discussion of Audit Reports by Public Accounts Committee

**3.1.23** The status as on 30 September 2017 of performance audits (PA) and paragraphs relating to SPSUs that appeared in State Audit Reports and discussed by the Public Accounts Committee (PAC) was as detailed in ***Table No. 3.1.14.***

**Table 3.1.14**
**Performance Audit/Paragraphs relating to SPSUs appeared in Audit Reports vis-à-vis discussed as on 30 September 2017**

| Period of Audit Report | Number of PAs/paragraphs | | | |
|---|---|---|---|---|
| | Appeared in Audit Report | | Paragraphs discussed | |
| | PAs | Paragraphs | PAs | Paragraphs |
| 2011-12 | 1 | 4 | Nil | 2 |
| 2012-13 | 0 | 2 | Nil | Nil |
| 2013-14 | 1 | 4 | Nil | Nil |
| 2014-15 | 0 | 2 | Nil | Nil |
| 2015-16 | 1 | 1 | Nil | Nil |
| **Total** | **3** | **13** | **Nil** | **2** |

### Compliance to Reports of Public Accounts Committee

**3.1.24** Action Taken Notes (ATNs) to seven recommendations pertaining to three Reports of the Public Accounts Committee (PAC) presented to the State Legislature as of March 2017 had been received (October 2017) as indicated in **Table No. 3.1.15** below.

[27] ***Serial No. A-1, 4, 5, 9, B-11 and B12 of Appendix 3.1.2***

**Table 3.1.15**
**Compliance to Reports of Public Accounts Committee**

| Year of the PAC Report | Total Number of PAC Reports | Total No. of Recommendation in PAC Report | No. of Recommendations where ATNs not received |
|---|---|---|---|
| 2008-09 (AR 2005-06) | 1 | 2 | Nil |
| 2009-10 (AR 2006-07) | 1 | 3 | Nil |
| 2010-11 (AR 2007-08) | 1 | 2 | Nil |
| 2013-14 (AR 2008-09) | 1 | Nil | NA |
| 2015-16 (AR 2009-10)) | 1 | Nil | NA |
| 2016-17 (AR 2010-11) | 1 | Nil | NA |
| **TOTAL** | **6** | **7** | **Nil** |

**It is recommended that the Government may ensure:**

**(a) furnishing of replies/explanatory notes to Draft paragraphs/Performance Audits and ATNs on the recommendations of PAC as per the prescribed time schedule;**

**(b) recovery of loss/outstanding advances/overpayments within the prescribed period; and**

**(c) revamping of the system of responding to audit observations.**

## Coverage of this report

**3.1.25** This Chapter contains one performance audit report on "Functioning of State Bank of Sikkim" which falls under the administrative control of FRED. The investment, turnover, equity, return and percentage of Return on Equity (RoE) in respect of State Bank of Sikkim as per its latest finalised accounts as on 30 September 2017 are given below:

**Table 3.1.16**
**Key parameters of the SPSUs covered in the Report**

| Name of the PSU | Investment | Turnover | Equity[28] | Return[29] | RoE (*Per cent*) |
|---|---|---|---|---|---|
| | (₹ in crore) | | | | |
| **State Bank of Sikkim** | **0.53** | **147.91** | **18.25** | **6.79** | **37.21** |

*Source: Annual Accounts of the SPSU for 2015-16*

## Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

**3.1.26** As part of the power sector reforms introduced (May 2003) in the Country, separate companies were to be formed to look after the activities of generation, transmission and distribution of electricity in the State. The activities relating to

[28] *Equity represents paid up equity capital plus free reserves plus accumulated profits minus accumulated losses.*
[29] *Net profit after tax.*

generation, transmission and distribution of electricity in the State of Sikkim, however, continued to be managed and controlled by the Energy and power Department, Government of Sikkim (November 2017).

# STATE BANK OF SIKKIM

## 3.2 Functioning of State Bank of Sikkim

*State Bank of Sikkim (SBS) was established under the State Bank of Sikkim Proclamation, 1968 by the then Chogyal of Sikkim for providing banking facilities, to mobilise capital for economic development and to stimulate trade and industry in the State of Sikkim. At present, State Bank of Sikkim carried on the business of banking including accepting of deposits, borrowing, lending or advancing money. Performance Audit on the functioning of State Bank of Sikkim covering the period 2012-13 to 2016-17 revealed weaknesses in planning, banking operations, and internal control mechanism of SBS. They led to high levels of non-performing assets and losses on account of write offs of notional interest on loans and advances as bad debts. The following are the main highlights of the audit:*

### Highlights

**State Bank of Sikkim had not framed any General or Specific Lending Policy or Credit Policy to regulate and safeguard the credits extended by it.**

**(Paragraph 3.2.8.3)**

**SBS did not have any established comprehensive procedure for post sanction monitoring of credit facilities. Regular follow-up and negotiation with loan defaulters to secure the financial interest of the bank was missing**

**(Paragraph 3.2.8.4)**

**The percentage of Gross Non-Performing Assets of SBS showed a declining trend during 2011-16. However, it was still quite high at 46.39 *per cent* at the end of 2015-16 in comparison to the Gross NPA of Public Sector Banks (9.30 *per cent*) as on that date.**

**(Paragraph 3.2.8.5)**

**All the eight ATMs of State Bank of Sikkim were lying shut down from 9 November 2016 to 7 November 2017 thereby causing hardship to the customers and damaging the trust of customers of the bank.**

**(Paragraph 3.2.8.6)**

**As on 31 March 2017, an amount of ₹ 490.68 crore was lying unreconciled on account of inter-branch transactions.**

**(Paragraph 3.2.8.7.1)**

**Non-compliance with the provisions of the State Bank of Sikkim Proclamation, 1968 were noticed.**

**(Paragraph 3.2.8.11)**

### 3.2.1 Introduction

State Bank of Sikkim (SBS) was constituted (September 1968) under the State Bank of Sikkim Proclamation, 1968 (Proclamation) by the then Chogyal (King) of Sikkim. It was established for providing banking facilities in the State of Sikkim including accepting of deposits for the purpose of lending or investment, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise and also to mobilise capital for economic development and to stimulate trade and industry and various other public purposes. Section 19(1)(a) of the Proclamation further empowered SBS to act as Agent of the Government of Sikkim (GoS), to accept moneys on GoS's behalf and make payments upto the amount standing to the credit of GoS's account and carry out GoS remittances, besides other banking operations, like the management of the public debt of the GoS. As per the notification issued (September 1968) by GoS, the SBS was to act as Bankers and Agent of GoS with effect from 9 September 1968.

As per Section 3(2) of the Proclamation, SBS shall be a body corporate by the name of the State Bank of Sikkim having perpetual succession and a common seal and shall by the said name sue and be sued. During 2012-17, the entire paid-up share capital (₹ 0.53 crore[30]) of SBS was held by GoS and accordingly, SBS was treated as a State Statutory Corporation. The audit of SBS was conducted by the CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, (as amended) 1971 based on the request of the Governor of the State of Sikkim. However, SBS is neither a Company[31] nor a Co-operative bank[32] as defined in the Banking Regulation Act, 1949.

By the Constitution (Thirty-sixth Amendment) Act, 1975, Sikkim became a State of the Union of India with effect from 26 April 1975. A new article, 371F was inserted in the Constitution stipulating special provisions with respect to the State of Sikkim. As per Article 371F(k) of the Constitution of India, all laws in force immediately before the appointed day (viz. 26 April 1975) in the territories comprised in the State of Sikkim or any part thereof shall continue to be in force therein until amended or repealed by a competent Legislature or other competent authority. As such, the State Bank of Sikkim Proclamation 1968, being an old law of Sikkim was protected under the new Article 371F(k) of the Constitution of India.

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[30] *Excluding the paid up value (₹ 0.05 crore) of 10,000 shares (partly paid @ ₹ 50 per share) held by United Bank of India (UCO bank), which were surrendered by UCO bank and amount refunded (June 2006) by SBS. The paid up share capital of SBS was, accordingly, reduced (2014-15) by SBS to that extent.*

[31] *'Company' means any company as defined in section 3 of the Companies Act, 1956 and includes a foreign company*

[32] *'Co-operative bank' means a state co-operative bank, a central co-operative bank and a primary co-operative bank.*

The Banking Regulation Act, 1949 (Banking Regulations) notified (March 1949) by the Government of India (GoI) was extended (15 January 1976) to the State of Sikkim. The same was to come into force in the State from the appointed date (viz. 15 December 1987). As such, the SBS was required to comply with the provisions of the Banking Regulations with effect from the appointed date (15 December 1987) when the said Regulations were made applicable to the State of Sikkim.

As per clause (1) of section 7 of the Banking Regulations, no company other than a banking company shall use as part of its name or in connection with its business, any of the words 'bank', 'banker' or 'banking' and no company shall carry on the business of banking in India unless it uses as part of its name at least one of such words. Section 22 of the Banking Regulations further stipulated that no company shall carry on banking business in India unless it holds a license issued by the Reserve Bank of India. It was, however, observed that the SBS, despite being covered (15 December 1987) under the purview of the Banking Regulations, did not comply with the provisions of the said Regulations so far (October 2017). It was noticed that SBS used the word 'Bank' as part of its name for all purposes including in connection with its banking business. Further, it carries on the business of banking without holding a license issued by the RBI in violation of the provisions of the Banking Regulation Act, 1949.

### 3.2.2 Organisational set-up

As per section 8(1) of the Proclamation, the general superintendence and direction of the affairs and business of the bank vested in the Board of Directors (Board) of the SBS. The composition of the Board as on 31 March 2017 was as follows:

**Table 3.2.1**
**Composition of Board of Directors of SBS**

| Name | Designation | Position in the Board |
|---|---|---|
| Shri. K. B. Chamling, | Member, State Legislative Assembly | Chairman, nominated by GoS |
| Shri. R. S. Basnet, | Principal Secretary to Hon'ble Chief Minister, GoS | Director, nominated by GoS |
| Shri. M. G. Kiran, | Principal Secretary, Finance, Revenue and Expenditure Department, GoS | Director, nominated by GoS |
| Shri. S. K. Pradhan, | Secretary (P), Home Department, GoS& MD, Sikkim Industrial Development and Investment Corporation | Director, nominated by GoS |
| Shri. Hem K. Chhetri | Member, Sikkim Civil Services | Managing Director appointed by GoS |

Section 9 of the Proclamation stipulated the composition and maximum number of members on the Board of SBS. Under the proclamation, the maximum number of members (including the Chairman and the Managing Director) on the Board of SBS was fixed at seven. Section 9 of the proclamation empowered the GoS and United Commercial Bank Limited (now UCO bank) to nominate two directors and one director respectively to the Board of SBS. The power of nominating the Chairman was, however, vested with GoS. The Board was empowered to appoint the Managing Director with the consent of UCO Bank. The remaining two directors were to be elected by the shareholders of SBS other than the GoS and UCO.

Out of the total issued share capital of ₹ 0.63 crore (63,384 shares of face value of ₹ 100 each) of SBS as on 31 March 2014, UCO bank was holding 10,000 shares with partly paid up amount of ₹ 50 per share. The said shares were, however, surrendered (June 2006) by UCO Bank and the entire paid up amount of ₹ 5.00 lakh was refunded (June 2006) by SBS. SBS had, accordingly, reduced its share capital by ₹ 5 lakh during the financial year 2014-15. The GoS was the sole owner of SBS after the UCO Bank surrendered (June 2006) its entire shareholdings in SBS. Therefore, the requirement of the Proclamation regarding nomination of two directors (including the Managing Director) by UCO Bank and other two directors by the shareholder of SBS other than UCO Bank and GoS became redundant. Accordingly, all the five directors (including the Chairman and the Managing Directors) on the Board of SBS as on March 2017 had been nominated by GoS. The Board of SBS did not have any member with professional qualification or technical expertise/experience in the banking sector.

The entire management of SBS operations rested with the Board and no GoS Department was entrusted with any supervisory role in the functioning of SBS. The Managing Director (MD) who was a whole-time officer of SBS, was responsible for the general management of the business of SBS. As on 31 March 2017, SBS had a total of 39 branches across the State including the main branch, which was located in the head office of SBS at Gangtok.

Performance Audit (PA) on the functioning of SBS was taken up in view of the existence of high level of Gross Non-Performing Assets (GNPA) aggregating ₹ 469.64 crore as on 31 March 2017. The GNPA represented 45.75 *per cent* of the total receivables of SBS (₹ 1,026.54 crore) against the outstanding loans & advances.

### 3.2.3 Audit Objectives

The audit objectives of the PA were to ascertain whether:

- effective plan and strategy for functioning of SBS were in place;
- the banking operations of SBS were taken up efficiently, effectively and economically; and
- the monitoring and internal control mechanism were effective.

### 3.2.4 Audit Criteria

The criteria adopted for assessing the achievement against the above mentioned audit objectives were drawn from the following sources:

- State Bank of Sikkim Proclamation, 1968 and other applicable Laws/Rules/Regulations.
- Prescribed policies/procedures for regulating its banking operations of SBS.

- Sikkim Public Demands Recovery Act, 2006.
- Banking Regulation Act, 1949
- Good Practices in Banking Sector.
- Guidelines issued by Ministry of Finance, Department of Financial Services, Government of India (GoI) and Reserve Bank of India from time to time.

### 3.2.5 Audit Methodology

The methodology adopted for attaining the above audit objectives involved:

- Explaining the scope, audit objectives, audit criteria, etc. to the Management of SBS during the Entry Conference (06 June 2017),
- Analysis of data/records with reference to audit criteria,
- Raising of audit queries; and
- Issuing of the draft audit report to SBS/GoS for comments.

The draft audit report was also discussed with the representatives of SBS/GoS in the Exit Conference (09 October 2017). The formal replies (2 November 2017) of SBS to the draft report as well as the views expressed by the representatives of SBS and GoS in the Exit Conference have also been taken into consideration while finalising the Report. Formal replies of GoS to the draft audit report, however, had not been received (November 2017).

### 3.2.6 Scope of Audit

Audit reviewed the banking operations of SBS for a period of five years from 2012-13 to 2016-17. The review assessed SBS's performance in credit appraisal, sanction process, post-sanction monitoring and follow-up for credit recovery. The internal control framework of SBS and compliance with the regulatory framework (including compliance with the provisions of State Bank of Sikkim Proclamation, 1968) were also reviewed.

Out of 39 branches of SBS, 10 branches were selected for detailed examination using 'judgemental and random sampling' technique so as to draw a fair representative of the population. Further, out of the total 16,301 cases of loans and advances involving total receivables of ₹ 1,026.54 crore, 261 cases (1.6 *per cent*) involving the receivables aggregating ₹ 534.90 crore (52.11 *per cent*) were also selected for scrutiny. The period covered in audit for review of loans sanctioned was for five financial years from 2012-13 to 2016-17. As regards review of Non-Performing Assets (NPAs), the NPAs of SBS as on 31 March 2017 that included loans sanctioned during the period prior to 2012-13 were also examined.

### 3.2.7 Acknowledgement

Audit wishes to acknowledge the cooperation extended by the Management of State Bank of Sikkim and Government of Sikkim at each stage of the audit process.

## 3.2.8 Audit Findings

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

### *3.2.8.1 Planning*

Planning is a management process for defining the goals of an entity and determining the future direction, missions and resources to achieve the said goals. Strategic planning in a bank is a process for framing long term objectives and strategies at organisational level for the development and pursuit of the fundamental purpose of the bank. Strategic planning helps in reducing various banking risks and places the bank in a position that makes it possible to anticipate any change, and to prepare it for timely reaction. Examination of the records of SBS revealed that SBS did not formulate any long term strategic plan during the 49 years of its existence. However, for each of the years 2012-13 to 2016-17 covered under audit, SBS had been preparing the annual budgets specifying the annual targets for projected income, expenditure, and profitability which were then approved by the Board of SBS. The summarised details of the targets for various activities, as set by SBS in the year-wise annual budgets for the last five years and achievements there against have been presented in **Table 3.2.2** below:

**Table 3.2.2**
**Targets and Achievements**

(*₹ in crore*)

| Year | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **Budget** | **Actual*** | **Budget** | **Actual*** | **Budget** | **Actual*** | **Budget** | **Actual*** | **Budget** | **Actual**** |
| **Interest & Discount Earned** | 121.46 | 130.87 | 130.00 | 134.65 | 150.00 | 154.46 | 130.96 | 147.91 | 170.00 | 161.72 |
| **Other Incomes** | 7.54 | 1.91 | 8.09 | 10.88 | 11.23 | 11.56 | 12.81 | 13.53 | 16.73 | 14.77 |
| **Total Income (A)** | **129.00** | **132.78** | **138.09** | **145.53** | **161.23** | **166.03** | **143.77** | **161.44** | **186.73** | **176.49** |
| **Interest Expenses**[33] | 93.61 | 103.57 | 99.87 | 112.74 | 120.00 | 125.95 | 108.06 | 114.40 | 134.11 | 124.84 |
| **Other Expenses** | 20.43 | 20.44 | 22.26 | 22.33 | 24.05 | 23.31 | 23.94 | 28.34 | 32.60 | 34.02 |
| **Total Expenses (B)** | **114.05** | **124.01** | **122.13** | **135.06** | **144.05** | **149.25** | **132.00** | **142.74** | **166.71** | **158.87** |
| **Net Profit (A) – (B)** | **14.95** | **8.77** | **15.96** | **10.47** | **17.18** | **16.78** | **11.77** | **18.70** | **20.02** | **17.62** |

* *Source: Audited Financial Statements; **Provisional unaudited figures*

From **Table 3.2.2** above, it can be noticed that the SBS had earned profits during all the five years from 2012-13 to 2016-17 covered under the audit. However, it can also be noticed that except 2016-17, the year-wise achievements of 'Interest & Discount Earned' as well as the 'interest expenses' were significantly higher than the budget. As a result, the actual 'total income' and 'total expense' during these years (2012-13 to 2015-16) had exceeded the targeted figures. This indicated that the year-wise targets fixed for 'interest income' and 'interest expenses' during 2012-13 to 2015-16 were not realistic. Further, although the SBS had earned profits during all the five years, it could not achieve the year-wise targets fixed for the 'net profit' during four out of the five years (excepting 2015-16). In 2015-16, the net profits targets were fixed at comparatively lower level.

SBS stated (November 2017) that it was completing its five decadal existence and an organisation cannot survive this long without strategy and planning. It was further added

[33] *Pertains to interest paid to depositors*

that SBS introduced annual budgeting and targets setting system during the last five years and the net-worth of SBS changed from negative to positive.

The reply was not tenable as there was no documentary evidence on record to establish that SBS had ever prepared any long-term or strategic plan. Further, the claim regarding improvement in the net worth was also unrealistic considering the fact that improvement in the net worth was achieved mainly due to short provisioning against the substandard assets as discussed in the subsequent paragraphs.

### *3.2.8.2 Financial Position and Working Results*

The summarised details of the 'net profits' earned by SBS during the five years from 2012-13 to 2016-17 have been presented in **Table 3.2.3** below:

**Table 3.2.3**
**Net Profits of SBS**

*(₹ in crore)*

| Particulars | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17* |
|---|---|---|---|---|---|
| **Total Income (a)** | 132.78 | 145.53 | 166.03 | 161.44 | 176.49 |
| **Total Expenses (b)** | 124.01 | 135.06 | 149.25 | 142.74 | 158.87 |
| **Net Profit (a – b)** | **8.77** | **10.47** | **16.78** | **18.70** | **17.62** |

** Provisional unaudited figures*

From **Table 3.2.3** above, it can be seen that the net profits of SBS had shown an increasing trend during the five years of 2012-17 excepting a marginal decrease in 2016-17. Examination of the records of SBS, however, revealed that the above profit had been arrived at by SBS without creating mandatory provisions as required under the 'Asset Classification and Provisioning Guidelines'(Guidelines) approved (March 2014) by the Board of SBS. As per the said Guidelines discussed in detail under paragraph 3.2.8.5 *infra*, the provisions should be created for Loss Assets (100 *per cent* provision), Doubtful Assets (100 *per cent* provision of unsecured portion and minimum 25 *per cent* on secured portion), Substandard Assets (15 *per cent* provision) and Standard Assets (0.40 *per cent* provision). SBS, however did not create any such provisions for different categories of assets in contravention of the Guidelines. Instead it had created general provision for bad and doubtful debts at 7.5 *per cent* of the net profit for the respective year. It was noticed that the reported profits of SBS for all the five years from 2012-13 to 2016-17 would turn into losses, even if the short provisioning in respect of only Substandard assets of SBS are taken into account, as per the details given in **Table 3.2.4** below:

**Table 3.2.4**
**Net Profits of SBS for 2012-17 to 2016-17 after considering the short provisioning against Substandard Assets**

*(₹ in crore)*

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17* |
|---|---|---|---|---|---|
| Net Profit as per the financial statements (a) | 8.77 | 10.47 | 16.77 | 18.7 | 17.62 |
| Substandard Assets | 175.40 | 368.26 | 397.58 | 438.27 | 467.68 |
| Provision to be created (15 *per cent* of Substandard Assets) (b) | 26.31 | 55.24 | 59.64 | 65.74 | 70.15 |
| Provision created @ 7.5 % *per cent* on Profit( c) | 0.66 | 0.79 | 1.26 | 1.40 | 1.32 |
| Short Provisioning (d)=(b-c) | 25.65 | 54.45 | 58.38 | 64.34 | 68.83 |
| Net Profit/(Loss) after considering the short provisioning against Substandard Assets (a – d) | (16.88) | (43.98) | (41.61) | (45.64) | (51.21) |

** Provisional unaudited figures*

From **Table 3.2.4** above, it is clear that although the financial statements of SBS reflected profits during all the five years, the SBS had actually incurred losses considering the requirement of the Asset Classification and Provisioning Guidelines on provisioning against the Substandard assets only.

The summarised details of the financial position of SBS for last five years from 2012-13 to 2016-17 have been given in **Table 3.2.5** below:

**Table 3.2.5**
**Financial position of SBS for the years from 2012-13 to 2016-17**

*(₹ in crore)*

| **Particulars** | **As at 31st March** | | | | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** | **2017*** |
| **Capital & Liabilities** | | | | | |
| Paid-up Share Capital | 0.53 | 0.53 | 0.53 | 0.53 | 0.53 |
| Reserve & Surplus | 4.77 | 6.90 | 8.15 | 24.83 | 30.56 |
| Deposits | 1566.28 | 1904.15 | 1955.57 | 1960.09 | 2074.69 |
| Borrowings | 54.94 | 40.39 | 24.31 | 30.94 | 178.25 |
| Other Liabilities & Provisions | 99.61 | 104.70 | 114.39 | 103.30 | 112.47 |
| **Total** | **1726.13** | **2056.67** | **2102.95** | **2119.69** | **2396.50** |
| **Assets** | | | | | |
| Cash & Balance with RBI | 64.91 | 37.47 | 66.21 | 46.08 | 15.52 |
| Balances with Other Banks | 1216.86 | 1361.03 | 1187.99 | 1155.66 | 1054.58 |
| Investments | 6.00 | 7.16 | 14.40 | 36.23 | 334.48 |
| Advances | 311.00 | 532.77 | 730.93 | 805.41 | 871.21 |
| Fixed Assets | 2.79 | 3.14 | 3.67 | 5.00 | 5.66 |
| Other Assets | 114.71 | 108.87 | 97.11 | 71.31 | 115.05 |
| Profit & Loss Account (Debit Balance) | 9.86 | 6.23 | 2.64 | 0.00 | 0.00 |
| **Total** | **1726.13** | **2056.67** | **2102.95** | **2119.69** | **2396.50** |

** Provisional unaudited figures*

As per Good Banking practices adopted by other nationalised banks, SBS was required to formulate a well-thought investment policy for investment of its surplus funds in a manner so as to maximise the returns without compromising the safety, security and reasonable liquidity of the funds invested. Examination of records of SBS revealed that the SBS had not devised any Investment Policy even after almost five decades of its existence. In the absence of a well-defined investment policy, there was no precise system in SBS for selection of appropriate avenues best suitable for investment of the surplus funds.

As can be seen from **Table 3.2.5**, SBS had been holding huge 'Deposits' from its customers ranging from ₹ 1,566.28 crore (2012-13) to ₹ 2,074.69 crore (2016-17) during 2012-17. The rate of interest on the 'Deposits' was fixed by a committee[34] constituted for this purpose. Audit observed that the 'Deposits' of the customers of SBS had not been protected through any bank deposits insurance scheme.[35]

[34] *Managing Director (Chairman of committee), Chief General Manager, All General Managers, Sr. Manager (Operation) (Member Secretary of Committee), Sr. Manager (Inter Branch Reconciliation), Asst. Manager (Inter Branch Reconciliation) ,*

[35] *Deposit Insurance is a measure to protect bank depositors from losses caused by a bank's inability to pay its debts when due.*

SBS stated (November 2017) that the insurance cover for the 'Deposits' was not available for SBS, as it was not licensed by RBI.

The reply was not acceptable as the SBS should have obtained the necessary license for carrying out the banking operations from the RBI as per the requirements of the Banking Regulations Act, 1949, which was made applicable to SBS long back in December 1987.

### *3.2.8.3 Credit appraisal and sanction*

The biggest risk faced by the banking sector was the credit risk, which was associated with the uncertainty of default by the borrowers in repayment of the loan amount. Accordingly, as per good practices in the banking sector, banks generally adopt an effective credit appraisal mechanism before sanctioning the loans. This involved critical evaluation of borrowers' current and future ability to fulfil obligations of the repayment of interest and principal. This exercise consisted of various processes starting from the documentation, sanctioning and disbursement of loan, grading of loan assets. The credit appraisal mechanism is generally documented as a Lending or Credit policy

SBS provided various credit facilities, such as Cash Credits/Overdrafts (CC/OD), Employees Personal Loan, Construction Loan and various other loans to its customers. CC/OD are short-term credit facilities provided against security. Employees Personal Loan are credit facilities provided to the employees of the GoS and State PSUs based on their net emoluments. Construction Loans are loans provided for construction purposes against the mortgage of land/building, etc. The summarised details of 'Loans and Advances' disbursed by SBS during the years from 2012-13 to 2016-17 have been depicted in **Table 3.2.6** below:

**Table 3.2.6**
**Disbursement of Loans and Advances**

*(₹ in crore)*

| Type of Credit | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17* |
|---|---|---|---|---|---|
| **Cash Credit /OD** | 54.51 | 110.09 | 69.59 | 77.70 | 127.45 |
| **Employees Personal Loan (EPL)** | 6.89 | 27.92 | 29.92 | 37.10 | 22.72 |
| **Construction Loan** | 16.80 | 18.19 | 20.96 | 27.29 | 12.16 |
| **Other Loans** | 19.02 | 92.43 | 83.29 | 61.52 | 37.47 |
| **Total** | **97.22** | **248.63** | **203.76** | **203.61** | **199.80** |

** Provisional unaudited figures*

From the Table above, it is evident that during 2012-17, SBS advanced loans aggregating ₹ 953.02 crore at an average of ₹ 190.60 crore per year. SBS however, had not framed any General or Specific Lending Policy or Credit Policy to regulate and safeguard the credits extended by it. SBS also did not have any Fair Lending Practices Code. The procedure followed by SBS for credit appraisal and sanction of credit facilities was as follows:

- Applications for availing credit facilities were received and summarised in Loans section.

- The summary of the proposals was put up to the Loan Appraisal Committee[36] (LAC) till February 2014, when the LAC was disbanded. From March 2014 onwards, the summary of loan proposals were submitted to the Managing Director (MD).
- The loan proposals valuing upto ₹ 10 lakh were sanctioned by MD and those beyond ₹ 10 lakh were put up to the Board of Directors for sanction.
- After sanction of the loan proposals by the MD/Board, the sanction was communicated to the borrower and the process of documentation was taken up. This included obtaining of the required security against the loan amount.
- The disbursement of loan/advance was made after execution of documents.

As on 31 March 2017, the SBS had total receivables of ₹ 1,026.54 crore against 16,301 loan cases[37]; of which audit selected 261 cases[38] (1.6 *per cent*) involving ₹ 534.90 crore (52.11 *per cent*) for detailed scrutiny. In the absence of a documented Lending policy and detailed Credit Appraisal Mechanism, the sanction of credit facilities were not based on the laid down objective criteria of the loan schemes. The valuation of securities pledged, site plan in case of construction loan, permission from the local authorities were only considered before sanctioning a loan. The deficiencies noticed in the sanction of all the 261 loan cases test checked are detailed below:

- performance of loan applicants for previous years (3 to 5 years) in terms of their working results and financial position was not reviewed;
- details of credit facilities already availed by the applicant/borrower from SBS or other institutions were not ascertained;
- grading of loans/advances based on the credentials of the loan applicants was not done and no analytical tools were used for credit appraisal;
- credit worthiness of the applicants were not documented before sanction of loan;
- there was no system in existence to ascertain whether the applicant/borrower featured in the list of wilful defaulters (261 cases);
- LAC/MD recommended the loan proposals for sanction by the Board of Directors without the credit appraisal report of the loan applicants with regard to their past financials, past cash-flows, credit rating, financial ratio analysis, projected financials, business model and debt-servicing ability. The Board also approved the loan proposals without calling for the detailed credit appraisal reports for each proposal;
- in the absence of a lending policy, there was no prescribed time period for sanction/rejection of loans.

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[36], *Chief General Manager, General Managers(Admn), General Manager (Loan & Recovery), Manager(Loan), Asst.Manager(Overdraft/Cash-credit)*

[37] *1935 nos. of construction loans amounting to ₹ 209.68 crore, 598 nos. of CC amounting to ₹ 367.76 crore and 13768 nos. of other loans amounting to ₹ 449.10 crore.*

[38] *111 nos. of construction loans amounting to ₹ 131.45 crore, 109 nos. of CC amounting to ₹ 286.43 crore and 41 nos. of other loans amounting to ₹ 117.02 crore.*

The SBS accepted the facts and assured (November 2017) to formulate an appropriate Lending Policy and Fair Lending Practice Code, incorporating the System of evaluating the borrower's credit worthiness, grading tools for loans and time period for sanction/rejection.

#### *3.2.8.4 Post Sanction activities*

As per good practices in banking sector, a well-documented system for effective monitoring and follow-up of loans and advances is essential. It was, however, noticed that SBS did not have any established comprehensive procedure for post sanction monitoring of credit facilities. The follow-up of loans and advances was *ad-hoc* in nature on case to case basis. The following important deficiencies were noticed in the monitoring and follow-up action of SBS in respect of all the 261 loan cases scrutinised in audit:

- the quarterly progress reports (physical or financial) on the activities/progress of works of the borrowers pertaining to construction and business loans were not obtained and reviewed;
- statements showing the operational results/balance sheets of the borrowers were not scrutinised on periodic basis;
- there was nothing on the records of SBS to establish that:
    - regular inspection of borrowers' assets mortgaged with SBS as security was carried out and the monitoring of guarantors and value of collateral security was done;
    - regular inspections were carried out to ensure that the borrowed funds were deployed for purposes/activities or creation of assets for which the loan was sanctioned;
    - periodical visits were made to the borrower and the project location where the assets were being created with loan amount;
- the periodical stock/assets statements were not obtained. There was no system of periodical audit of stock/assets of the borrowers to ensure correctness and adequacy of securities against loan amount;
- follow-up and persuasion with the loan defaulters at initial stage of default in repayment of loan installments was missing; and
- regular follow-up and negotiation with loan defaulters to secure the financial interests of SBS was missing.

The SBS stated (November 2017) that during the last five years, it had tried to improve the inspection and monitoring aspects with periodical inspection of properties and projects. It further stated that a system of calculating drawing power on the basis of statement of stocks and bills receivables in cash credit accounts has been introduced (2017) and SBS was consciously trying to bring more improvement in post sanction activities.

The reply was not acceptable considering the fact that there was still wide scope for improvement in the asset quality as compared to other Public Sector Banks (PSBs) of the country. This was evident in the comparative analysis of the Gross NPAs of SBS and that of the PSBs brought out under **paragraph 3.2.8.5** *infra*. SBS thus, needed to streamline its post sanction activities by putting in place a comprehensive procedure for post sanction monitoring and follow up of credit facilities.

### *3.2.8.4.1 Recovery Policy of SBS*

The Recovery Policy of SBS approved (September 2014) by the Board of Directors provided the basic guidelines mainly on the matters relating to compromise settlement. The Recovery Policy, however, did not address several important aspects like Code for collection for unpaid dues, seizure of securities of the defaulting borrowers, valuation and sale of the property seized, etc. Audit observed that in 21 cases test checked in audit out of a total of 254 cases of ‘construction loans’ disbursed during 2012-17, there was total outstanding balance of ₹ 2.54 crore as on 31 July 2017. It was observed that the borrowers had not paid a single installment against these loans so far (August 2017). SBS, however, failed to initiate any legal proceedings against these defaulting borrowers for recovery of unpaid dues. During 2012-17, a total of 35 cases of ‘compromise settlement’ were approved and SBS sacrificed the interest income aggregating ₹ 4.04 crore (notional interest i.e. the interest which accrued on these loans at the rate of 9 *per cent* simple interest from the date of declaration of NPA to the date of settlement) through waiver, which included interest of ₹ 3.72 crore receivable against CC/OD. Poor credit appraisal, inadequate documentation and lack of proper monitoring and follow up of loans and advances led to these loans and advances becoming bad debts and ultimately resulting in a loss of ₹ 4.04 crore to SBS.

The SBS stated (November 2017) that Recovery Policy of SBS is a comprehensive documentation of bank’s intention to reduce the burden of unproductive assets and deals mostly on recovery of NPA accounts. As regards the interest waiver, SBS stated that the amount of sacrifice was only the notional interest portion which were written off.

The reply was not acceptable as the Recovery Policy of SBS needed appropriate revisions/modifications addressing several significant issues like seizure of securities available against loan assets and their disposal for speedy recovery of outstanding loans defaulted by borrowers. Further, failure of SBS to take the available legal course of action against the defaulters for recovery of unpaid interest amount was also not justified.

### *3.2.8.5 Asset Classification and Provisioning*

With a view to reflect a true picture of the financial health of banks in their balance sheet, RBI had prescribed (1992) the prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks. Accordingly, all the Public Sector Banks had adopted the said norms in a phased manner (1992 onwards).

The SBS had not adopted the said prudential norms prescribed by RBI so far (November 2017). The SBS, however, prepared and adopted (April 2011) its own guidelines namely, ‘Asset Classification and Provisioning Guidelines’ (Guidelines), which mainly addressed issues relating to the classification and provisioning against the loan assets of SBS, and were broadly in line with the RBI norms prescribed on the subject.

As per these Guidelines, if interest or installment of principal remained overdue for more than 90 days, loans were to be classified as Non-Performing Assets (NPAs). NPAs were further classified into Substandard, Doubtful and Loss Assets. The Substandard Assets included those assets which remained NPA for a period of less than or equal to 12 months. Doubtful Assets included those which remained Substandard Assets for a period of 12 months. Loss Assets were those assets where loss had been identified by SBS or by the internal or external auditor but the amount had not been written-off completely.

As per the Guidelines, SBS was required to create the provisions against its loan assets as per the details given below:

**Table 3.2.7**
**Details of provisions against loan assets**

| Asset category | Provision required |
|---|---|
| Loss Assets | 100 *per cent* provision |
| Doubtful Assets: | |
| For unsecured portion of loan assets | 100 *per cent* provision |
| For the secured portion of assets | • 25 *per cent* provision of secured portion of assets if assets remained doubtful upto 1 year;<br>• 40 *per cent* provision of secured portion of assets if assets remained doubtful for 1 to 3 years; and<br>• 100 *per cent* provision of secured portion of assets if assets remained doubtful for more than 3 years |
| Substandard Assets | 15 *per cent* provision on total outstanding |
| Standard Assets | 0.40 *per cent* provision on total outstanding |

The **Table 3.2.8** below depicts the summarised details of classification of the loan assets by SBS as at 31 March during last five financial years (2012-13 to 2016-17):

**Table 3.2.8**
**Asset Classification**

| Classification as on | Standard Assets | | Substandard Assets | | Doubtful Assets | | Loss Assets | | Gross NPAs | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (₹ in crore) | *per cent* | (₹ in crore) | *per cent* | (₹ in crore) | *per cent* | (₹ in crore) | *per cent* | (₹ in crore) | *per cent* |
| 31 March 2013 | 147.42 | 34.63 | 175.40 | 41.20 | 98.13 | 23.05 | 4.80 | 1.13 | 278.33 | 65.37 |
| 31 March 2014 | 292.58 | 43.32 | 368.26 | 54.52 | 8.87 | 1.31 | 5.70 | 0.84 | 382.83 | 56.68 |
| 31 March 2015 | 477.18 | 52.85 | 397.58 | 44.04 | 21.19 | 2.35 | 6.90 | 0.76 | 425.67 | 47.15 |
| 31 March 2016 | 520.29 | 53.61 | 438.27 | 45.16 | 4.38 | 0.45 | 7.64 | 0.79 | 450.29 | 46.39 |
| 31 March 2017* | 556.90 | 54.25 | 467.68 | 45.56 | 0.08 | 0.01 | 1.88 | 0.18 | 469.64 | 45.75 |

** Provisional unaudited figures*

From the Table above it can be noticed that during 2012-17, the loan assets of SBS consisted of a significantly high proportion of Substandard Assets. It ranged from 41.20 *per cent* (2012-13) to 54.52 *per cent* (2013-14) of total loan assets. High proportion of Sub-standard assets had contributed towards high level of Gross NPAs in SBS during the five years ranging from 45.75 *per cent* (2016-17) to 65.37 *per cent* (2012-13) of loan assets. This indicated that there was scope for improvement in the quality of the loan assets.

The Net NPAs of SBS are arrived at after deducting the 'bad debts' and provisions made there against from the Gross NPAs. The interest receivable against these 'bad debts' was also transferred to 'interest suspense account'. Examination of the records of SBS, however, revealed that SBS did not create provisions against various categories of loan assets as prescribed under the Asset Classification and Provisioning Guidelines. On the contrary, SBS only created general provision for Bad and outstanding Doubtful debts to the extent of 7.5 *per cent* of the net profits for the respective year as discussed under **paragraph 3.2.8.2** *supra*.

The SBS stated (November 2017) that although the Asset Classification and Provisioning Guidelines had been adopted in full, implementation was being done in a phased manner. SBS further assured to fully comply with the Guidelines in future.

The reply was not acceptable as the Guidelines were adopted by SBS with the aim of providing true picture of the financial health of SBS in its financial statements. Non-provisioning against loan assets as per the percentage prescribed under the Guidelines had completely distorted the working results/profitability of the SBS as presented in its financial statements for the last five years (2012-13 to 2016-17).

The summarised position of Gross and Net NPA ratio as a percentage of total loan assets of SBS as at the end of last five financial years (2012-13 to 2016-17) has been depicted in **Table 3.2.9** below:

**Table 3.2.9**
**Percentage of Gross and Net NPAs to total outstanding loans and advances of SBS**

| Position as on | Gross NPA percentage | Net NPA percentage |
|---|---|---|
| 31 March 2013 | 65.37 | 52.60 |
| 31 March 2014 | 56.68 | 45.08 |
| 31 March 2015 | 47.15 | 34.72 |
| 31 March 2016 | 46.39 | 35.40 |
| 31 March 2017* | 45.75 | 36.08 |

** Provisional unaudited figures*

As can be noticed from the Table above, despite a declining trend in the Gross NPAs during the five years under reference, the level of Gross NPAs of SBS as on 31 March 2017 remained significantly high. The high level of Gross NPAs had correspondingly reduced the availability of funds for carrying out the credit and lending activities of SBS to that extent. This had correspondingly destabilised the chain of recycling of fund thereby disrupting the entire economic cycle of SBS.

The comparative position of various categories of the loan assets of SBS and that of the Public Sector Banks (PSBs) of India as on 31 March 2016[39] has been depicted in the **Table-3.2.10**:

[39]*Position as on 31 March 2017 for PSBs not available*

**Table 3.2.10**
**Asset classification of SBS vis-à-vis PSBs as a percentage of their total loan assets as on 31 March 2016**

*(in percentage)*

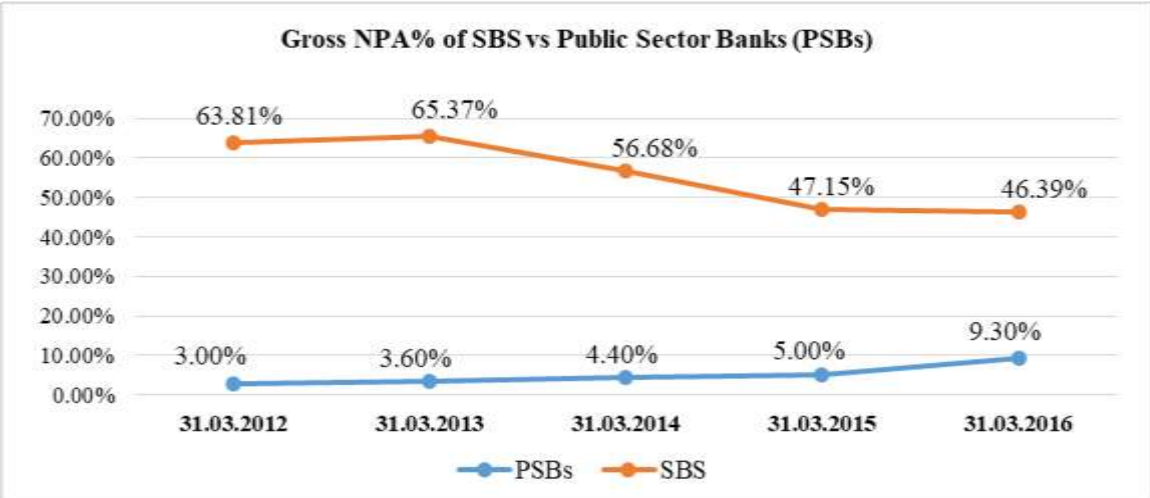
| Particulars | Standard Advances | Substandard Advances | Doubtful Advances | Loss Advances | Gross NPAs |
|---|---|---|---|---|---|
| Public Sector Banks (PSBs)[40] | 90.70 | 3.40 | 5.50 | 0.30 | 9.30 |
| State Bank of Sikkim (SBS) | 53.61 | 45.16 | 0.45 | 0.79 | 46.39 |

*Source: RBI's website https://dbie.rbi.org.in and Data collected from SBS*

As evident from the Table above, the Standard assets of SBS as on 31 March 2016 were 53.61 *per cent* of the total loan assets. This was far below the Standard assets of PSBs (90.70 *per cent*) indicating that the quality of loan assets of SBS was very poor. Further, the Substandard assets of PSBs as on 31 March 2016 were merely 3.40 *per cent* whereas the Substandard assets of SBS were as high as 45.16 *per cent* of the loan assets. From the above, it is evident that the asset quality of SBS was highly weakened as compared to that of the PSBs of India.

The comparative position of Gross NPAs of SBS and PSBs as a percentage of their respective loan assets as at the end of last five years from 2011-12 to 2015-16 has been depicted in **Chart 3.2.1.**

**Chart 3.2.1**




*Source: RBI's website https://dbie.rbi.org.in and Data collected from SBS*

As can be noticed from the Chart above, the assets quality of SBS was highly deteriorated in comparison to that of the PSBs. Although the percentage of Gross NPA of SBS showed a declining trend during 2011-16, it was significantly higher at 46.39 *per cent* at the end of 2015-16 in comparison to that of PSBs (9.30 *per cent*). The poor position of Gross NPA was attributable to failure of SBS to control its asset quality through effective credit appraisal before sanction of loans and effective monitoring of loans and advances after disbursement.

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40 *Average of all public sector banks in India as on 31 March 2016*

The SBS while accepting that the proportion of NPA was high, stated (November 2017) that there was reduction of NPA in terms of percentage.

The reply was not acceptable since the Gross NPA of SBS, despite showing decreasing trend during last five years, was still very high in comparison to that of PSBs during the years under reference.

### *3.2.8.6 Functioning of Branches*

The services provided by the branches of SBS to the account holders included facilities of creating fixed deposits, utilising the Automated Teller Machines (ATMs) for 24x7 cash withdrawal, preparing of Demand Drafts (DDs)/Pay Orders, etc. These facilities were in addition to the routine services of depositing cash to and withdrawals from the account maintained with the bank. SBS, however, did not offer telephone and online banking services to its customers. As of 31 March 2017, SBS had a total of 39 branches located throughout the State of Sikkim, which included the Main Branch at head office of SBS in Gangtok. During the course of PA, 10 branches of SBS were selected for detailed examination. The summarised details of the branches and ATMs of SBS located in each district of Sikkim vis-à-vis the population in the respective district have been depicted in **Table 3.2.11** below:

**Table 3.2.11**
**District-wise population of State vis-à-vis the number of Branches and ATMs of SBS**

| **Name of District** | **Population** (as per census 2011) | **As on 31 March 2017 (in Nos.)** | |
|---|---|---|---|
| | | **SBS Branches** | **SBS ATMs** |
| North District, Sikkim | 43,709 | 4 | 1 |
| West District, Sikkim | 1,36,435 | 10 | 1 |
| South District, Sikkim | 1,46,850 | 7 | 2 |
| East District, Sikkim | 2,83,583 | 18 | 4 |
| **Total** | **6,10,577** | **39** | **8** |

As can be noticed from the Table above, SBS had a total of 39 branches as on 31 March 2017 against the total State population of 6.11 lakh with average availability of one branch for a population of 15,655 persons. This was reasonably adequate against the All India average availability of one branch for 15 thousand[41] persons.

Further, the State had a total of 193 ATMs as of 31 March 2017, which included the ATMs of Public Sector Banks (132), private sector banks (53) and SBS (8). Thus, the contribution of SBS in the ATMs available in the State was a meagre 4 *per cent* of total ATMs in Sikkim. As evident from the above, SBS could provide only one ATM against the average population of 76,322 persons in the State as a whole. As such, there was scope for further expansion in the number of ATMs to serve the needs of the State population.

On 8 November 2016, the GoI announced demonetisation of old currency notes of denomination of ₹ 1000 and ₹ 500. Audit noticed that all eight ATMs of SBS were non-functional since the announcement of demonetisation by GoI (8 November 2016) and the same could be made operational only in November 2017, after a period of one year. The

[41] *Source: Reserve Bank of India*

reasons for all eight ATMs lying defunct for such a long period was attributable to delay in recalibration of the cash cassettes of the ATMs in accordance with the size of new currency notes of ₹ 2000 and ₹ 500 denomination. It was also attributable to pending migration of SBS to new software (Core Banking Solution) since April 2017, which required fresh integration. Non-functioning of SBS ATMs for such a long period had caused hardship to the customers.

### *3.2.8.6.1: Record-keeping at Branches*

The general and subsidiary ledgers (including various registers maintained to record miscellaneous information/data) were the main source of SBS's financial data /information. Therefore, SBS needed to maintain these records in the prescribed format duly completed and updated on periodical basis so as to provide authentic and correct picture of the financial and operational activities of SBS. Examination of records, however, revealed that the Stock and Issue registers maintained by the branches of SBS had not been updated on regular basis. This defeated the intended purpose of these records. It was further observed that SBS had not been maintaining several important registers/records as detailed below:

- Registers to record particulars of lost instruments (drafts, cheques, etc.) based on details received from the head office;
- Registers to record particulars of outstanding inter-branch entries, received from the inter-branch reconciliation department of the SBS, which were to be responded by the branches concerned.

Audit also noticed the following deficiencies at all the 10[42] test checked branches:

- Account opening forms for all types of accounts (including Savings, Current & Deposit accounts) did not record the assurance regarding completion of 'Customer Due Diligence' process. The process of verification of the identity of the customer, as such, remained incomplete.
- Physical verification reports of fixed assets of branches were not available on record.
- Bank reconciliation statements relating to the bank accounts maintained by SBS with other banks were not prepared on time.
- Details of nominees of the account holders of SBS were not registered by the branches concerned.
- No written manual of instructions was found at any of the SBS branches describing the detailed procedures for executing various types of transactions at branches and delegation of powers in respect of various operations of the branches.
- Branches of SBS did not have a Grievance Redressal Policy and a code of commitment to customers.

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[42] *Out of 39 branches of SBS*

The SBS stated (November 2017) that the bank was planning to formulate a General Rule and Code of Ethics (GRACE) for the benefit of its customers and also assured to regularly maintain all the required records/registers.

### *3.2.8.7 Internal Control and Compliance*

An Internal Control Mechanism can be defined as a combination of the processes designed, implemented and maintained to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations, safeguarding of assets and compliance with applicable laws and regulations by an entity. Thus, an effective Internal Control Mechanism has a significant role to play in the efficient functioning of an organisation. The deficiencies noticed in the 'Internal Control Mechanism' of SBS have been discussed in the following paragraphs:

#### *3.2.8.7.1 Reconciliation of Inter-branch transactions.*

As per Good Practices in Banking Sector, inter-branch transactions should be reconciled on a daily basis. In SBS, the reconciliation of inter-branch transactions was done manually due to lack of inter-connectivity in the application software between the branches and Head Office (HO) and between branches themselves. Accordingly, the inter-branch accounts were reconciled at HO and unreconciled entries were sent to branches for their response. It was observed that due to lack of connectivity, poor record keeping and non-response by 22 branches (out of 36 branches having unreconciled entries), the inter-branch reconciliation in SBS could not be done on a daily basis. Examination of records revealed that as on 31 March 2017, huge balances of inter-branch transactions were lying unreconciled as per the details given in **Table 3.2.12** below:

**Table 3.2.12**
**Unreconciled Inter Branch Transactions**

*(₹ in crore)*

| Account Name | Balance as per the records of HO | Balance as per the records of the Branches | Difference | Unreconciled Since |
|---|---|---|---|---|
| Head Office (Old) | 545.41(Dr[43]) | 379.64(Cr) | 165.77 | 01 April 2011 |
| Head Office (Central Account) | 922.67(Dr) | 794.64(Cr) | 128.03 | 01 April 2011 |
| ATM Transactions | 4.08(Dr) | 5.08(Cr) | 1.00 | 01 November 2011 |
| Any Branch Banking[44] (ABB) Transactions | 51.73(Cr) | 11.71(Cr) | 63.44 | 01 April 2016 |
| Draft Account | 944.54(Dr) | 920.91(Cr) | 23.62 | 01 December 2015 |
| Suspense Account | 0.37(Dr) | 0.15(Dr) | 0.52 | -N.A.- |
| Interest Suspense | 108.26 | 0.00 | 108.26 | |
| Clearing Suspense | 0.04 | 0.00 | 0.04 | |
| | | **Total** | **490.68** | |

As can be noticed from the Table above, there were huge balances of inter-branch transactions aggregating ₹ 490.68 crore lying unreconciled as on 31 March 2017. Further, a significant portion of these balances (₹ 294.80 crore) was lying unreconciled for more than six years since April/November 2011. It was further observed that an old un-

[43] *Dr=Receivable; Cr=Payable*

[44] *it is a system where a customer can deposit and withdraw money from any of the online branches of the bank on a payment of minimal charge*

reconciled block difference of ₹ 3.41 crore was written off (March 2017) by SBS due to non-availability of proper records. Lack of periodic and regular reconciliation causes inter-branch account susceptible to frauds. Recognising this, SBS needs to take immediate measures for expeditious reconciliation of these transactions.

### *3.2.8.7.2 Reconciliation of accounts maintained with other banks*

Audit observed that Bank reconciliation statements for accounts maintained by Head Office of SBS with State Bank of India (SBI) and Central Bank of India (CBI) were pending for more than six years. The differences amounting to ₹ 202.17 crore as on 31 March 2017 between the balances as per the records of SBS and that of the two banks were lying unreconciled as shown below:

**Table 3.2.13**
**Unreconciled Bank Accounts**

*(₹ in crore)*

| In account with State Bank of India (SBI) as on 31 March 2017 | |
|---|---|
| Balance as per SBS (Debit balance) | 45.48 |
| Balance as per SBI (Credit balance) | 4.77 |
| **Difference** | **40.71** |

*(₹ in crore)*

| In account with Central Bank of India (CBI) as on 31 March 2017 | |
|---|---|
| Balance as per SBS (Credit balance) | 138.84 |
| Balance as per CBI (Credit balance) | 22.62 |
| **Difference** | **161.46** |

It was observed that during August 2017, the SBS had entrusted the work of reconciliation of balances to an outside agency and the same was in progress (November 2017). It was further noticed that SBS had not framed any Accounting and Operations Manual to provide necessary guidance to the Branches for proper accounting of inter-bank/inter-branch transactions. Considering the huge unreconciled amounts in inter-branch/bank transactions, SBS should frame and adopt an Accounting and Operations Manual. The Manual should set out Comprehensive General Ledger controls and Standard Accounting & Operating procedures for strengthening the banking procedures, reconciliation, reporting and monitoring processes in the branches of SBS.

While accepting the observations, SBS stated (November 2017) that the work of reconciliation of inter-branch/inter-bank balances was under process and the same was expected to be completed within a reasonable time. SBS also assured to formulate the Accounting and Operational Manual for better operations of SBS.

### *3.2.8.8 Delay in finalisation of financial statements*

As per section 33 of the State Bank of Sikkim Proclamation, 1968 the audited financial statements of the SBS along-with the auditors' report thereon should be furnished to the designated authority within three months after the end of the relevant accounting period. As such, the SBS was required to finalise its annual financial statements for each financial year and get the same audited latest by 30 September of the next financial year. Annual financial statements of SBS for the last five years (2012-17) were, however, finalised after considerable delays. The delays ranged from 3 to 21 months from the due date as reflected in **Table 3.2.14** below:

**Table 3.2.14**
**Finalisation of Annual Financial Statements**

| Year | Due Date | Actual date of approval/adoption of the Financial Statements by the Board of SBS | Delay (in Months) |
|---|---|---|---|
| 2012-13 | 30 June 2013 | 31 March 2015 | 21 |
| 2013-14 | 30 June 2014 | 14 October 2015 | 15½ |
| 2014-15 | 30 June 2015 | 26 September 2016 | 15 |
| 2015-16 | 30 June 2016 | 26 September 2016 | 03 |
| 2016-17 | 30 June 2017 | 16 October 2017 | 3 ½ |

**Position as on 30 November 2017*

Delays in finalisation of the financial statements were mainly attributable to excessive time consumed in compilation of the financial figures. The avoidable delays had correspondingly caused delay in payment of Advance Taxes as well as delays (ranging from 11 to 17 months) in filing of income tax returns for the financial years 2012-13 to 2014-15. Examination of the records further revealed that due to failure of SBS to pay the advance tax on time and failure to file the income tax returns within the due dates, it had to bear avoidable loss of ₹ 3.71 crore on account of the interest liability. The details of such losses under section 234 A, 234 B & 234 C of the Income Tax Act, 1961 (IT Act, 1961) are given in **Table 3.2.15** below:

**Table 3.2.15**
**Interest paid u/s 234A, 234B and 234C of the IT Act, 1961**

*(₹ in crore)*

| Financial Year | Delay in filing of the Income Tax Returns | | | Delay in payment of advance tax | |
|---|---|---|---|---|---|
| | Due date | Actual date | Interest u/s 234A | Interest u/s 234B | Interest u/s 234C |
| 2012-13 | 30.09.2013; 31.10.2013 (extended) | 31.03.2015 | 0.63 | 1.05 | 0.14 |
| 2013-14 | 30.09.2014; 30.11.2014 (extended) | 21.03.2016 | 0.75 | 0.70 | 0.21 |
| 2014-15 | 30.09.2015; 30.10.2015 (extended) | 07.10.2016 | - | - | 0.20 |
| 2015-16 | 30.09.2016; 17.10.2016 (extended) | 07.10.2016 | - | 0.02 | 0.01 |
| 2016-17 | 30.09.2017; 31.10.2017 (extended) | Pending* | - | - | - |
| **Column Total** | | | **1.38 (A)** | **1.77 (B)** | **0.56 (C)** |
| **Total (A+B+C)** | | | | **3.71** | |

**Position as on 31 August 2017*

The SBS stated (November 2017) that delay in finalisation of accounts was caused due to confusion on the applicability of IT Act, 1961 to the SBS.

The reply was not acceptable as the IT Act, 1961 was made applicable to the State of Sikkim long back with effect from 1st April 1990[45] and the income tax liability, being a statutory obligation, should have been taken cognizance of by SBS.

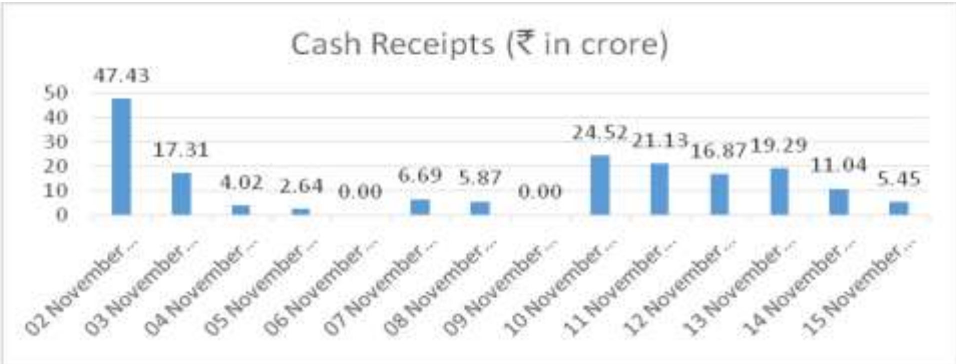
[45] *As per Finance Act,1989*

### *3.2.8.9 Demonetisation*

As discussed under **paragraph 3.2.8.6** *supra*, Government of India (GoI) announced (8 November 2016) demonetisation of old currency notes of denomination of ₹ 1000 and ₹ 500 (referred to as Specified Bank Notes or SBNs). The citizens of the Country were accordingly, advised to exchange or deposit the old currency notes of SBNs under their possession to the banks between 9 November and 30 December 2016, by providing the necessary details of the cash holdings so deposited/exchanged. GoI, however, restricted (8 November 2016) the cash withdrawal from a bank account over the counter to ₹ 10,000 per day subject to an overall weekly limit of ₹ 20,000. The weekly limits of cash withdrawal were subsequently revised from time to time (upto ₹ 50,000) subject to certain conditions.

The **Chart 3.2.2** below provides the graphical presentation of daily cash receipts of SBS during the period from 2 November 2016 to 15 November 2016:

**Chart 3.2.2**
**Cash receipts of SBS**




As can be noticed from the above Chart, there were no abnormally high cash receipts on the day of demonetisation, i.e., 8 November 2016. Scrutiny of the records of SBS, however, revealed that during the period from 9 November 2016 to 30 December 2016, a sum aggregating ₹ 84.90 crore of the SBNs was deposited in SBS.

Test check of records further revealed that during the period from 9-13 November 2016 and 14-20 November 2016, there were 40 instances of cash withdrawal from SBS beyond the prescribed weekly limits of ₹ 20,000 and ₹ 24,000 respectively. The withdrawals by the individual account holders during the said periods (9-20 November 2016) ranged between ₹ 25,000 and ₹ 1,48,000.

The SBS stated (November 2017) that cases of excess withdrawal in 40 cases had happened due to ignorance of its employees and accordingly the said employees have been show caused/cautioned by SBS.

The reply was not tenable as irregularity in withdrawal of cash by SBS employees beyond the prescribed limits was indicative of non-existence of an effective internal control mechanism necessitating immediate steps to strengthen the internal controls in SBS.

### *3.2.8.10 Frauds and Misappropriation*

The **Table 3.2.16** below provides the details of two frauds which were committed at two branches of SBS during the period of five years (2012-17) covered under the audit:

**Table 3.2.16**
**Amount involved in fraud and recovery thereof**

*(₹ in crore)*

| Branch | Month/ Year of fraud detection | Amount involved | Recovery effected | Balance |
|---|---|---|---|---|
| Kanchenjunga Shopping Complex | May 2015 | 0.01* | 0.01* | 0.01* |
| Singtam | June 2014 | 0.27 | 0.27 | Nil |
| **Total** | | **0.28** | **0.28** | **0.01*** |

** Represents ₹ 70,000.00 only*

Examination of records of SBS revealed that the fraud at one of the two branches {viz. Kanchenjunga Shopping Complex (KSC) Branch} was committed (May 2015) by an employee of the Branch. It was done by way of fraudulent withdrawal of cash from the account of a customer by forging the withdrawal forms. On detection of the fraudulent withdrawal, however, the employee concerned was suspended (May 2015) by the SBS.

The KSC branch of SBS was visited (11 August 2017) by the Audit team to observe the procedure prevailing in the branch for cash withdrawal after occurrence of the above mentioned fraud. The following procedural lapses were noticed in the process of cash withdrawal through withdrawal form:

➢ As per the standard practice, a customer (i.e., account-holder) intending to withdraw from his account by utilising withdrawal forms was required to present his Pass-Book personally.

  It was, however, observed that at no stage of cash withdrawal through withdrawal form, the Pass-Book of the customer (i.e., account-holder) was sought for to verify the genuineness of the customer. The entire process was, thus completed without verification of the Pass-Book of the account-holder in contravention to the established practice in the banking sector. It exposed the bank against the risks of fraud/forgery. This was indicative of absence of an effective internal control system in the KSC branch of SBS.

  When the above lapses were brought to the notice of the Branch Manager of the branch, the branch Manager assured that all the deficiencies would be taken care of in future and henceforth, no withdrawal forms would be accepted by the Branch without the Pass-Book of the account-holder.

As detailed under **Table 3.2.16** above, the misappropriation of funds at Singtam branch was committed by the Branch Manager in collusion with another staff member of the branch. The misappropriation was caused mainly on account of the system flaws prevailing in the branch as indicated below:

➢ closing down of small balance accounts without the written consent/communication to the account-holder and not crediting the proceeds to General Charges Receipt Accounts;

- showing fictitious credits without Voucher;
- showing fictitious withdrawals in 'Day Cash Book' without posting the withdrawal slip;
- manipulation of interest payable account on Savings Bank Accounts;
- passing of fictitious entries in various accounts (like, Staff welfare fund account, Branch Manager's account, etc.) and making withdrawals at subsequent dates.

During examination of the records of Singtam branch of SBS, Audit noticed that the following internal control deficiencies had been persisting in the branch. These deficiencies facilitated occurrence of the misappropriation of funds by the staff members.

- non-maintenance of proper Day Books and Cash Books;
- absence of a system to cross-check the entries made in the Days Books/Cash Book with General Ledger figures on daily basis;
- non-existence of any system of Internal Audit of the branches;
- lack of regular inspections by Head Office to monitor the activities of branch.

Besides the two cases of fraud detailed under **Table 3.2.16** above, there were seven other cases of fraud, which occurred prior to 2012-13, which were in the notice of Management. These seven cases of fraud involved ₹ 3.13 crore, out of which ₹ 2.79 crore was pending recovery (November 2017). All these cases of frauds could have been avoided or noticed at the first instance if an institutionalised internal control system was put in place by SBS. However, despite occurrence of repeated cases of frauds, SBS did not carry out a comprehensive exercise to identify processes and procedures that were vulnerable to fraud and take appropriate steps to avoid such incidents. SBS had also not introduced a system for regular internal audit of its branches.

The SBS, while accepting the observations stated (November 2017) that it recognises the importance of bringing in a proper control system in place and would also be coming out with an Anti-Fraud Policy of its own in order to minimise the instances of frauds.

### *3.2.8.11 Regulatory framework, Governance and Monitoring in SBS*

The regulatory framework of SBS mainly consisted of the State Bank of Sikkim Proclamation, 1968 (the Proclamation), which being an old law of Sikkim had been protected under Article 371F (k) of the Constitution of India. Thus, the Proclamation would continue to be in force in the State of Sikkim until amended or repealed by Competent Law/Authority.

As discussed under paragraph 3.2.1 *supra*, the Banking Regulation Act, 1949 (Banking Regulations) was extended (15 January 1976) to the State of Sikkim and the GoI appointed the 15$^{th}$ day of December 1987 as the date on which Regulations were to come into force in the State of Sikkim. The notification of GoI to this effect was also republished (23 January 1989) by GoS in its Gazette notification confirming the stipulations of GoI notification on the applicability of the Banking Regulations in the State of Sikkim.

With the extension of the Banking Regulations to the State of Sikkim with effect from 15 December 1987 onwards, a peculiar situation had arisen making it mandatory for SBS to comply with the requirements of both the statute, viz. the State Bank of Sikkim Proclamation, 1968 as well as the Banking Regulation Act, 1949. As, however, observed during the course of audit, SBS did not comply with the provisions of the Banking Regulation Act, 1949 so far (November 2017).

Examination of the records of SBS further revealed that the SBS also did not comply with certain important provisions of the Proclamation as detailed below:

- As per Section 4 (1) of the State Bank of Sikkim Proclamation, 1968, not less than twenty *per cent* of authorised share capital at any time shall be held by the United Commercial Bank Limited (now UCO Bank). As discussed under paragraph 3.2.2 *supra*, UCO bank had surrendered (June 2006) its shareholdings in SBS (10,000 shares with face value of ₹ 100 each). The paid up amount (₹ 5.00 lakh) against these shares was also refunded (June 2006) by SBS to UCO bank. Thus, UCO Bank did not hold any share capital at any time during the last five financial years (2012-13 to 2016-17) in contravention to the provisions of the Proclamation.
- During 2012-17 the Board did not have any director nominated by the UCO Bank as required under Section 9(c) of the Proclamation. This was due to the fact that the UCO bank ceased to be a shareholder of SBS after the surrender (June 2006) of its equity stake in SBS.
- No quarterly returns on the position of the assets and liabilities of SBS were being submitted by SBS to the GoS/designated authority as per the requirements of Sections 27A (2) and 28 (1) of the Proclamation.
- As per Section 34 (2) of the Proclamation, the rate of dividend to be declared by SBS was to be determined by the Board with the approval of GoS. Section 34(3) of the Proclamation further stipulated that before declaration of the dividend, a Reserve Fund shall be created by SBS. A minimum sum equivalent to 20 *per cent* of the 'profits of the SBS for the year concerned shall be transferred to the said Reserve Fund. During the period of five years covered under audit (2012-17), however, SBS declared dividend aggregating ₹ 5.60 crore with the approval of GoS but did not transfer any amount to the Reserve Fund in violation of Section 34 (3) of the Proclamation.
- The SBS had never held the annual general meeting of the bank though it was mandatory as per section 35 of the Proclamation.

The SBS stated (November 2017) that the issue of applicability of the Banking Regulations in the State of Sikkim/SBS and the issue pertaining to protected Proclamation were the subject matter of constitutional experts and required to be dealt with by the highest authorities. Commenting on such issue at this point would be pre-matured. SBS also stated that it did not submit returns on assets and liabilities of SBS to GoS in the absence of necessary clarification/specific guidelines in the matter from GoS. GoS assured to henceforth hold the Annual General Meetings of SBS shareholders as per the requirements of the Proclamation.

The reply was not acceptable as the Banking Regulations had already been made applicable by GoI to the State of Sikkim and SBS in December 1987 and GoS had also confirmed the said decision by republishing (January 1989) the GoI's notification on the issue. Hence, it is imperative that SBS should start complying with the requirements of the said Regulations with immediate effect. Further, SBS should earnestly comply with the requirements of the State Statute (viz. the Proclamations) so as to improve the functioning of the bank.

### *3.2.8.12 Capital Adequacy Requirements*

Capital Adequacy Ratio (CAR)[46] indicates the strength and potential of a bank to absorb the probable losses, which may occur in its day-to-day functioning. Regulatory framework for CAR for banks is globally framed by the Basel Committee on Banking Supervision (BCBS). BCBS is a committee of bank supervisors consisting of members from representative[47] countries.

Till date, three sets[48] of Basel norms have been issued. Global standards on the regulatory capital requirements for banks were issued (1988) by BCBS, which was known as Basel I Accord. The Basel I Accord was imposed on the banking sector globally through a minimum CAR. The CAR is expressed as the ratio of 'Regulatory Capital Funds'[49] to 'Risk-Weighted Assets'[50] (RWA), which internationally active banks would be required to maintain.

The RBI norms, however, had been more stringent than the Basel norms. As against the Basel norms of minimum CAR of 8 *per cent*, RBI prescribed a CAR of 9 *per cent* for Indian banks. At present, the minimum CAR as prescribed (July 2015) by RBI was at 9 *per cent.* During 2012-17, the entire paid-up capital of ₹ 0.53 crore of SBS was held by GoS. GoS, however, had not framed any regulatory Capital Adequacy Norms for SBS so far (November 2017). SBS, however, had voluntarily disclosed the CAR as per Basel I Capital Accord for the last three financial years as follows:

**Table 3.2.17**

| Financial Year | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|
| Capital Adequacy Ratio – (Basel I) | 0.84% | 3.22% | 3.78% |

It was evident from the above that the present CAR (Basel I) of SBS was far below the minimum CAR norms as prescribed by RBI (9 *per cent)* and Basel I Accord (8 *per cent*).

*[46] CAR = Regulatory Capital Funds/ Risk-Weighted Assets (RWA)*

*[47] Representative – the number of countries represented in BCBS had changed over time. During the formulation of Basel I and II, RBI was not part of BCBS. However, RBI was represented in BCBS during the design of Basel III as part of the G-20 countries. https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9011&Mode=0*

*[48] Basel I norms in 1988, Basel II norms in 2004 and Basel III norms in 2010*

*[49] Regulatory capital funds include Tier I (core) capital and Tier II (supplementary) capital. Tier I capital consists mainly of share capital and disclosed reserves (minus goodwill, if any).*

*[50] Bank assets carry a degree of risk with them. Based on the riskiness of the asset, a specific risk weight is assigned to it and the asset value is adjusted as per the risk weight; more risky the asset, higher the risk weightage and lower its asset value. In India, RBI prescribes risk weights for different assets. The notional amount of the asset is multiplied by the risk weight assigned to the asset to arrive at the risk-weighted asset.*

This indicated that the strength of SBS to absorb the probable losses remained significantly lower than the prescribed level.

The SBS stated (November 2017) that it was not bound to follow the Basel norms/RBI prescribed CAR norms. However, as a best practice, SBS had been planning to improve its capital base by introducing Tier-II capital under revaluation of its capital assets in 2017-18 to improve its CAR.

The fact, however, remained that SBS cannot ignore internationally accepted best practices which is necessary for strengthening its potential to absorb the probable losses in its banking operations also.

### *3.2.8.13 Monitoring of SBS by GoS*

The Proclamation did not prescribe any mechanism for monitoring of the functioning of SBS. The entire management of SBS was vested with the Board of Directors (Board) which included only the representatives of GoS, who are generalists and not banking professionals. It was informed (14 September 2017) by FRED that there was no regulatory body appointed for regulating or monitoring the activities of SBS. The Audit, however, observed that FRED was the administrative department for SBS and was responsible for monitoring the activities of the SBS and to provide necessary guidance on the issues of significance in its operations so as to develop and establish a strong and resilient 'control and oversight system' in SBS.

Examination of the records of SBS, however, revealed that during the period of five years (2012-17) covered under audit, FRED did not carry out any inspection/evaluation of the functioning of SBS. As such, there was no effective mechanism in place for GoS to control and monitor the activities of SBS. This was evident from the fact that during the five years (2012-17) covered under audit, huge differences had been existing in the 'cash balances of GoS' as per the records of FRED/Treasury Pay and Accounts Office (TPAO) and that as per the records of SBS, which remained unreconciled over the years. The year-wise details of unreconciled differences that existed during the last five years (2012-17) in the 'cash balances of GoS' as per two sets of records (viz. records of GoS/TPAO and SBS) has been summarised in **Table 3.2.18** below:

**Table 3.2.18**
**Differences in the cash balance of GoS**

*(₹ in crore)*

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| 'Cash Balance of GoS with SBS' as per the records of FRED/TPAO | 51.40 | 259.51 | 171.35 | 210.80 | 59.34 |
| 'Cash Balance of GoS' as per the records of SBS | 19.65 | 207.07 | 125.63 | 135.71 | 39.91 |
| **Difference** | **31.75** | **52.44** | **45.72** | **75.09** | **19.43** |

As can be noticed from the Table above, significant differences were existing during all the five years in the 'cash balances of GoS' as per the records of FRED/TPAO and that of the SBS. There was a significant reduction in unreconciled balances during the period from 2015-16 (₹ 75.09 crore) to 2016-17 (₹ 19.43 crore). The GoS and SBS, however, had not taken any effective steps to identify the reasons for the differences and settle/resolve the discrepancies in the 'Cash balance of GoS' in a time bound manner.

During the exit conference, FRED stated (October 2017) that due to ambiguity about the administrative department, it did not carry out any inspection of SBS till date. GoS is likely to issue a notification to bring SBS under the control of FRED thereby establishing a formal regulatory/monitoring process for SBS. SBS stated (October 2017) that the differences in the 'cash balance of GoS with SBS' would be reduced substantially after implementation of Core Banking Solution (CBS). Regarding the significant reduction in unreconciled balances during the financial year from 2015-16 to 2016-17, PAO(HQ) stated (December 2017) that to identity the specific reason for significant reduction in unreconciled balances for the financial year 2015-16 and 2016-17, a detailed investigation and some additional time would be required.

The fact, however, remained that there was no mechanism in existence for monitoring of the activities of SBS by GoS despite the fact that SBS was a State owned Public Sector Bank and the GoS was fully responsible for its activities and impact thereof.

### 3.2.9 Conclusion

*There was scope for improvement in the functioning of the State Bank of Sikkim (SBS) with regards to planning, operations and internal control mechanism*. *SBS did not prepare any strategic plan. In the absence of a lending policy and detailed credit appraisal mechanism, the sanction of credit facilities was not based on objective criteria. SBS did not have any comprehensive procedure for post sanction/disbursement monitoring and follow-up of loan assets leading to high level of Gross NPAs, to the extent of 45.75 per cent of total loans assets of SBS as on 31 March 2017.*

*There was also scope for further expansion in the number of Automated Teller Machines (ATMs) as there were only eight ATMs of SBS in the State. The internal control mechanism of SBS was weak as was evident from the fact that there was no system in place to prepare Bank Reconciliation Statements for inter branch/inter-bank transactions on regular basis. There was no system of internal audit in SBS nor was there any formal arrangement for regulating the activities of SBS through oversight functions or through administrative supervision by GoS indicating ineffective internal control mechanisms in SBS. Instances of non-compliance with the provisions of the State Bank of Sikkim Proclamation, 1968, Banking Regulation Act, 1949 and RBI guidelines were also observed.*

### 3.2.10 Recommendations

The GoS and SBS may consider:

- Preparing a strategic plan for setting and achieving long term goals.
- Framing a dependable comprehensive framework for 'credit risk management' including lending policy, risk rating framework/loan grading system and

comprehensive recovery policy to ensure complete and timely recovery of all outstanding loans and advances.

- Putting in place an effective internal control mechanism through framing of the Accounting and Operations Manual and establishing a system of internal audit of branches for a systematic evaluation and continuous improvement of the effectiveness of risk management and governance processes in SBS.

# CHAPTER IV
# REVENUE SECTOR

# CHAPTER IV
# REVENUE SECTOR

## 4.1 Trend of revenue receipts

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

**Table 4.1.1**
**Trend of revenue receipts**

*(₹ in crore)*

| Sl. | | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| I | **Revenue raised by the State Government** | | | | | |
| | • Tax revenue | 435.48 | 524.92 | 527.54 | 566.82 | 652.56 |
| | • Non-tax revenue | 806.96 | 794.49 | 698.08 | 412.99 | 451.64 |
| | **Total** | 1,242.44 | 1,319.41 | 1,225.62 | 979.81 | 1,104.20 |
| II | **Receipts from the GoI** | | | | | |
| | • State's share of net proceeds of divisible Union taxes | 698.48 | 762.62 | 809.33 | 1,870.28 | 2,069.19 |
| | • Grants-in-aid | 1,852.40 | 2,244.41 | 2,427.00 | 934.20 | 1,436.91 |
| | **Total** | 2,550.88 | 3,007.03 | 3,236.33 | 2,804.48 | 3,506.10 |
| III | **Total receipts of State Government (I + II)** | 3793.32 | 4,326.44 | 4,461.95 | 3,784.29 | 4,610.30 |
| **IV** | **Percentage of I to III** | **33** | **31** | **27** | **26** | **24** |

It is evident from the above table that the State share of Revenue is showing a decreasing trend, which was required to be reversed. The above table indicated that during the year 2016-17, the revenue raised by the State Government (₹ 1,104.20 crore) was 24 *per cent* of the total revenue receipts. The balance 76 *per cent* of the receipts during 2016-17 was from GoI. Non-tax revenue and total receipts of the State in 2016-17 shown in the table above included net receipts under State Lotteries.

**4.1.2** The details of the tax revenue raised during the period from 2012-13 to 2016-17 are given in **Table 4.1.2**:

**Table 4.1.2**
**Details of Tax Revenue realised**

*(₹ in crore)*

| Sl. No. | Head of revenue | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | % of increase (+) or decrease (-) in 2016-17 over 2015-16 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | BE* | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual |
| 1 | Sales Tax/Value Added Tax (VAT) | 187.14 | 227.08 | 225.00 | 286.33 | 259.45 | 282.10 | 300.00 | 325.72 | 361.00 | 364.82 | 20.33 | 12.00 |
| 2 | Taxes on Income and Expenditure other than Corporation Tax | 5.62 | 6.73 | 7.01 | 8.68 | 8.01 | 7.93 | 8.51 | 7.92 | 9.00 | 7.82 | 5.76 | -1.26 |
| 3 | State Excise | 95.00 | 111.12 | 109.00 | 120.64 | 120.93 | 131.36 | 135.00 | 142.08 | 144.45 | 156.24 | 7.00 | 9.97 |
| 4 | Stamps and Registration Fees | 7.47 | 5.35 | 7.91 | 6.46 | 7.70 | 6.77 | 7.64 | 8.51 | 7.64 | 12.57 | 0.00 | 47.71 |
| 5 | Taxes on Vehicles | 15.00 | 16.38 | 16.80 | 18.52 | 18.82 | 19.42 | 21.07 | 22.36 | 24.00 | 24.90 | 13.91 | 11.36 |
| 6 | Other Taxes and Duties on Commodities and Services | 37.63 | 63.16 | 53.40 | 80.90 | 75.60 | 73.81 | 81.26 | 58.38 | 93.07 | 79.82 | 14.53 | 36.72 |
| 7 | Land Revenue | 5.48 | 5.66 | 6.56 | 3.39 | 6.89 | 6.15 | 6.89 | 1.85 | 6.89 | 6.39 | 0.00 | 245.41 |
| | **Total** | **353.34** | **435.48** | **425.68** | **524.92** | **497.40** | **527.54** | **560.37** | **566.82** | **646.05** | **652.56** | **15.29** | **15.13** |

* *BE: Budget Estimates*

The respective departments reported the following reasons for variations:

**Sales Tax/VAT:** Increase was due to increase in Tax deduction at source and in POL and Liquor sales.

**State Excise:** Increase was due to revision of excise duty.

**Stamps and Registration fee**: Increase was due to increased collection of establishment cost and registration fees on land compensation for major portion of land acquired for new Railway and National Highway projects.

**Taxes on Vehicles:** Increase was due to increase in number of vehicles and enhancement of motor vehicle taxes.

**Land Revenue:** Increase was due to substantial increase in assessed value of land compensation due to enactment of the "Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013" and implementation of the "Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Sikkim) Rules, 2015", in Sikkim.

In respect of the other revenue heads, no reason was furnished by the concerned departments.

**4.1.3** The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are given in **Table 4.1.3**:

**Table 4.1.3**
**Details of Non-Tax Revenue realised**

*(₹ in crore)*

| Sl. No. | Head of revenue | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual |
| 1 | Power | | 100.05 | 82.90 | 110.10 | 98.93 | 121.10 | 113.56 | 125.10 | 147.68 | 140.10 | 170.04 | 11.99 | 15.14 |
| 2 | Interest receipts | | 21.15 | 46.00 | 28.85 | 67.02 | 31.05 | 66.44 | 31.21 | 72.52 | 37.21 | 78.38 | 19.22 | 8.08 |
| 3 | Police | | 44.88 | 49.23 | 50.29 | 41.14 | 55.32 | 17.60 | 55.35 | 61.68 | 52.42 | 41.43 | -5.29 | -32.83 |
| 4 | Road Transport | | 29.05 | 29.01 | 36.04 | 34.10 | 43.00 | 27.63 | 39.35 | 41.55 | 47.00 | 48.71 | 19.44 | 17.23 |
| 5 | Forestry and Wild Life | | 13.48 | 12.28 | 15.35 | 14.27 | 15.35 | 11.45 | 12.06 | 12.79 | 12.06 | 16.02 | 0.00 | 25.25 |
| 6 | Other Administrative Services | | 3.03 | 9.64 | 4.29 | 11.06 | 10.25 | 13.59 | 10.40 | 7.30 | 2.38 | 9.32 | -77.12 | 27.67 |
| 7 | Public Works | | 4.56 | 4.70 | 4.46 | 4.68 | 5.68 | 3.66 | 6.83 | 4.25 | 4.22 | 8.65 | -38.21 | 103.53 |
| 8 | Plantations | | 3.20 | 3.98 | 3.50 | 3.62 | 5.00 | 2.31 | 5.18 | 3.86 | 5.18 | 5.21 | 0.00 | 34.97 |
| 9 | Water Supply and Sanitation | | 3.40 | 2.74 | 3.87 | 3.17 | 3.91 | 3.25 | 3.99 | 3.80 | 4.26 | 4.04 | 6.77 | 6.32 |
| 10 | Tourism | | 5.00 | 2.13 | 5.60 | 2.65 | 2.80 | 2.64 | 3.14 | 3.96 | 3.80 | 5.42 | 21.02 | 36.87 |
| 11 | Medical and Public Health | | 1.27 | 1.50 | 1.27 | 2.19 | 2.50 | 1.97 | 2.50 | 2.15 | 2.50 | 2.59 | 0.00 | 20.47 |
| 12 | Other Rural Development Programmes | | 2.32 | 1.46 | 1.50 | 2.13 | 1.50 | 1.65 | 1.50 | 0.94 | 1.50 | 0.51 | 0.00 | -45.74 |
| 13 | Stationery and Printing | | 1.51 | 2.08 | 1.81 | 2.05 | 1.90 | 1.75 | 2.03 | 1.83 | 1.81 | 2.16 | -10.84 | 18.03 |
| 14 | Crop Husbandry | | 0.07 | 0.71 | 0.53 | 1.45 | 0.91 | 0.56 | 0.91 | 0.70 | 0.91 | 0.57 | 0.00 | -18.57 |
| 15 | Education, Sports, Art and Culture | | 1.40 | 1.37 | 1.69 | 1.38 | 1.34 | 1.22 | 1.17 | 1.16 | 1.12 | 2.05 | -4.27 | 76.72 |
| 16 | State Lotteries (SL) | *Gross* | 780.99 | 546.39 | 776.03 | 474.37 | 787.23 | 418.64 | --* | --* | | | | |
| | | *Net* | 50.00 | 41.43 | 40.00 | 41.47 | 36.00 | 44.33 | 37.40 | 20.02 | 33.55 | 45.00 | -10.29 | 124.78 |
| 17 | Others | | 10.14 | 10.84 | 9.35 | 30.28 | 10.08 | 10.16 | 12.24 | 26.80 | 12.24 | 11.54 | 0.00 | -56.94 |
| **Total (with gross figures of SL)** | | | 1,025.50 | 806.96 | 1,054.53 | 794.49 | 1,098.92 | 698.08 | | | | | | |
| **Total (with net figures of SL)** | | | **294.51** | **302.00** | **318.50** | **361.59** | **347.69** | **323.77** | **350.36** | **412.99** | **362.26** | **451.64** | **3.40** | **9.36** |

*Source: Finance Accounts and Estimates of Receipts. * Gross figures of State Lotteries have not been furnished by the Department for the year 2016-17. ** Since gross figures of State Lotteries have not been reflected for the year 2016-17, percentage increase/decrease has not been calculated.*

The respective departments reported the following reasons for variations:

***Increase:***

**Power**: Increase was due to mobilisation of revenue and collection of dues.

**Road Transport**: Increase was due to revision of rates and expansion of business activities.

**Forestry and Wild Life:** Increase was due to increased revenue from Territorial Circle.

**Public Works:** Increase was due to increase in sale of tender forms and vetting charges.

**Tourism:** Increase was due to increase in inflow of tourist and lease rent from assets.

**State Lotteries:** Increase was due to initiation (July 2016) of offline (paper) lotteries.

***Decrease:***

**Police**: Decrease was due to non-receipt of deployment charge and reimbursement for expenditure on Indian Reserve Battalion.

**Other Rural Development Programmes:** Decrease was due to less than anticipated sale of tender forms and storage charge as no new work was sanctioned in 2016-17.

In respect of other revenue heads, no reason was furnished by the departments concerned despite being requested (May, August and September 2017).

## 4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 in respect of some Heads of Revenue as reported by the departments amounted to ₹ 279.48 crore, of which, ₹ 142.69 crore was outstanding for more than five years (as detailed in the **Table 4.2**) and adequate efforts were not being made to recover them.

**Table 4.2**
**Arrears of Revenue**

*(₹ in crore)*

| Sl. No. | Head of revenue | Total amount outstanding as on 31 March 2017 | Amount outstanding for more than five years | Replies of Department |
|---|---|---|---|---|
| 1 | Food Storage & Warehousing | 0.14 | - | House rent of FCI Jorethang had not been received. |
| 2 | Power | 273.04 | 140.10 | System of depositing electrical consumption charge was manual through Bank Receipts and therefore many consumers failed to deposit their bills. |
| 3 | Water Supply and Sanitation | 2.88 | 0.22 | Some of the old lines were damaged partially and unrepairable. Such cases with disturbed water supply remained without up-to-date payment. |
| 4 | Animal Husbandry | 0.15 | -- | Entry tax of ₹ 34.98 lakh, due to a firm M/S Uttara Foods & Feed Pvt. Ltd. was only partially paid by the firm leaving a balance of ₹ 0.15 crore. |
| 5 | Tourism | 0.97 | 0.97 | The Department had issued Legal Notice to the leasees to pay the rent and also a reminder. |
| **6** | Public Works | 2.30 | 1.40 | Maximum outstanding were of departmental works of which bills were usually cleared in due course with some works carried over for years leading to late adjustment of bills. |
| | **Total** | **279.48** | **142.69** | |

*Source: Information received from departments*

## 4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Division {Finance, Revenue and Expenditure Department (FRED)} in respect of VAT is given below:

**Table 4.3**
**Arrears in assessments (number of cases)**

| Head of revenue | Opening balance | New cases due for assessment during 2016-17 | Total assessments due | Cases disposed of during 2016-17 | Balance at the end of the year | Percentage of disposal *(col. 5 to 4)* |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| VAT | 3,774 | 651 | 4,425 | 236 | 4,189 | 5.33 |

As can be seen from the above table, the performance regarding disposal of cases of Commercial Taxes Division was poor. The Department may take steps to increase the disposal of cases of assessment.

## 4.4 Response of the departments/Government towards Audit

The Accountant General (AG), Sikkim conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the Rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot are issued to the heads of the offices inspected with copies to the next higher authorities for prompt corrective action. The heads of the offices/Government were 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 Department and the Government.

It was seen that 242 paragraphs involving ₹ 594.30 crore relating to 91 IRs remained outstanding at the end of June 2017. The details along with the corresponding figures for the preceding two years are mentioned in the following table:

**Table 4.4.1**
**Details of pending Inspection Reports**

| | June 2015 | June 2016 | June 2017 |
|---|---|---|---|
| Number of outstanding IRs | 95 | 95 | 91 |
| Number of outstanding audit observations | 267 | 284 | 242 |
| Amount involved (*₹ in crore*) | 561.78 | 578.42 | 594.30 |

***4.4.1*** The department-wise details of the IRs, the audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in the following table:

**Table 4.4.2**
**Department-wise details of IRs**

| Sl. No. | Name of Department | Nature of Receipts | No. of outstanding IRs | No. of outstanding Audit observations | Money value involved *(₹ in crore)* |
|---|---|---|---|---|---|
| 1 | Finance, Revenue and Expenditure (Commercial Taxes Division) | VAT/Taxes on Sales, Trade, etc. | 13 | 48 | 57.00 |
| 2 | Excise (Abkari) | State Excise | 12 | 27 | 15.35 |
| 3 | Land Revenue and Disaster Management | Land Revenue | 20 | 25 | 0.85 |
| 4 | Transport (Motor Vehicle Division) | Taxes on Motor Vehicles | 4 | 6 | 0.62 |
| 5 | Mines, Minerals and Geology | Non-ferrous Mining and Metallurgical Industries | 4 | 5 | 3.30 |
| 6 | Forest, Environment and Wildlife Management | Forestry and Wildlife | 10 | 21 | 53.20 |
| 7 | Finance, Revenue and Expenditure (Directorate of Sikkim State Lotteries) | Lottery | 2 | 5 | 24.10 |
| 8 | Urban Development and Housing | Urban Development | 13 | 39 | 18.29 |
| 9 | Energy and Power | Power | 13 | 66 | 421.59 |
| **Total** | | | **91** | **242** | **594.30** |

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for seven IRs (issued during 2016-17) till June 2017. This large pendency of the IRs due to non-receipt of the replies was indicative of the fact that heads of offices and heads of the departments did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the AG through IRs.

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

### *4.4.2 Departmental Audit Committee Meetings*

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During 2016-17, one Audit Committee meeting was held with Transport Department wherein 27 paragraphs involving ₹ 3.79 crore relating to four IRs were settled.

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

### *4.4.3 Non-production of records to audit for scrutiny*

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

Non-production of records for audit scrutiny occurred in following case:

**Table 4.4.3**
**Non-production of records**

| Name of the Office/Department | Year of audit | Number of cases for which records were not produced | Tax amount |
|---|---|---|---|
| District Land Revenue Officer (North) | 2016-17 | 03 | Not known |

### 4.4.4 Response of the departments to the draft audit paragraphs

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

Three draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2017 were forwarded (July and August 2017) to the heads of the respective departments through demi-official letters. Replies were received in respect of all the paragraphs.

### 4.4.5 Follow up on Audit Reports - summarised position

The Rules of Procedures of the Committee on Public Accounts of the Sikkim Legislative Assembly (internal working) laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on the audit paragraphs of the Reports were being delayed inordinately.

Reports of the Comptroller and Auditor General of India of the Government of Sikkim for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 containing 20 paragraphs under Revenue Sector were placed before the State Legislative Assembly between April 2013 and March 2017. Action taken explanatory notes in respect of eight paragraphs from four departments {Excise (Abkari); Finance, Revenue and Expenditure (Commercial Taxes Division); Transport (Motor Vehicles Division) and Urban Development and Housing} had not been received for Audit Reports for the years ending 31 March 2014, 2015 and 2016.

During 2016-17, the PAC discussed Audit Report for the year 2010-11.

## 4.5 Analysis of the mechanism for dealing with issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and Performance Audits (PAs) included in the Audit Reports of the last 10 years in respect of Transport Department (Motor Vehicle Division) was evaluated and included in this Report.

The succeeding paragraphs 4.5.1 to 4.5.2 discuss the performance of the Transport Department (Motor Vehicle Division) in dealing with the cases detected in course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the last ten years.

### 4.5.1 Position of IRs

The summarised position of IRs issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2017 are given in the following table:

**Table 4.5.1**
**Position of Inspection Reports**

(₹ *in crore*)

| Year | Opening balance | | | Addition during the year | | | Clearance during the year | | | Closing balance | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value |
| 2007-08 | 4 | 24 | 1.33 | 1 | 5 | 0.51 | 1 | 5 | 0.98 | 4 | 24 | 0.86 |
| 2008-09 | 4 | 24 | 0.86 | 1 | 5 | 0.67 | 0 | 5 | 0.02 | 5 | 24 | 1.51 |
| 2009-10 | 5 | 24 | 1.51 | 1 | 5 | 1.02 | 1 | 5 | 0.62 | 5 | 24 | 1.91 |
| 2010-11 | 5 | 24 | 1.91 | 1 | 4 | 0.94 | 0 | 7 | 1.16 | 6 | 21 | 1.69 |
| 2011-12 | 6 | 21 | 1.69 | 1 | 3 | 0.77 | 1 | 6 | 0.84 | 6 | 18 | 1.62 |
| 2012-13 | 6 | 18 | 1.62 | 1 | 6 | 1.54 | 0 | 4 | 0.99 | 7 | 20 | 2.17 |
| 2013-14 | 7 | 20 | 2.17 | 0 | 0 | 0.00 | 1 | 5 | 0.98 | 6 | 15 | 1.19 |
| 2014-15 | 6 | 15 | 1.19 | 1 | 5 | 0.92 | 1 | 7 | 2.06 | 6 | 13 | 0.05 |
| 2015-16 | 6 | 13 | 0.05 | 1 | 22 | 7.66 | 0 | 6 | 3.90 | 7 | 29 | 3.81 |
| 2016-17 | 7 | 29 | 3.81 | 1 | 3 | 0.60 | 4 | 27 | 3.79 | 4 | 5 | 0.62 |

The Department arranged one Audit Committee meeting with AG's office and settled four IRs and 27 old paragraphs during 2016-17.

### 4.5.2 Recovery of accepted cases

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

**Table 4.5.2**

| Year of Audit Report | No. of paragraphs included | Money value of the paragraphs (₹ *in crore*) | Number of paragraphs accepted | Money value of accepted paragraphs (₹ *in crore*) | Amount recovered during the year (₹ *in crore*) | Cumulative position of recovery of accepted cases (₹ *in crore*) |
|---|---|---|---|---|---|---|
| 2006-07 to 2010-11 | No para featured in the Report | | | | | |
| 2011-12 | 1 | 0.60 | 1 | 0.60 | Nil | Nil |
| 2012-13 & 2013-14 | No para featured in the Report | | | | | |
| 2014-15 | 1 | 4.13 | 1 | 0.12 | Nil | Nil |
| 2015-16 | 1 | 3.44 | 1 | 0.68 | 0.13 | 0.13 |

It was evident from the above table that the progress of recovery even in accepted cases was very slow during the entire period of the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

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

## 4.6 Action taken on the recommendations accepted by the departments/ Government

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

The following PAs on the Commercial Taxes Division (FRED) had featured in the last 10 years' Audit Report. The details of recommendations and their status are given in the following table:

**Table 4.6**

| Year of AR | Name of the PA | Details of the recommendation | Status |
|---|---|---|---|
| 2008-09 | PA on transition from Sales tax to VAT (*No. of recommendations: 8*) | Implement computerisation of VAT system completely and effectively in all areas. | Computerisation of VAT implemented under MMPCT[1]. |
| | | Establish effective mechanism to review database at periodic interval and to prepare database of dubious/risky dealers. | Such mechanism had been established under the eSEVA[2]. |
| | | Establish effective mechanism to ensure submission of regular and timely returns by the dealers. | Returns was to be submitted on time, else the TIN of the dealer got blocked by the system. Hence, effective mechanism established. |
| | | Establish effective mechanism for scrutiny of every returns submitted by the dealers, assessment of dealers and VAT audit of selected dealers. | Scrutiny of returns was mandatory and was being done before acceptance. |
| | | Fix responsibility at various levels in the Department for strict compliance of codal provisions to avoid tax evasion by any dealer. | All the penal provisions were implemented before and after assessment. |
| | | Ensure fixing the quantum of minimum penalty for each kind of offences and to continue VAT Fraud Task Force. | Minimum penalty was provided in the VAT Act/Rules. |
| | | Strengthen internal control mechanism including Internal Audit. | Internal Audit section established with the Joint Commissioner/Audit as Head of the Section. |
| | | Review and rectify various loopholes/deficiencies of VAT Act and Rules. | VAT Act/Rules had been amended to rectify various loopholes. |
| 2010-11 | PA on Utilisation of Declaration Forms in Inter State Trade and Commerce (*No. of recommendations: 8*) | Maintain data bank of dealer involved in Inter State Trade and Commerce. | Such provision existed in the eSEVA. |
| | | Print Declaration form assessing its requirements taking into account pace of issue of declaration forms. | All the declaration forms were issued online. |
| | | Maintain proper records of declaration forms printed, issued and closing stock. | Such records were maintained in the system since the forms were issued online. |

[1] *Mission Mode Project for Computerisation & Commercial Taxes Administration.*

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

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

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

## 4.7 Audit Planning

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

During 2016-17, there were 17 auditable units, of which eight units (47 *per cent*) were planned and audited.

## 4.8 Results of audit

Test check of the records of eight units under Revenue departments {Mines, Minerals and Geology Department; Utilisation Circle, Forest, Environment and Wildlife Management Department; District Land Revenue Officer (North); Excise Department; District Land Revenue Officer (South); Divisional Forest Officer (South); Divisional Forest Officer (North) and Energy and Power Department} was conducted during the year 2016-17. It revealed irregularities involving revenue aggregating ₹ 1.80 crore in 23 cases. During the course of the year, the departments concerned accepted 17 cases which were pointed out in audit during 2016-17.

## 4.9 Coverage of this Report

This Chapter contains three paragraphs involving financial effect of ₹ 7.65 crore. The departments have accepted audit observations involving ₹ 2.54 crore, out of which, ₹ 1.02 crore had been recovered. These are discussed in succeeding paragraphs.

# ENERGY AND POWER DEPARTMENT

## 4.10 Loss of revenue

**Incorrect billing of 33 of 167 Bulk Supply consumers for the periods when their electric meters remained defective resulted in short collection of revenue of ₹ 4.11 crore.**

The Energy and Power Department (EPD), Government of Sikkim (GoS) was engaged in the generation (upto 25 MW), transmission & distribution of electricity to various consumers within the State of Sikkim.

The Sikkim State Electricity Regulatory Commission (SSERC), as mandated by the Electricity Act, 2003, framed and notified (April 2012) the SSERC (Electricity Supply Code) Regulation, 2012 (Regulations, 2012). The Regulations, 2012 were applicable to EDP, being the sole distribution licensee in Sikkim, and to its consumers in the State of Sikkim from the date of notification (3 April 2012).

As per clause 7.5 (2) of the Regulations, 2012, EPD was required to test and replace the defective meter within 45 days considering (30 days for testing and another 15 days for replacement) after receipt of complaint from the consumers. The bills for the previous three months prior to the month during which the meter was found defective, were to be revised accordingly, as per the test results of the meters.

Further, Clause 7.5(3) of the Regulations, 2012 stipulated that where the meter become defective/stopped working and where average consumption could not be computed or where it was not possible to determine the consumption of the preceding six months, the monthly consumption (24 hours x 30 days) of energy should be assessed on the basis of the connected load (CL) and the load factor (LF) of the consumer as per the formula[3] prescribed under the clause. The LF to be adopted for the purpose in respect of different categories of consumers had also been specified under the said clause.

Audit observed that during the period from April 2013 to March 2017, the meters in respect of 33 out of 167 Bulk Supply category consumers pertaining to Gangtok, Rongli and Pakyong Divisions of EPD remained defective for periods ranging from 5 to 36 months. EPD neither conducted test of the defective meters to ascertain the nature of defects and the date of said meters becoming defective nor replaced the defective meters. Audit further observed that during the above periods of the meters remaining defective, the EDP had levied only the minimum (demand) charges on these consumers instead of billing them as per the formula prescribed under clause 7.5 (3) of the Regulations, 2012.

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[3] *720 (hrs) x CL (in KW) x LF.*

This resulted in the EPD incurring a loss of revenue of ₹ 4.11 crore as detailed in **Appendices 4.10.1, 4.10.2** and **4.10.3.**

EPD stated (August 2017) that due to the high altitude/remoteness, it was not possible to provide reliable power supply for 720 hours in a month to consumers in Rongli and Pakyong Division. It further stated that billing for the consumers in these two divisions were based on the provisions of Clause XVIII of the Tariff Order (2014-15), which stipulated that the average of the previous three months should be adopted in case of the meter being out of order and where readings cannot be ascertained. EPD however, did not offer any comments in respect of Gangtok Division.

The replies of EPD for Rongli and Pakyong Divisions were not tenable as:

1. SSERC had framed the Regulations, 2012 specifically for the State of Sikkim after taking into consideration the State conditions as well as the views/suggestions of the stakeholders as per the standard procedure.
2. Clause XVIII of the Tariff Order (2014-15) would be applicable only after the replacement of defective meters. Moreover, the clause could be applied if the date on which the said meters became defective was known and it was possible to ascertain consumption for the previous three months from that date of the defect. However, in the instant cases the previous three months' consumption could not be ascertained in the absence of the date on which the meters became defective. Hence, the quoted clause was not applicable in the instant cases. Further, the claim of EDP regarding billing the consumers based on previous three months' average consumption was also factually incorrect as the consumers were actually billed based on the 'minimum demand charges'.

## 4.11 Undue favour to consumers

**Short levy of demand charges contrary to the tariff provisions resulted in extension of undue benefit to two HT consumers with corresponding loss of revenue of ₹ 2.54 crore.**

The Sikkim State Electricity Regulatory Commission (SSERC) notifies the electricity tariff to be levied on the consumers for supply of electricity by the Energy and Power Department (EPD), GoS. The SSERC revises the tariff schedule from time to time. The tariff orders for the period 1 April 2013 to 31 March 2015 and 1 April 2015 to 31 March 2016 were notified in September 2013 and August 2015 respectively. As per the notified tariff (September 2013 and August 2015), consumers had been categorised based on the types of supply such as domestic, commercial, Low Tension Industrial Supply (LTIS), High Tension Industrial Supply (HTIS), bulk supply, etc. and separate rates were prescribed for each category of supply.

The tariff of High Tension Industrial Supply (HTIS) consumers consisted of two parts, viz. fixed charges and variable charges on energy. While fixed (demand) charges were levied on the respective sanctioned/ contracted load of the HTIS consumers, the energy charges were levied for the units of energy consumed during a particular month. The tariff also provided for installation of Maximum Demand Indicator (MDI) at the consumer premises to record the maximum demand on monthly basis. In case the recorded maximum demand of the consumer during a month exceeds the contract demand, that portion of the demand in excess of the contract demand had to be billed at twice the prevailing demand charges. In case, however, the maximum demand charges as recorded by MDI remains lower than the contract demand, the consumers had to be billed for monthly minimum demand charges based on the contract demand.

Audit noticed that in respect of two private companies under HTIS category, the EPD raised bills on the consumer by adopting the reading as recorded by the MDI meters even though the recorded maximum demand as per MDI were lower than the contract demand as detailed below:

1. The two service connections of M/s Golden Cross Pharmaceuticals Private Ltd (consumer) was fed by Pakyong and Rongli Divisions with a sanctioned/contracted load of 1875 KVA (later revised to 1600 KVA- June 2015) and 2500 KVA respectively. The Consumer had requested (26 March 2014) to bill the demand charges based on the reading of the installed MDI meter instead of raising demand charges based on the sanctioned load as the recorded maximum demand was lower than the contract demand. The EPD in contravention to the applicable tariff order acceded to the request of the consumer leading to short collection of revenue during the period from April 2014 to March 2016 by ₹ 2.51 crore as detailed in the **Appendices 4.11.1** and **4.11.2**.
2. Similarly, another consumer namely, M/s Pravesh Enterprises (Stone Crusher Plant) under Rongli Division, with a sanctioned/contract demand of 250 KVA, was billed as per the readings recorded in MDI, which was much below the contracted load of the enterprise. This resulted in undue benefit to the consumer to the extent of ₹ 0.03 crore as detailed in **Appendix 4.11.3**.

Thus, short levy of demand charges contrary to the tariff provisions resulted in extension of undue benefit to two HT consumers with corresponding loss of revenue of ₹ 2.54 crore to EPD.

EPD accepted the facts and stated (August 2017) that it has already raised the demand for short collection of ₹ 2.54 crore in both the divisions, out of which ₹ 1.02 crore (Pakyong Division) has already been recovered. Recovery of the remaining amount (₹ 1.52 crore) was, however, pending (August 2017).

# WATER RESOURCES AND RIVER DEVELOPMENT DEPARTMENT

## 4.12 Loss of revenue

**Failure in collection of water tax resulted in loss of revenue of rupees one crore.**

Sikkim Irrigation Water Tax Act, 2002 (notified April 2002) stipulated that every owner who held land and used water from the Irrigation Channels constructed by the State Government shall be liable to pay Irrigation Water Tax at the rate ranging from ₹ 10 per hectare to ₹ 250 per hectare for each fasli[4] year according to the class of their land. Section 5 (1) of the Act further stipulated that 'As soon as a new source of irrigation is augmented and constructed by the department, it shall intimate in writing to the District Collector that the Irrigation Channel is ready for operation and also the command area proposed to be covered by the channel'.

In exercise of the power under section 16 of the Act, the State Government framed Sikkim Irrigation Water Tax Rules 2007 which came into force from the 1st day of April 2007. Rule 9 ibid stipulated that 'The District Collector shall issue irrigation water bill on the first day of July every year to all the water users of the irrigation channel notified under sub-section (2) of Section 5 of the Act, as per the Schedule appended to the Act' and Rule 10 ibid stipulated that 'the irrigation water tax collected shall be credited to the District Collector's office Head for the minor maintenance of the irrigation channels'.

Scrutiny of records revealed (February 2017) that as of 2016-17, though there were 1,933 functional irrigation channels in the State with the utilised potential of 30,249.48 hectares of land, the Department had not maintained the list of farmers availing irrigation facilities. The Department neither intimated in writing to the District Collector about the readiness of irrigation channel for operation nor the command area proposed to be covered by the channel.

A paragraph on 'non-collection of water tax' had featured in the Comptroller and Auditor General of India's Audit Report on Government of Sikkim for the year 2008-09 under Performance Audit (PA) captioned 'Implementation of Irrigation Schemes'. During discussion of the paragraph, the Department assured (2013-14) the Public Accounts Committee (PAC) that they had already started realisation of water charges from April 2010 and accordingly, the PAC had observed (2013-14) that recommendations of PA offered by the Audit had been noted by the Department for implementation.

The Chief Secretary in one State High Level Monitoring Committee Meeting also directed (September 2013) the Department for early implementation of the Act which was one of the conditions laid down by the 13th Finance Commission for release of grant of rupees four crore under Water Sector Management.

Despite PACs observation, Chief Secretary's direction and even it's own

[4] *A period of twelve months commencing from the first day of July every year (as per Sikkim Irrigation Water Tax Act, 2002)*

commitment/assurance, the Department failed to collect the Water Tax. In the absence of details of category and classification of land held by the individual farmers which were being irrigated through the irrigation channels, Audit applied the rate of ₹ 60 per hectare applied to paddy field to calculate the potential water tax. The potential water tax not collected during 2010-11 to 2016-17 is as given below:

**Table 4.12.1**
**Details of water tax not collected**

| Year | No. of schemes completed | Potential utilised (In hectare) | Number of years channels were in service till March 2017 | Total potential revenue till 2017 @ ₹ 60 per hectare (₹) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 (Col. 3 x Col. 4 x ₹ 60) |
| Upto 2010-11 | 1,703 | 23,696.60 | 6 | 85,30,776.00 |
| 2011-12 | 04 | 173.85 | 5 | 52,155.00 |
| 2012-13 | 143 | 4,487.70 | 4 | 10,77,048.00 |
| 2013-14 | 81 | 1,833.53 | 3 | 3,30,035.40 |
| 2014-15 | 02 | 57.80 | 2 | 6,936.00 |
| 2015-16 | *No channel was created during the year* | | | |
| 2016-17 | | | | |
| **Total** | **1,933** | **30,249.48*** | | **99,96,950.40** |

*Source: Departmental figures-No. of schemes and Potential utilisation*
**Exclusive of Potential loss of 1,598.97*

Thus, the Department failed to take any steps to collect the water tax which was due to the Government resulting not only in loss of Government revenue of rupees one crore (2010-11 to 2016-17) but also compromising the allocation of grant of rupees four crore, which was not received. Moreover, the Department failed to create a sense of ownership and responsible usage amongst the beneficiaries by levying the water charges.

The Department stated (August 2017) that levying of Tax on the small and marginal farmers may not be congenial as the water sources for irrigation channel were rain fed and flow of water in the channels were uncertain, and also that the matter was under consideration of the Government. Reply was not acceptable as the Act/Rules passed by the Government mandated the Department to collect tax. Hence, further approval from the Government was not required. Further, the Department referred the matter to the Government only in 2014, i.e. seven years after the Rules came into effect (April 2007) and never followed up the matter thereafter for Government's decision to rescind the Act/Rules and the Act continued to be in force.

# CHAPTER V
# GENERAL SECTOR

# CHAPTER V
# GENERAL SECTOR

## 5.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2017 deals with the findings on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2016-17 are given in the table below:

**Table 5.1.1**

*(₹ in crore)*

| Sl. No. | Name of the Department | Total Budget Allocation | Expenditure |
|---|---|---|---|
| 1 | Development Planning, Economic Reforms and North Eastern Council Affairs | 409.95 | 57.66 |
| 2 | Election | 6.37 | 6.37 |
| 3 | Governor | 6.82 | 6.33 |
| 4 | Finance, Revenue and Expenditure | 1149.37 | 1094.84 |
| 5 | Home | 48.32 | 43.63 |
| 6 | Information and Public Relation | 13.42 | 12.89 |
| 7 | Information Technology | 20.13 | 4.50 |
| 8 | Judiciary | 32.75 | 26.69 |
| 9 | Land Revenue and Disaster Management | 221.20 | 144.44 |
| 10 | Law | 9.40 | 9.20 |
| 11 | Legislature | 18.14 | 15.89 |
| 12 | Parliamentary Affairs | 0.90 | 0.87 |
| 13 | Personnel, Administrative Reforms and Training, Public Grievances, Career Options and Employment, Skill Development and Chief Minister's Self Employment Schemes | 9.22 | 7.33 |
| 14 | Police | 305.18 | 292.57 |
| 15 | Printing and Stationery | 10.84 | 10.83 |
| 16 | Public Service Commission | 3.85 | 3.56 |
| 17 | Science, Technology and Climate Change | 2.79 | 2.78 |
| 18 | Skill Development and Entrepreneurship | 47.65 | 38.64 |
| 19 | Sports and Youth Affairs | 20.32 | 13.91 |
| 20 | State Excise (Abkari) | 7.96 | 7.37 |
| 21 | Vigilance | 7.60 | 6.76 |
| | **TOTAL** | **2,352.18** | **1,807.06** |

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

**Table 5.1.2**

(*₹ in lakh*)

| Sl. No. | Name of the Department | Name of the Scheme/Programme | Implementing Agency | Funds transferred during the year |
|---|---|---|---|---|
| 1 | High Court of Sikkim | National Mission for Justice Delivery and Legal Reforms | Registrar General, High Court of Sikkim | 180.10 |
| 2 | Land Revenue and Disaster Management Department | MPs Local Area Development Schemes MPLADS. | District Collector, East | 750.00 |
| 3 | Sikkim Information Commission | Propagation of RTI Act – Improving Transparency and Accountability in Government. | Sikkim Information Commission | 3.00 |
| 4 | Science and Technology | Science and Technology Programme for Socio Economic Development | Kanchendzonga Conservation Committee | 6.00 |
| 5 | Sports and Youth Affairs | National Service Scheme | Sikkim State NSS Cell | 58.43 |
| 6 | | North East Council | Tarundeep Rai | 9.00 |
| | **TOTAL** | | | **1,006.53** |

*Source: Finance Accounts*

## 5.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 596.33 crore (including expenditure of ₹ 590 crore of previous years) of the State Government under General Sector. The details of year-wise break-up is given in **Appendix 5.2.1**. This Chapter contains the results of audit of 'Border Area Development Programme' and IT Audit report on 'Sikkim Integrated Financial Management System' as given below:

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

## 5.3 Border Area Development Programme

The Department of Border Management, Ministry of Home Affairs, Government of India (GoI), has been implementing the Border Area Development Programme (BADP), a Centrally Sponsored Scheme, through the State Governments to bring about comprehensive development of border areas by supplementing the State Plan Funds. It was started during the Seventh (1987-92) Five Year Plan (FYP) with the objectives of balanced development of sensitive border areas in the Western Region through adequate provision of infrastructure facilities and for promotion of a sense of security amongst the local population. The programme was revamped during the Eighth FYP (1992-97) and extended to States with an international border with Bangladesh. During the Ninth FYP (1997-2002), the programme was further extended to States located at the border of Myanmar, China, Bhutan and Nepal.

The BADP aimed to meet the special development needs of the people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the required essential infrastructure through convergence of Central/State/Local schemes and participatory approach.


According to Programme guidelines, BADP is to be implemented in five sectors (*viz*. Education, Health, Agriculture and allied services, Infrastructural and Social) upto May 2015. This was increased to seven sectors with effect from June 2015 adding Sports sector and bifurcating Infrastructure sector into Infrastructure – I (Roads, Bridges, culverts, footpath, helipads, etc.) and Infrastructure – II (safe drinking water supply).

The programme was extended to the State of Sikkim with effect from 1998-99 and was being implemented in eight[1] border blocks in three districts (East, West and North) having borders with Bhutan, China and Nepal.

### 5.3.2 Organisational setup

In Sikkim, Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) was designated as Nodal Department for implementation of BADP. The Department was headed by the Principal Secretary-cum-Development Commissioner and assisted by a Special Secretary, Additional Secretary, Deputy

[1] ***North district****: Chungthang and Dzongu Passingdong* ***East*** *district: Gangtok and Reghu,* ***West*** *district: Dentam, Yuksom, Daramdin and Gyalshing*

Secretary and other officers. The Additional Secretary was designated as Nodal Officer for the programme.

Individual schemes proposed to be executed in the State subject to the fund ceiling specified by the Ministry of Home Affairs, GoI were approved by the State Level Screening Committee (SLSC) headed by the Chief Secretary of the State and forwarded to Ministry for acceptance and release of funds. After the receipt of funds by DPERNECAD, it was released to various implementing departments for execution of schemes /works in individual border blocks as per Annual Action Plan (AAP).

### 5.3.3 Scope of Audit

The audit of BADP was carried out through scrutiny of records of DPERNECAD and other 20 line departments (detailed in **Appendix 5.3.1**) implementing the programme for the period from 2012-13 to 2016-17. Physical verification of 31 selected works out of 247 was also carried out.

### 5.3.4 Audit Objectives

The audit of BADP was conducted to ascertain the extent to which implementation of the programme was successful in meeting the special needs of the border areas duly examining whether:

- Planning process (based on baseline survey data) of the implementation of the programme was adequate;
- The programme was implemented with due regard to economy, efficiency and effectiveness; and
- Implementation of scheme was properly monitored.

### 5.3.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Guidelines/norms for BADP issued by GoI and the State Government from time to time;
- Directives of the 13$^{th}$ Finance Commission with respect to release of State Specific Grants;
- Approved Annual Action Plan and schemes approved by the State Level Screening Committee (SLSC);
- Minutes of the SLSC's meeting; and
- Sikkim Public Works Code, Sikkim Public Works Manual and the Sikkim Financial Rules.

### 5.3.6 Audit Methodology

The audit began with an entry conference (11 July 2017) with the Nodal Department followed by scrutiny of records in the DPNERCAD and the implementing line departments. Joint physical verification of selected sample works was conducted and beneficiaries were also interviewed. Based on scrutiny of records, replies/information furnished by the departments and findings of the physical verification, the draft report was prepared. After completion of audit, exit conference was held on 27 October 2017 where audit observations were discussed and views/replies submitted by the Department were taken into consideration while finalising the report.

### 5.3.7 Sampling

There are four districts (East, North, West and South) in the State of Sikkim. The BADP scheme was being implemented (since 1998-99) in Sikkim in eight[2] border blocks in three districts (East, West and North) having borders with Bhutan, China and Nepal. Altogether 41 villages in three districts (East: 12 villages, North: 6 villages and West: 23 villages) have been notified as border villages with population of 43,386. During the audit period, a total of 254 works have been executed by 20 line departments with fund involvement of ₹ 111 crore and expenditure of ₹ 88.05 crore.

Out of these three districts, North district was selected on the basis of the number of schemes (125) sanctioned and executed in the district. In the selected district (North), one block (Chungthang) was selected out of 2 notified blocks (Chungthang and Dzongu-Passingdong) for detailed scrutiny based on the number of works (118) as well as their monetary value (₹ 82.38 crore). Under the selected block, all the three notified border villages (Chungthang, Lachen and Lachung) were selected for audit examination.

There were 14 departments/agencies involved in the execution of 108 (excluding 10 in non-border villages) works in the three border villages. Against these works, 82 works executed by seven departments involving monetary value of ₹ 66.46 crore (out of ₹ 77.94 crore) were shortlisted for selection based on their higher monetary value and nature of works. From these 82 works, 31 works (38 *per cent*) with financial involvement of ₹ 32.68 crore (49[3] *per cent*) were selected on the basis of Simple Random Sampling Without Replacement (SRSWOR) as detailed below.

[2] ***North district****: Chungthang and Dzongu Passingdong* ***East*** *district: Gangtok and Reghu,* ***West*** *district: Dentam, Yuksom, Daramdin and Gyalshing*

[3] *₹ 32.68 crore /₹ 66.46 crore = 49 per cent*

**Table 5.3.1**
**Sampling**

| Level | Population (Notified) | Sample selected | Remarks regarding the sample selected |
|---|---|---|---|
| Districts | East, West, North | North | 6 border villages with 125 works valuing ₹ 85.07 crore |
| Blocks (*under North District*) | Chungthang, Dzongu - Passingdong | Chunghtang block | 118 works valuing ₹ 82.38 crore |
| Villages (*under Chungthang Block*) | Chungthang, Lachung and Lachen villages (with 14 departments) | Chungthang, Lachung and Lachen villages involving 14 Departments with 108 works valuing ₹ 77.94 crore. | Chungthang - 9 works (₹6.14 crore)<br>Lachung – 34 works (₹19.72 crore)<br>Lachen – 65 works (₹ 52.08 crore) |
| Works selection | 7 departments across 3 villages<br>Chungthang – 7 works<br>Lachung – 27 works<br>Lachen - 48 works | Chungthang – 5 works<br>Lachung – 10 works<br>Lachen – 16 works | Works selected : 31 works valuing ₹ 32.68 crore |

Further, interview with 20 beneficiaries[4] (10 beneficiaries per village) was also conducted for capacity building schemes executed by the line departments in those border villages to assess the satisfaction level of the beneficiaries.

## 5.3.8 Audit findings

The important points noticed during the course of audit are discussed in the succeeding paragraphs.

### *5.3.8.1 Planning*

#### *5.3.8.1.1 Baseline survey data*

Programme guidelines (Para- 3.3) envisaged upon the State Government to undertake baseline survey to assess the gaps in basic physical and social infrastructure for preparation of a long term Perspective Plan (PP) for each border block.

Scrutiny of records revealed that the State Government had carried out baseline survey only once in 2010. The baseline survey indicated critical gaps in four sectors (*viz.* Education, Agriculture and allied, Infrastructure and Social). However, the survey results were neither revisited nor updated thereafter. These were not even adequately incorporated in the Annual Action Plan (AAP) to obtain suitable funds to execute projects to fill up the critical gaps. The details are shown in Para- 5.3.8.3.

While accepting the audit observation, the Department stated (November 2017) that the survey was undertaken in 2010 with a view to capture the existing facilities and infrastructure in the border villages. Since the survey data needed to be updated to cover more parameters, the baseline survey was set for updation in 2017-18 under the supervision of respective District Collectors.

[4] *Two schemes on capacity building and skill development were executed/conducted in only two villages (Lachen and Lachung) during the period covered.*

### 5.3.8.1.2 Perspective Plan

Programme guidelines envisaged upon the State Government to prepare a PP for each border block based on gaps identified in the baseline survey. The PP would help to achieve overall objective of the scheme for balanced development of the region.

Audit noticed that the PP had not been prepared by the State Government although baseline survey indicated critical gaps[5] in four sectors and the programme was under implementation in the State since 1998-99. Failure to formulate the PP was indicative of lack of seriousness of the State Government towards the important aspects of long term planning. This also led to defects in programme implementation such as execution of works without prioritisation, execution of works in non-border blocks, lapse of sanction, inadequate action to declare border villages as saturated, etc. as detailed in the subsequent paragraphs (Paras 5.3.8.3, 5.3.8.1.5 and 5.3.8.1.3).

The Department stated (July and November 2017) that preparation of PP was not necessary in the case of Sikkim considering its total population of six lakh as the PP was envisaged by GoI for the district having a population of one million. Further, district level plans prepared on the basis of requirement projected by every Gram Panchayat Unit (GPU) included gaps in both physical and social infrastructural requirements.

### 5.3.8.1.3 Border villages not declared saturated

According to programme guidelines (Para- 2.2) while executing works, priority was to be accorded to the villages located within 0 to 10 km from the international border. On saturation of the villages, villages located within 0-15 km and thereafter 0-20 km were to be taken up.

Scrutiny of records revealed that 254 works were executed during the period covered under audit (2012-17) with total allocation of ₹ 111 crore in the villages located within 0 to 10 km from the international border. Further, various works were executed during the 19 years of implementation of the programme with expenditure of ₹ 231.63 crore. However, till date no border village had been declared as saturated by the District Level Committees (DLC) as required in the programme guidelines (Para- 2.2). Thus, implementation of the programme was restricted to the villages located within 0-10 km of the international border for the last 19 years with no mechanism to declare the border villages as saturated on fulfilling the critical needs. This deprived the intended benefits of the scheme to the villages located beyond 0 to 10 km from the international border.

The Department stated (November 2017) that saturation of border villages was not possible in short notice as the fund allocation were not commensurate with the requirements of border villages. Contention of the Department was not acceptable as BADP was implemented in the State since 1998-99 incurring considerable fund of ₹ 231.63 crore. Despite this, none of the border village of three border districts were declared saturated as of March 2017.

[5] *Low literacy rate, non-availability of schools, inadequacy of road connectivity, non-availability of veterinary hospital, absence of PHSC/PHC and non-availability of safe drinking water etc. in border villages*

### 5.3.8.1.4 *Delay in submission of Annual Action Plan*

Programme guidelines (Para- 6.1) stipulated submission of AAP to GoI latest by May every year based on which 90 *per cent* of allocated fund would be released by GoI as first instalment.

Scrutiny of records revealed that AAPs were submitted belatedly to GoI. Delay ranged between 13 days (2016-17) and 72 days (2015-16). This led to consequent delay in release of 1st instalment aggregating to ₹ 54.36 crore by GoI during 2013-14 to 2016-17. Details are shown in the table below:

**Table 5.3.2**
**Delay in submission of AAP**

| AAP for the year | Date of approval by SLSC | Date of forwarding to GoI for approval | Date of approval by GoI | Release of 1st instalment (Amount in bracket) |
|---|---|---|---|---|
| 2012-13 | 02 May 2012 | 03 May 2012 | 20 May 2012 | 28 May 2012 (₹ 11.37crore) |
| 2013-14 | 01 July 2013 | 02 July 2013 | 06 August 2013 | 06 August 2013 (₹ 18.00 crore |
| 2014-15 | 09 August 2014 | 11 August 2014 | 04 September 2014 | 04 September 2014 (₹ 8.45 crore) |
| 2015-16 | 08 July 2015 | 12 August 2015 | 24 August 2015 | 24 August 2015 (₹ 10.19 crore) |
| 2016-17 | 13 June 2016 | 14 June 2016 | 28 July 2016 | 29 July 2016 (₹ 17.72 crore) |

*Source: Information furnished by the nodal department*

Delay in release of funds affected the completion of works since availability of working period was very limited due to inclement weather.

Not only the AAPs were not submitted on time, they did not also incorporate works to fill up the critical gaps, especially in agriculture and allied sector, education, employment generation, as detailed in Para 5.3.8.3.

The Department in its reply in November 2017 was silent on the delay from the years 2012-13 to 2014-15 and 2016-17 but stated that the AAP 2015-16 was delayed due to late finalisation of modified guidelines resulting in delay in release of funds in 2015-16. However, it did not adversely impact the works since no new major schemes were sanctioned and the focus was on completion and closure of ongoing schemes in 2015-16.

### 5.3.8.1.5 *Lapse of projects*

Programme guidelines (Para- 4) stipulated for initiating advance action for completion of formalities such as forest clearance, other local clearances and availability of land to ensure expeditious execution of works.

Scrutiny of records revealed that seven[6] works (₹ 3.03 crore) had lapsed due to non-availability of land (1), reframing of estimate (1) and forest clearance (5). This indicated absence of adequate action on the part of the Nodal Department as well as line departments (Sashastra Seema Bal, Tourism and Civil Aviation and Indo-Tibetan Border Police) to ensure compliance with programme guidelines. Resultantly, intended benefits

[6] *(i) Construction of RWSS for Company Hqrs. SSB at Dentam, (ii) Construction of RWSS for SSB BOP, Dentam,(iii) Construction of RWSS for SSB BOP at Kalijhar, Dentam, (iv) Construction of RWSS for SSB BOP Torifully, Sophaka, Dentam, (v) Construction of trekking trail from Hongri village to tourist spot at Yuksom, and (vi) Upgradation of Log Bridge to Suspension Bridge between Bichu village to Chhu Junction at Lachung, (vii) construction of Kisan bajar at Rongli.*

of providing critical infrastructure of rural water supply (4) to Sopakha, trekking trail (1) at Yuksom, West Sikkim and suspension foot bridge (2) at Lachung, North Sikkim could not be provided.

Thus, advance action as required in the guidelines was not initiated by the Nodal Department as well as line departments to ensure expeditious completion of works and to reap the intended benefits from the scheme.

The Department stated (November 2017) that seven works (₹ 3.03 crore) were recommended for de-sanction by SLSC due to limitation of time and cost revision and in their place, the SLSC had recommended other critical works and sanction was accorded by the GoI. Thus, there was no lapse of projects. The schemes under reference were mostly those of the Border Guarding Forces cleared by the SLSC expecting the forest clearance to come through in time. Prior action of obtaining forest clearance was not possible since these were mostly needs projected by the Border Guarding Forces based on their requirements. Reply of the Department was not acceptable as seven works had lapsed/de-sanctioned due to non-providing of land, non-obtaining of forest clearance, etc. by line departments indicating absence of advance action as stipulated in programme guidelines.

#### *5.3.8.2 Financial Management*

BADP was a 100 *per cent* centrally funded programme till 2015-16. From 2016-17 onwards, the funding pattern changed to 90:10 between the Centre and the State Governments respectively for the eight North Eastern States including Sikkim.

On receipt of funds from GoI, the State Government allocated funds to the Nodal Department which in turn released to line departments for execution of various works as per the approved AAP.

The year-wise allocation, release and utilisation of funds towards the implementation of BADP during the period 2012-17 were as given below:

**Table 5.3.3**
**Details of allocation, release and utilisation of fund**

*(₹ in crore)*

| Year | Allocation of Funds | Funds released | Funds Utilised | Unspent Balance |
|---|---|---|---|---|
| 2012-13 | 20.00 | 20.00 | 20.00 | 0 |
| 2013-14 | 24.00 | 24.00 | 24.00 | 0 |
| 2014-15 | 20.00 | 20.00 | 17.70 | 2.30 |
| 2015-16 | 20.00 | 20.00 | 13.73 | 6.27 |
| 2016-17 | 27.00 | 27.00 | 12.62 | 14.38 |
| ***Total*** | ***111.00*** | ***111.00*** | ***88.05*** | ***22.95*** |

*Source: Information furnished by Nodal Department*

As would be seen from the above, against the release of ₹ 111 crore, ₹ 88.05 crore was spent during the period 2012-17 leaving a balance of ₹ 22.95 crore. Unspent balances at the year-end displayed lack of preparedness of line departments to absorb the allotted funds and indicated absence of advance planning as mentioned in Para- 5.3.8.6.

The Department stated (November 2017) that sometimes there were unavoidable delays during execution of works since the Blocks along the Chinese border were out of bounds during winter due to heavy snowfall and difficult physical conditions like hard rocks, fragile soil conditions limiting the working time to less than six months.

### *5.3.8.2.1 Release of State's share*

Funding pattern for BADP changed from 100 *per cent* to 90:10 between the Centre and the State Governments with effect from 2016-17. Audit noticed that the State Government had not released its proportionate share of ₹ 3 crore during 2016-17 due to fund constraint. Non-release of State's share affected availability of funds and hampered execution of works as mentioned in Para- 5.3.8.3.4.

While accepting the Audit comments, the Department stated (November 2017) that the intimation regarding revised funding pattern was received late due to which adequate arrangement could not be made. However, 10 *per cent* State's share was being made available from the budget of 2017-18. Further, non-release of State's share had not affected or hampered the execution of works since GoI had permitted the State to make provision in 2017-18. Reply of the Department was not tenable as there was shortage of fund of ₹ 3 crore due to non-release of State's share. This affected the work such as "Construction of Car Park and Cafeteria at Selepmu" which could not be handed over to the user agency despite its completion due to non-release of payment owing to fund constraints.

### *5.3.8.2.2 Maintenance of assets*

Programme guidelines (Para- 4.2) envisaged upon the State Government to keep a provision not exceeding 15 *per cent* of the allocation made to the State for maintenance of assets created under BADP subject to the condition that such expenditure can be made only after three years from the completion of assets.

Audit scrutiny revealed that while the State Government executed various works by incurring ₹ 88.05 crore during 2012-17, it had not allocated fund for maintenance of assets created under BADP except for maintenance of Boys' Hostel (₹ 12 lakh) at Phadamchen, East Sikkim during 2014-15. This was fraught with the risk of shortening the life of assets created under BADP to provide uninterrupted services to the border population.

The Department stated (November 2017) that the maintenance of assets created with BADP funds were being taken up as and when deemed necessary like the repair and renovation of Boys Hostel at Padamchen in East Sikkim. Besides, repair of bridges were being carried out in North Sikkim. Reply of the Department was not acceptable since provision of fund towards maintenance of assets was not kept under BADP during the period 2012-17, except for repair of Boys' Hostel at Padamchen, East Sikkim.

### *5.3.8.3 Programme implementation*

A total of 254 works were sanctioned during 2012-17 of which sanction for seven works (₹ 3.03 crore) had lapsed as detailed in Para-5.3.8.1.5. Of the remaining 247 works (₹ 103.97 crore), Audit attempted to ascertain the details of works completed, works on-going and works not commenced as of March 2017. This information however, could not be provided by the Nodal Department despite audit requisition.

Audit scrutinised 31 (out of 247) works (₹ 32.68 crore) of which 23 works (₹ 21.19 crore) were completed and the remaining eight works (₹ 10.89 crore) were in progress as of March 2017. Out of the 23 completed works, five works (₹ 6.07 crore) were completed recording a delay of four to 24 months. All the eight works in progress had exceeded the target date of completion by seven to 24 months as of March 2017.

Further, Sector-wise prioritisation of works was neither done at planning stage nor was it considered during fund allocation to address the critical gaps indicated in the baseline survey. As a result, execution of works was not commensurate with the critical gaps identified in the baseline survey as mentioned below:

- ***Education Sector:*** One of the critical gaps identified under the Education Sector was the comparatively lower literacy rate of 75.37 *per cent* in the border villages as against the overall literacy rate of 81.40 *per cent* for the State. Premlakha and Singaneybas villages of East district and Litching and Tsozo villages of West district did not have any Government schools of primary and above level. Yet the Department had not accorded priority to education sector while preparing the AAP during 2012-17, as only ₹ 6.34 crore was sanctioned towards education sector against the total programme allocation of ₹ 111 crore, representing a mere 6 *per cent*. This indicated that AAP submitted to GoI was prepared without adequately considering the inputs of the baseline survey.

  Audit scrutiny further revealed that education sector was not accorded due priority in respect of the three sampled villages. Literacy rate in these three border villages (Lachen: 62.91 *per cent*; Lachung: 78.70 *per cent and* Chungthang: 78.78 *per cent*) was also below the average State literacy rate of 81.40 *per cent*. Yet during the period 2012-17, allocation towards education sector in respect of these three villages was only ₹ 95 lakh against the total allocation of ₹ 111 crore representing less than 1 *per cent*. The proposal for construction of Junior High Schools and Senior Secondary Schools in these villages were not initiated although there were no Junior High school in Lachen Village and no Senior Secondary schools and colleges in any of the three villages. This confirmed the audit contention that the AAP submitted to GoI was prepared without considering the inputs of the baseline survey even for the villages covered in audit.

  The Department stated (November 2017) that the need of school was not felt at Premlakha as the primary school located in the village was closed due to low enrolment. Tsozo village in West Sikkim had a primary school constructed under funds other than BADP. Construction of additional rooms at Mangshila, repair of Lachen Junior High School in North District, construction of toilets at 32 border schools, additional classrooms at Burung School and additional class rooms and auditorium at Ribdi Secondary School were sanctioned under BADP. The nearest and the feeding Senior Secondary School for the villages for Lachen, Lachung and Chungthang was Mangan Senior Secondary School, the needs of which had been sanctioned under AAP 2016-17. Reply of the Department was not tenable as no prioritisation was done in AAPs for construction of primary schools or above level at

Siganeybas of East and Litching villages of West districts. Further, construction of additional class rooms at Mangshila and Burung which were not identified border villages, did not help to achieve the overall objective of the scheme for balanced development of border villages.

- ***Infrastructure Sector***: **(i) Roads:** Seven border villages (out of 41), viz. Sakyong-Pentgong in North Sikkim, Siganeybas and Premlakha in East Sikkim and Bhareng, Topong, Sigrapong and Karmatar in West Sikkim did not have road network. Despite this, the Department had sanctioned road work for only one village (Bhareng) at ₹ 8 crore (33 *per cent)* during the period 2012-17 out of total allocation of ₹ 32.93 crore towards road network. Funds for construction of roads for the remaining six villages were not provided during 2012-17 although road network was virtually absent in those villages. Interestingly, ₹ 24.93 crore was utilised towards construction of nine roads in seven villages[7] which were not deficient in road network as per baseline survey resulting in deprival of road connectivity to the 1,666 residents of the six border villages.

  **(ii) Drinking water:** In case of the sampled villages also, the allocation and execution of works during 2012-17 towards infrastructure relating to safe drinking water was inadequate although drinking water was sourced from taps by the residents of Lachen (37 *per cent*), Lachung (38 *per cent*) and Chungthang (67 *per cent*). During 2012-16, three works (out of 7) valuing ₹ 1.14 crore were sanctioned and executed in the three sampled villages (Lachen - 01 and Lachung - 02) leaving out Chungthang village. However, there was no allocation towards infrastructure relating to drinking water during 2016-17 despite the fact that revised programme guidelines (June 2015) stipulated for allocation of funds to infrastructure sector of safe drinking water without restricting to any limit with effect from 2016-17.

  The Department stated (November 2017) that the Roads and Bridges Department had a comprehensive road network map for construction and upgradation of roads in the State. BADP guidelines did not allow construction of new roads but only construction of approach and link road. Reply of the Department was not tenable as the State Government had to prioritise the critical areas in different sectors based on the results of baseline survey. Despite absence of road networks in seven identified border villages, priority was not given for construction of road network in those villages except for Bhareng.

- ***Social Sector:*** According to programme guidelines, Social sector involved construction of community centres, common shelter for old and handicapped, electricity, tracks, transit camps, kissan sheds, capacity building, tourism and hospitality and sanitation. Baseline Survey 2010 indicated gaps in tourism related activities, electricity and sanitation under Social sector. Tourism was considered a high potential activity in Sikkim and offered a major source of income with significant number of people living in border villages being engaged in tourism related occupation. The Government had placed great emphasis on development and

[7] *Sopakha, Changeylakha, Phadamchen, Lachung, Lachen, Chungthang and Shipgyer.*

creation of tourism infrastructure with the allocation of ₹ 38.09 crore during 2012-17, related infrastructure for improvement of tourism such as road connectivity to Tsangmu lake, Lachung, Lachen and other tourist places. Yet, these had not yielded the desired results due to non-availability of good road network in those border places.

Baseline survey report further indicated that many rural households either had no access to or did not use electricity for lighting their homes. However, 79.49 *per cent* of the households in the border areas reported that they were dependent on electricity as the major source of fuel and lighting. In the villages of Lachen and Lachung covered in audit, percentage of households dependent on electricity as a major source of lighting was 78.44 and 76.37 *per cent* respectively. These were even less than the average percentage of border areas of 79.49 *per cent* as brought out in the survey. Despite this, ₹ 9.23 crore (six works) representing only 8 *per cent* of total allocation was provided on electricity during 2012-17 in the border villages other than Lachen and Lachung. Further, a total of 108 works involving ₹ 73.06 crore indicating 66 *per cent* of total allocation were executed during 2012-17 under Social sector. However, works for the benefit of community, common shelter for old and handicapped such as construction of community centre and transit camps, etc. were not sanctioned.

The Department stated (November 2017) that most of the roads leading up to the border villages were under the domain of the Border Roads Organisation (BRO). Further, the people of the border villages of Lachen and Lachung were nomadic in nature and moved across habitations. Hence, despite the best efforts, providing basic facilities across all habitations had been a challenge due to paucity of BADP funds. Reply of the Department was not tenable as the non-availability of good road connectivity identified in the baseline survey was not only in the border villages of Tsangmu lake, Lachung and Lachen but also noticed in other tourist places in the border villages as mentioned above.

- ***Agriculture and allied Sector:*** Baseline survey noted that Agriculture and allied sector was the backbone of the economy of border villages as 59.35 *per cent* of the population were engaged in agriculture and allied sector. Animal Husbandry was a traditional occupation of the population and formed an integral part of the household economy to supplement their income through rearing of livestock in the remote border villages. There were 8,507 livestock in 41 border villages and six animal husbandry farms located in the villages of Chungthang, Lachen and Lachung (North district) and Melli, Maneybong and Begha (West district). However, there were no veterinary hospitals in the border villages as identified in the survey. Further, there were 672 livestock and three animal husbandry farms in the three border villages of North district covered in audit.

  Audit scrutiny revealed that despite this, due importance was not accorded to agriculture and allied sector in preparation of AAP for the period 2012-17. The allocation under agriculture and allied sector was only ₹ 16.03 crore during 2012-17 indicating a mere 14 *per cent* of total allocation. Further, in the three sampled villages, construction of veterinary hospital was neither considered for incorporation in AAP nor were funds allocated towards construction during 2012-17 despite this being indicated as one of the critical gaps in the survey.

While accepting the Audit observation, the Department stated (November 2017) that the shortage of veterinary hospitals in border villages was discussed in the SLSC meeting where it was decided that construction of veterinary hospitals would be taken up phase-wise in the coming years.

- ***Health Sector***: Baseline Survey 2010 noted critical gaps with regard to availability of PHSC/PHC in four border villages of East district and 13 border villages in West district and one border village in North district. The Department executed five works valuing ₹ 1.30 crore of which only two works were related to construction of PHSCs (Thangu and Dalapchan) indicating that only one deficient village (Dalapchen) was provided with PHSC facility depriving easy access to health centres to the remaining 17 villages.

  The Department stated (November 2017) that the Health and Family Welfare Department had difficulties in posting dedicated nursing and medical staff to PHCs and PHSCs in the remote locations due to shortage of manpower. The villages of Linzah-Tholung were being serviced by the Mangan District Hospital. The reply of the Department was not tenable as the Department did not prioritise the health Sector and PHSCs were not constructed in the border villages found deficient as per the Baseline Survey.

#### *5.3.8.3.1 Execution of schemes in non-border villages*

Programme guidelines (Para- 2.2) stipulated execution of works in the identified villages considering their location from international border in the border blocks. Priority was to be given to the villages located within 0-10 km, 0-15 km and 0-20 km from the international border in a phased manner. The State Government identified (2010) 41 villages in eight blocks as border villages as detailed in **Appendix 5.3.2**.

Audit scrutiny revealed that eight villages[8], out of 41, were located beyond the prescribed range of 0-10 km from international border (11.5 to 14.4 km) and thus not qualified to be declared as border villages in the first phase of implementation. Seven (out of 254) works relating to capacity building (4) and infrastructure development (3) involving ₹ 2.48 crore were executed in two villages (viz. Sakyong-Pentong -11.5 kms and Shipgyar – 11.5 kms) of North district during 2013-14 to 2015-16. Since those two villages were located beyond 10 kms from the international border, execution of works in those villages without saturating other villages within the range of 0-10 kms from international border was not permissible. Besides, the State Government had executed works in non-border villages as detailed below.

- 28 works (₹ 15.37 crore) were executed during 2012-17 in 22 villages which were not included in the notified list of border villages.

[8] *North: 3 and West: 5*

- The State Government constructed 16 toilets (₹ 48 lakh) in schools which were not situated in border villages having an international border.
- The construction of seven, out of nine, food godowns sanctioned under TFC for 'Additional Storage Facilities for essential commodities' as State Specific grants was carried out at a cost of ₹ 4.39 crore in the border blocks/villages which were not notified as border villages/blocks.

Execution of works in non-border villages was impermissible and deprived the intended benefit to people living in the notified border villages.

The Department stated (November 2017) that a part of the capacity building programme was conducted in Sakyong-Pentong and Shipgyar in North district by the Directorate of Handloom and Handicraft drawing trainees from the border villages. The construction of toilets in schools was part of the total sanitation campaign which was partly funded under BADP. Reply of the Department was not acceptable since majority of the trainees were from Sakyong-Pentong and Shipgyar villages itself as verified from the records. Further, against 32 toilets sanctioned out of BADP fund in 30 schools, 16 were executed in villages not identified as border villages and thus, beyond the purview of BADP guidelines.

#### *5.3.8.3.2 Execution of impermissible works*

Programme guidelines (Para- 4) categorically specified list of permissible and impermissible works under BADP.

Scrutiny of records revealed that out of 247 works executed during 2012-17, nine works[9] (₹ 4.96 crore) implemented in North (08) and West districts (01) were in the nature of protective works, including construction of Gram Prashasan Kendras/meeting house, kitchen for Gram Panchayat. These works were not permissible as per programme guidelines.

The Department stated (November 2017) that the AAP for 2015-16 was delayed due to late finalisation of modified guidelines resulting in delay in release of funds in 2015-16. However, it did not adversely impacted the works since no new major schemes were sanctioned and focus was on completion and closure of ongoing schemes in 2015-16. Reply of the Department was not acceptable as there were consistent delays (13 to 72 days) in sending of AAPs to the Ministry for all the years from 2013-14 to 2016-17 against the target date of May. Further, all eight works in progress (out of 31 covered under this audit) valuing ₹ 10.89 crore, commented in Paras 5.3.8.3 and 5.3.8.3.4, were sanctioned during 2013-14 to 2015-16 and those works were also not completed.

#### *5.3.8.3.3 Less priority given to capacity building and skill development schemes*

Programme guidelines (Para- 5.2) stipulated that schemes should be planned to take care of the special problems faced by people living in the border areas. Emphasis must be laid on schemes for employment generation, production oriented and skill upgradation

[9] (i) *Protective works – two, (ii) Construction of kitchen – two, (iii) Construction of Dzumsa (panchayat) house- one, (iv) Construction of drain – two (v) Construction of Gram Prasashan Kendra – one and (vi) Construction of Pipon (panchayat head of North district) house.*

activities to create a sense of security amongst the people living in border areas so that the people do not migrate to other areas in search of livelihood.

Audit scrutiny revealed that there was allocation of only ₹ 4.65 crore (4 *per cent*) on capacity building and skill development schemes against total allocation of ₹ 111 crore during the period 2012-17 as against the prescribed percentage (10 *per cent*- minimum). Further, the Department incurred ₹ 72.10 lakh (out of ₹ 4.65 crore) towards outsourcing of raw material, establishment of dyeing unit and purchase of equipment instead of providing capacity building and skill development training. The Department had not obtained any feedback from the trainees and the implementing line departments did not assess the impact of the various training programmes. Thus, due priority was not given on promotion of employment generation and production oriented schemes. Though migration of people living in the border villages were not reported during 2012-17, 78 *per cent* of people of the State living in border villages did not feel secure as per report (2015) of the NITI AAYOG. Thus, the people of border villages were deprived of adequate employment generation schemes due to less priority given to capacity building and skill development schemes.

#### 5.3.8.3.4 Delay in completion of works

Programme guidelines (Para- 9) stipulated close monitoring of implementation of BADP works by State Government to ensure timely completion of works in a qualitative manner.

As mentioned in the preceding paragraph (Para- 5.3.8.3) 23 works (out of 31) worth ₹ 21.79 crore were completed, of which five works (₹ 6.07 crore) were completed recording a delay of four to 24 months. Further, eight works valuing ₹ 10.89 crore were under progress as of March 2017 which had already crossed the scheduled date of completion by seven to 24 months as of July 2017. Audit analysis of those works revealed that delay in completion was due to road blockage, inclement weather, change in scope of works, etc. as shown below:

**Image 5.3.1**

**Restoration of Chungthang Tourist Lodge at Chungthang**

*Sanctioned cost*: ₹ 1.50 crore
*Date of commencement*: 02 July 2013
*Scheduled date of completion*: 03 July 2015
*Actual date of completion*: 22 March 2017
*Reasons for delay*: Road blockage due to inclement weather and change/deviation in scope of work.

**Image 5.3.2**

**Construction of protective wall above the Road from Dhokya rock to Thangu, Lachen, North district**

*Sanctioned cost*: ₹ 2.43 crore
*Date of commencement*: 28 April 2015
*Scheduled date of completion*: 27 October 2016
*Actual date of completion*: 12 May 2017
*Reasons for delay*: Not recorded.

**Image 5.3.3**

**River Training Work at Sevochu at Lachen Dzumsa**

Sanctioned cost: ₹ 1.40 crore
*Date of commencement*: 24 November 2014
*Scheduled date of completion*: 23 May 2016
*Actual date of completion*: 29 December 2016
*Reasons for delay*: Not recorded.

**Image 5.3.4**

**Construction of boundary fencing of Lachung Check Post, Lachung North Sikkim**

*Sanctioned cost*: ₹ 20.56 lakh
*Date of commencement* : 26 May 2011
*Scheduled date of completion* : 25 November 2011
*Actual date of completion*: 13 September 2013
*Reasons for delay*: Not recorded.

**Image 5.3.5**

**Construction of public toilet at Lachung**

*Sanctioned cost*: ₹ 30 lakh
*Date of commencement*: 28 January 2016
*Scheduled date of completion*: 27 January 2017
*Actual date of completion*: under progress
*Reasons for delay*: Not recorded.

**Image 5.3.6**

**Modernised trout farm at Denga, Lachen North Sikkim**

*Sanctioned cost* : ₹ 2.50 crore
*Date of commencement* : 02 February 2015
*Scheduled date of completion* : 02 February 2016
*Actual date of completion* : under progress
*Reasons for delay*: Road blockage due to monsoon.

**Image 5.3.7**

**Construction of cafeteria, approach road, car parking, public toilet etc. at Zipdakong on the way to Gurudongmar, North Sikkim**

*Sanctioned cost* : ₹ 2.13 crore
*Date of commencement*: 27 December 2013
*Scheduled date of completion*: 26 June 2015
*Actual date of completion*: under progress.
*Reasons for delay*: Not recorded.

Delayed execution/completion of works within the stipulated time period not only resulted in deprival of timely benefit of the schemes to the people living in the border villages but also indicated absence of proper monitoring mechanism in implementation of BADP.

### *5.3.8.3.5 Idling of assets*

Audit scrutiny revealed that four works were lying idle for periods ranging between three and 12 months due to delay in handing over of assets to user organisations, delay in leasing out of assets, delay in supply of complete set of machinery, etc. as detailed below:

- The work 'Construction of Car Park and Cafeteria at Selepmu' under Lachen block in the North district completed (August 2016) at a cost of ₹ 89.45 lakh in all respect was neither put to use nor leased out for its gainful operation even after a lapse of one year of its completion as the asset was not handed over to the user agency.
- Tourism and Civil Aviation Department procured (April 2015) paragliding equipment (10 Canopy/Glider Solo, 10 Harness) at a cost of ₹ 21.40 lakh for unemployed youth of Gnathang-Maching border village with the objective of generating self-employment. However, the equipment could not be handed over to the youth in consideration of safety measure as they were not trained to operate the equipment. The asset was thus, kept idle in the departmental store since April 2015.
- For the work "Development of adventure tourism in and around Kupup", ₹ 48.40 lakh (equipment etc.- ₹ 23.80 lakh; civil works and compensation- ₹ 24.60 lakh) was incurred towards procurement of adventure tourism equipment and accessories and civil works including land compensation. The equipment were lying idle since its procurement in 2010-12 and the expenditure towards land compensation, etc. remained infructuous. This was because the Army establishment located at Nathula denied (March 2012) permission to execute the work in its original site due to security reasons. Further, due to idling of equipment for more than five years, deterioration of the equipment purchased could not be ruled out. The work at an alternate site was in progress as of July 2017.
- The work "Construction of road from Sopakha village to Chewabhanjyang via Jorebotey in West District" sanctioned (2011-12) at an estimated cost of ₹ 30 crore could not be completed due to want of forest clearance. The road length initially

sanctioned for 18.51 km was reduced (September 2014) to 5.15 km as 13.36 km of the road fell under restricted forest area. Even the reduced length of road could not be completed as of July 2017 due to slow pace of work. The work was stopped (March 2017) after incurring ₹ 6.12 core towards payment to the contractor and the fund of ₹ 6.12 crore remained blocked. Thus, injudicious decision on the part of the Department to tender and award the work without obtaining forest clearances resulted in delayed execution, stoppage of work and blockage of fund of ₹ 6.12 crore ultimately resulting in deprival of the road connectivity to people of the targeted villages.

The failure of the Department to closely monitor the completion of the works and their timely utilisation resulted in blockage of fund of ₹ 7.71 crore and consequential deprival of intended benefits of road connectivity, employment generation and obsolescence of the equipment procured.

While accepting the Audit observations, the Department stated (November 2017) that there was delay in handing over of assets (Construction of Car Park and Cafeteria at Selepmu). This was due to delay in release of fund owing to fund constraints. Regarding the work "Development of adventure tourism in Kupup", an alternative site had been identified and clearance obtained from the Army to run the adventure tourism at a re-located site. The work "Construction of road from Sopakha village to Chewabangyang via Jorebotey" was delayed due to want of forest clearance. The forest clearance had since been obtained and the work was expected to resume.

#### *5.3.8.4 Monitoring Mechanism*

Programme guidelines (Para -9) prescribed robust monitoring of the implementation of the schemes right from block level to district level and also at State level by formation of nodal officers, block level committees and third party monitoring agents. Audit noticed various deficiencies in the monitoring mechanism as detailed below:

➢ ***Block Level Nodal Officer not appointed*:** Programme guidelines (Para- 9.1) envisaged appointment of a Nodal Officer for each border block. The Nodal Officer should regularly visit the blocks and take responsibility for project implementation of the scheme and submit quarterly reports to the Nodal Department highlighting the important achievement/lacunae.

Audit noticed that the Department had not appointed Block Level Nodal Officer due to which monitoring of the projects by way of regular visit and submission of the quarterly reports by the Block Level Nodal Officer was lacking.

The Department stated (November 2017) that Nodal Officers from each line Department had been identified who were responsible for making site visits, monitoring of the quality of work and preparing the progress of work and regularly updating the project status to the Department Head Office as well as the Nodal Department. The reply of the Department was not tenable as the Department had not appointed the Block Level Nodal Officer as envisaged in the programme guidelines. Instead, it appointed Nodal Officers from the line Departments. However, the relevant information like notification/office order regarding appointment of Department wise Nodal Officer, information/relevant documents showing their site visits, monitoring reports of the projects, quarterly progress reports were not provided to audit for scrutiny.

- ***District Level Committee* :** Programme guidelines (Para-4.3 and 9) envisaged formation of District Level Committee (DLC) for monitoring of implementation works including quality aspect of works and submission of report on quarterly basis to the State Government for onward transmission to the GoI. Scrutiny, however, revealed that though DLCs were formed, these remained non-functional and were not furnishing the quarterly returns to Nodal Department which were required to be sent to the Ministry. The Department stated (November 2017) that programme guidelines did not specifically required submission of the quarterly reports. The reply of the Department was not tenable as programme guidelines specifically stipulated the monitoring functions in respect of the DLCs including submission of quarterly returns to Nodal Department for onward transmission to the Ministry.

- ***Scheme-wise quarterly report to GoI***: Programme guidelines (Para- 9.2) stipulated submission of scheme-wise quarterly progress reports to the Ministry (GoI) indicating the number of inspections conducted highlighting the important achievement/lacunae pointed out in the report of the inspecting officers.

Audit noticed that the quarterly progress reports were furnished to the Ministry (GoI) by the Nodal Department. However, these reports did not contain the number of inspections conducted highlighting the important achievement/lacunae in the absence of which neither the nodal Department nor the Ministry were in a position to verify the quality of works being executed.

- ***Inventorisation of assets***: Programme guidelines (Para- 9.3) stipulated inventorisation of assets created under BADP by the State Government for analytical purposes and future planning. Audit scrutiny revealed that system of inventorisation of assets was not introduced to provide at a glance the position of all the assets created under BADP. Even the complete list of works taken up, works completed, works in progress etc. were not compiled and retained by the Nodal Department.

While accepting the Audit comments, the Department stated (November 2017) that it had initiated the inventorisation of assets created under BADP.

- ***Display boards***: Programme guidelines (Para- 9.3) stipulated display boards indicating funding of the schemes/projects under BADP which were required to be erected in front of all the assets created under BADP. Joint physical verification by Audit revealed (August 2017) that in 25 (out of 31) works display boards were not erected, thus compromising on one of the requirements of BADP.

While accepting the Audit contention, the Department stated (November 2017) that all the line departments executing the BADP projects had once again been reminded and directed to install the display boards at site.

- ***MIS Data***: GoI developed (2015-16) a “Management Information System” (MIS) by treating the village as well as the scheme/project as the basic unit and instructed that all activities, including submission of the AAPs, release of funds, monitoring and e-filing should be strictly through the MIS application. However, MIS developed by the GoI had not been implemented in the State as it was not found user friendly. As a result, State Government could not feed data about the implementation of the programme, submission of AAPs, release of funds, etc. resulting in delay in approval of AAPs, release of funds and planning process.

The Department stated (November 2017) that as soon as the Ministry developed and improved the software for MIS and imparted training to the States, the data into the MIS software would be populated.

➢ ***Awareness programme***: Programme guidelines (Para- 4.2) stipulated keeping 1.5 *per cent* of allocation by the State Government for purpose of monitoring, training, evaluation, logistic support, and media publicity, etc. Audit noticed that though the Department kept ₹ 1.35 crore for this component during 2012-17, awareness generation programme was not conducted at all. The available fund was instead incurred towards engaging third party monitoring, logistic support and other administrative expenses. The Department in its reply stated (December 2017) that awareness programme would be taken up in the current financial year (2017-18) with support from the DLCs and local area representatives.

➢ ***Social Audit mechanism not instituted***: According to programme guidelines (Para-9.1), Social Audit system was to be instituted by the State Government for verifying the records relating to BADP. Audit noticed that Social Audit system was not put in place by the State Government as of March 2017. As a result, verification of implementation of the programme by the stakeholders was not forthcoming.

The Department assured (November 2017) conducting of awareness campaign and setting up of social audit mechanism during the current financial year with support from the DLCs and local area representatives.

➢ ***Third Party Monitoring***: Programme guidelines (Para-9.1) stipulated commissioning of third party inspection for an independent feedback on the quality of the works and other relevant issues. The Department accordingly engaged (July 2011) NABARD Consultancy Services (Pvt.) Ltd., a subsidiary of NABARD as Third Party Inspection Agent (TPIA) for monitoring of 67 works for a period of three years on quarterly basis from 2011-12 at a contractual price of ₹ 30 lakh.

Audit noticed that the Department engaged the TPIA for physical monitoring of works excluding the quality aspects of works. The TPIA conducted five monitoring visits to cover 67 works as against the requirement of 12 visits indicating shortfall of seven visits. Contrary to the agreement to monitor the ongoing works, monitoring by the TPIA was done on already completed works (2 works), works which had not commenced at the time of monitoring visits (4 works) and works which had not been awarded to the contractors for execution (4 works). In case of nine works, monitoring was done by TPIA without obtaining background information relating to sanction, DPR, detailed drawings etc. from the Department. Thus, the third party inspection carried out by the TPIA were deficient and inadequate despite incurring ₹ 30 lakh on the contract.

While accepting the Audit contention, the Department stated (November 2017) that the audit observations would be taken into consideration while renewing the agreement on Third Party Monitoring.

Absence of a robust monitoring mechanism resulted in delayed execution of works, execution of inadmissible works and execution of works in non-border blocks/villages, etc. Moreover, in the absence of proper monitoring, quality aspects of works executed could not be ascertained in audit.

#### *5.3.8.5 Programme evaluation*

As mentioned in Para- 5.3 of this Report, the BADP was launched by the GoI to meet the special needs of the people living in the remote and inaccessible areas situated near the international border and to saturate the border areas with the required essential infrastructure through convergence of schemes and to promote a sense of security amongst local population. Evaluation of the BADP was not initiated by the Department to ascertain as to whether the programme objective of meeting the special needs of people living in the border villages in the State were fulfilled by provisioning of adequate infrastructure pointed out in Baseline Survey and promote sense of security, except one by GoI during 2015 (NITI AAYOG). Audit checks revealed that programme objectives were not achieved in full as disclosed from the following:

- ***Filling of critical gaps*: ** Baseline survey 2010 highlighted various critical gaps in the border villages especially relating to absence of Junior High Schools, Sr. Secondary Schools in Premlakha and Singaneybas border villages of East district and Litching and Tsozo border villages of West district; inadequacy of safe drinking water in Lachen, Lachung and Chungthang border villages in North district. The Department had not initiated adequate steps to fulfil the above gaps as commented in Para- 5.3.8.3.

- ***Evaluation by NITI AAYOG:*** The programme evaluation (2015) of BADP was carried out by NITI AAYOG for all the north eastern States including Sikkim. The study report (June 2015) revealed that 80 *per cent* of inhabitants felt that the programme had not yielded the desired results as a large population of people living in the border villages continued to face inadequacy of infrastructural facilities. Although no migration of people living in border villages were noticed during 2012-17, 78 *per cent* of people of Sikkim living in border villages did not feel secure. However, the State Government had not initiated any tangible action to address the issues pointed out in the Study report (June 2015) as of July 2017.

The Department stated (November 2017) that observations of the NITI AAYOG Report would be taken into consideration while considering projects under BADP. Further, inadequate allocation of funds was an impediment for development of border areas. The reply of the Department was not tenable as considerable time had lapsed with expenditure of ₹ 231.63 crore since the implementation of the programme in the State of Sikkim.

However, the Department had not initiated the criteria for declaring saturation of border villages as of October 2017.

Thus, the main objective of meeting the special development needs and well-being of the people living in the remote and inaccessible areas situated near the international border remained largely unachieved. This was due to non-completion of projects within the stipulated time, failure in filling the critical gaps of the border villages and failure to instil a sense of security amongst the residents.

### 5.3.9 Conclusion

*Implementation of BADP in the State contributed towards creation of a number of durable assets in the border villages to provide benefits to people living in the border villages. Many deficiencies in implementation of BADP were however, noticed during audit. It was noticed that the planning process was not adequate as PP was not prepared to capture critical gaps of the border areas. Baseline survey data conducted in 2010 was not updated even once during 2012-17. There was absence of prioritisation of projects sector-wise. System of declaring saturation of the border villages had not been instituted.*

*The programme management was characterised by absence of provisioning of funds for maintenance of assets, non-adherence to sector-wise minimum allocation, non-release of State share, execution of ineligible schemes, delay in completion of works and idling of assets. Due to these defects, economy and effectiveness in implementation of the programme was compromised.*

*Monitoring mechanism needed further strengthening as monitoring at the district and the block levels was inadequate, display boards were not erected in most of the work sites, etc. While evaluation study of the implementation of the programme in the State was not carried out during 2012-17, action had not been initiated to address the lacunae pointed out in the Evaluation study carried out by NITI AAYOG during 2015. The programme objectives to meet the special needs of the people living in the border villages, providing required essential infrastructure and to promote a sense of security amongst the people in border villages were largely not achieved. This was due to the fact that critical infrastructure such as Jr. High Schools and Sr. Secondary Schools, water supply schemes and PHSCs/PHCs were not sanctioned during 2012-17. Infrastructural projects were not completed within the stipulated time frame. Seventy eight per cent of people living in the border villages in Sikkim did not feel secure even after implementation of the programme since 1998-99 and incurring a considerable fund of ₹ 231.63 crore.*

### 5.3.10 Recommendations

The Government may consider:

- Initiating immediate action to prepare a Perspective Plan and to update baseline survey data to ensure capturing of critical gaps in the social and physical infrastructure in the border blocks/villages.

- Initiating suitable action to ensure implementation of only permissible works in the identified border villages.
- Initiating advance action to ensure obtaining statutory clearances, expeditious completion of works and proper utilisation of assets created under the programme.
- Initiating a monitoring mechanism as prescribed in the guidelines to avoid recurrence of the deficiencies pointed out in audit.

## FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

### 5.4 Sikkim Integrated Financial Management System (SIFMS)

*The Finance, Revenue and Expenditure Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Senior Deputy Accountant General (Accounts & Entitlements), non-mapping of business rules and orders. The Department obtained approval of the Chief Minister in March 2017 to develop a new system. However, as of November 2017 neither concrete action was taken to develop the new system nor corrective action undertaken to set right the defects in the existing system even after a lapse of eight months. Thus, the objectives envisaged were not achieved.*

**Highlights**

**Lack of satisfactory documentation not only created void in understanding the system with respect to 'what it should be' but also hindered trouble free operation and maintenance of the system.**

**(Paragraph 5.4.7.1.1)**

**Non-application of various controls and non-conducting of third party test indicated weak system control mechanisms in the SIFMS.**

**(Paragraph 5.4.7.2)**

**Non-mapping of applicable rules into the system had resulted in short realisation of Government revenue.**

**(Paragraph 5.4.7.3.3)**

**The objective of integrating the latest technology in Government accounting for improved transparency and accuracy and to get the status of receipts and payments on real time basis to get the cash balance available with the Bank, was not fully achieved.**

**(Paragraph 5.4.7.4)**

### 5.4.1 Introduction

The Finance, Revenue and Expenditure Department (FRED) with support of the National Informatics Centre (NIC) had developed (1998) the Pay and Accounts software for use in all the district Pay and Accounts Offices (PAO). To overcome shortcomings in the PAO software, Sikkim Integrated Financial Management System (SIFMS) project was initiated in 2008-09.

The SIFMS was designed to provide real-time financial position of the State through online updation and consolidation of receipts and expenditure of the State Government. It was envisaged that all the key divisions, i.e. PAOs, Budget, General Provident Fund, Accounts, self-cheque drawing departments relating to state finances would be linked together to a centralised system, which could ultimately be made available in a consolidated format on real time basis. The major modules of SIFMS are- (i) Budget Module to enable the user to enter the head wise budget provision for the year, (ii) Pay and Accounts Module wherein on receipt of bills from the Drawing and Disbursement Officers of the State Government, Departmental bills are processed and cheques generated for payment (iii) Loans and Borrowings Module for maintenance of Loans and Borrowings activities of the Government and (iv) Compilation Module to generate various reports regarding expenditure and receipts of the Government. Besides, an additional module for Pension, Group Insurance and Provident Fund (PGIPF) was also developed and integrated to SIFMS. A trial run of the SIFMS was carried out on 1 December 2012 in all the PAOs and self-cheque drawing departments. Results of trial run was not on record. The Department reported that the system has been operational since the trial run, except the Loans and Borrowings Module. Deficiencies noticed in the operation of the system have been brought out under Audit findings.

The system was developed by M/s HK Infoware Pvt. Ltd., Kolkata and annual maintenance was also done by the same company upto March 2015, after which it was taken over by the IT cell of FRED.

The SIFMS project was implemented at a total cost of ₹ 6.66 crore comprising ₹ 1.66 crore for computerisation of FRED, funded by Department of Information Technology under Ministry of Communication and Information Technology, GoI and ₹ 5 crore for setting up of Employees and Pensioners Database implemented by Directorate of Pension, Group Insurance and Provident Fund (PGIPF) under FRED funded by the Thirteenth Finance Commission.

The SIFMS application was developed using .NET Technology - VS 2008 with the Database in SQL SERVER 2008 R2. The database and the application was hosted at the State Data Centre, Gangtok.

#### 5.4.1.1 Objectives of SIFMS

The objectives of SIFMS were as follows:

- To integrate latest technology in Government accounting to make Government accounting more transparent and accurate;

- To get the status of receipts and payments immediately and thus the cash balance available with the bank;
- To get department-wise financial information as and when required for submission to the Ministry of Finance;
- To get detailed information on receipt and expenditure for reconciliation of expenditure with the records maintained in the Office of the Accountant General; and
- To get scheme-wise information.

### 5.4.2 Organisational set-up

The Principal Secretary, FRED assisted by the Controller of Accounts, the Principal Director and the Additional Director (SIFMS) was responsible for implementation of SIFMS.

### 5.4.3 Audit objective

The Audit of SIFMS was conducted with the objective to assess whether:

- Planning and budgeting, including system development process and procedures were adequate and effective;
- Information Technology (IT) controls were adequate and effective thereby ensuring data completeness, accuracy, reliability and integrity;
- Business rules, as stipulated by the Sikkim Financial Rules, Hand books and other relevant rules and orders were correctly mapped on to the computerised system; and
- Objectives of SIFMS were achieved.

### 5.4.4 Audit criteria

Audit findings were benchmarked against the criteria in the following documents:

- Sikkim Service Rule, 1979 as amended;
- Sikkim Public Works Department Code and Manual, 2009;
- Notification and circulars issued by the State Government /Department from time to time;
- User Requirement Specifications; and
- System Requirement Specifications.

### 5.4.5 Scope of Audit and Audit methodology

The audit on implementation of SIFMS covering the period from 2012-13 to 2016-17[10] was conducted through scrutiny of records and data extraction/data analysis at the

[10] *Intitially covered 2012-13 to 2015-16 and later updated upto 2016-17.*

Secretariat Office, all five PAOs, PGIPF and Offices of user departments[11]. An entry conference with the Principal Secretary and officers of FRED was held on 22 June 2016, wherein audit objectives, scope of audit, audit methodology and audit criteria were explained. An exit conference was held on 08 November 2016 with the Principal Secretary and officers of FRED. The audit was updated upto 2016-17 during July-September 2017. The replies received have been appropriately incorporated at appropriate places in the Report.

### 5.4.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the FRED in providing necessary access to data, information and records for audit.

### 5.4.7 Audit findings

#### *5.4.7.1 Planning*

#### *5.4.7.1.1 Systems Development*

System Development Life Cycle (SDLC) is a structured approach that divides an information system development project into distinct stages from establishing the feasibility to carrying out post implementation reviews and this is used to convert a management need into an application system. While developing an IT system, it is necessary to adopt a SDLC approach with a methodology governing the process of developing, acquiring, implementing, evaluating and maintaining computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that there was no evidence to suggest that any structured approach for development of SIFMS was adopted. Non-adoption of structured approach to project development resulted in non-involvement of the users as no User Requirement Specifications (URS) were prepared. Source code, which is vital to modify the programme as and when required, was also not available with the Department. Absence of these mandatory records and lack of documentation created a void in understanding of the system with respect to "what it should be". It also hindered trouble free operation and resulted in a number of deficiencies affecting the functioning of the system which failed to deliver the intended objectives as brought out in the succeeding paragraphs. Audit could not assess the adequacy and effectiveness of the system development process and procedure comprehensively. Further, the user requirements or the proposed architecture of the software could not be verified by Audit.

The FRED responded that the Department did not have any of the above documents referred to by audit. Hence, it had issued letter to Information Technology Department for copies of the required documents. However, till August 2017 only the soft copy of the User Manual and System Requirement Specifications were produced to Audit.

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[11] *Raj Bhawan (Governor), Land Revenue and Disaster Management, Sikkim Legislative Assembly, Sikkim State Lotteries, Sikkim Nationalised Transport.*

### *5.4.7.2 System security and control mechanism*

#### *5.4.7.2.1 Logical Access Controls*

Logical access controls are the measures and procedures aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts in the system.

Scrutiny of the system controls revealed the following:

- There was no documented Information System Security Policy and Password Policy.
- The SIFMS did not have the provision to restrict the number of invalid login attempts which exposed the system to the risk of unauthorised use.
- "Session time out" application should be effectively set in order to invalidate a user session after a certain interval of inactivity in order to safeguard against any unauthorised access. But there was no such provision in the system as observed by Audit during testing of system.

The FRED stated (July 2017) that on the basis of the suggestions and queries raised by Audit, the Department felt it necessary to replace the present SIFMS application. Accordingly, Chief Minister's token approval for development of a new SIFMS application was obtained (March 2017).

#### *5.4.7.2.2 Physical Controls*

Physical control of a system is required to prevent unauthorised access and interference to IT services. To meet this objective, computer equipment and the information should be protected from unauthorised users and protected from environmental damages caused by fire, water etc.

Scrutiny of the IT Cell of FRED and PAO offices revealed the following:

- Preventive measures like fire extinguishers, air conditioned machines, etc. were not available. Fire extinguishers were found in place only in PAO (HQ).
- Physical access to the site and individual personal computers were not regulated.

The FRED stated (October 2016) that the requirements pointed out by Audit had been noted. However, till August 2017, only an AC system was provided to the IT Cell of FRED.

#### *5.4.7.2.3 Change Management Controls*

To minimise the likelihood of disruption, unauthorised alterations and errors getting into the application package, a management system which provided for the analysis, implementation and follow-up of all changes requested, was to be in place. However, no such system was put in place with details of requirement for change and their completion.

The FRED accepted the audit point and added that the records had been maintained using axosoft application. However, details regarding the request for change, specification of change, completion of acceptance testing, etc. were not available in axosoft application. Further, till the date of audit (August 2017), no document was maintained by the Department.

#### 5.4.7.2.4 *System testing was not done*

Only System Developers who had created the software were able to test the program. No third party independent testing of the system to identify design flaws was performed for better assurance on the reliability.

The FRED stated that independent testing of the software would be done at a later stage as some modules were still pending. However, till August 2017, such testing had not been done.

#### 5.4.7.2.5 *Business Continuity Plan and Disaster Recovery Plan*

The objective of having a Business Continuity and Disaster Recovery Plan is to ensure that the organisation can accomplish its mission and it will not lose the capability to process, retrieve and protect information in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities.

Audit noticed that while the database and the application had been hosted at the State Data Centre, Gangtok, the disaster recovery site of State Data Centre was created at the National Data Centre, New Delhi. However, they were not tested periodically in disaster simulation exercises to determine whether recovery plans would work as intended. IT personnel were also not trained to respond effectively in emergency situations.

The FRED stated that the Information Technology Department handles all aspects of disaster management and that it would organise a mock drill on disaster management and recovery plans with proper documents. Further, FRED stated (September 2017) that the State Data Centre (SDC) at Gangtok was shut down due to massive landslide of 21 July 2017. However, the data had been successfully retrieved from the National Data Centre, New Delhi and they could run the SIFMS through NIC within two days after the occurrence of the natural calamity. Audit noticed that as per the report submitted by IT Cell of FRED, the SIFMS application was restored after four and not two days. Further, no time was stipulated for recovery exercise.

#### 5.4.7.2.6 *Training and man power management*

The Management, in a computerised environment, must ensure that the organisation ran with sufficient, competent and trustworthy data management personnel because IT personnel who were aware of control weaknesses could alter transaction/data with an ulterior motive. IT cell in the FRED was constituted to enable instant support and updation to SIFMS and to provide support in cases of failure of hardware, network related issues, antivirus and other system failures. IT cell for SIFMS was manned by Joint Director (additional charge), Senior Scientist-C from NIC, Assistant Director (IT), two Accounts Clerks and four programmers (on temporary basis). The vital IT cell, responsible for handling the data of finances of the entire State being manned by temporary programmers was fraught with the risk of interfering in the security and integrity of the data. The SIFMS deserves the services of full time IT programmers with knowledge on financial and Government accounting rules.

The FRED assured that they would explore the possibility of appointing regular manpower in the IT cell. However, till November 2017 the Department had not initiated any action for appointment of regular manpower in the IT cell.

### *5.4.7.3. System design deficiencies*

#### *5.4.7.3.1 Absence of validation checks in the application*

Prior to passing of bills, thorough verification of sanction orders, powers of sanctioning authority and necessary documentary proof etc. were to be examined. The System however, had no provision in the application to indicate whether validation checks have been carried out or not before passing the bills.

The FRED stated that all the required measures for validation and controls would be adopted by IT cell to overcome such defects. However, no measures were taken for validation and control by the Department till the date of audit (August 2017).

#### *5.4.7.3.2 Data inconsistencies*

The IT application should have in-built controls which automatically check whether the data entered is accurate and valid. The accuracy of data input to system can be controlled by incorporating computerised validation checks on the data presented to the system. Analysis of various data of SIFMS (August 2017) revealed that invalid and incorrect data were entered into the system due to lack of validation checks in the software as detailed below:

**GPF Master**

- In 15 cases (out of 28,863 cases), the date of birth was same as date of appointment.
- In 95 cases, date of appointment was before the date of birth.
- Employee ID is a system generated unique number. However, in 3,097 cases, Employee ID was blank. In 4,611 cases, basic pay was zero.
- Department ID No: 99 denotes unknown departments which was assigned to 75 subscribers as their attachment to the Department was not known.

**Bill Master**

- Bill date was later than the voucher date in 358 cases (out of 1,58,359 cases) during 2014-15, 615 cases (out of 1,52,023 cases) during 2015-16 and 515 cases (out 1,48,868 cases) of during 2016-17.
- Bill amounts were less than amount paid in three cases during 2014-15, six cases each in 2015-16 and 2016-17.
- Bill receipt date was later than the voucher date in 281 cases during 2014-15, 87 cases during 2015-16 and two cases during 2016-17.

**Demand view information table**

- In demand view information table, the surrendered amount was more than the budget provision (scheme amount including supplementary) in seven cases (out of 994 surrendered cases) during 2014-15, eight cases (out of 1,228 surrendered cases) during 2015-16 and 42 cases (out of 1,262 surrendered cases) during 2016-17.

**Department Master Table**

- Human Resources Development Department (HRDD) was allotted more than one Department ID (i.e. Dept ID 7162 and 164).

The FRED stated that PGIPF would take up the issue for needful action and also stated that departmental ID for HRDD was 7 and the ID No. 162 and 164 found in the database were the trial data and needed cleansing. This indicated that instead of migrating the new features after testing in test environment, the production server was being used for testing.

Thus, there was lack of validation checks to reject entry of invalid and inaccurate data rendering the data incomplete and unreliable.

#### *5.4.7.3.3 Business rules not mapped*

Incorporating business rules to computerised processes helps to establish a direct correlation between computerised systems and business activities besides ensuring compliance with applicable rules. The following instances of violation of business rules were noticed:

#### *(i) General Provident Fund (GPF)*

GPF subscriptions in 1,479 out of 4,12,355 cases (2014-15) and 1,395 out of 3,99,486 (2015-16) was more than the basic pay and in 4,332 cases (2014-15) and 3,012 cases (2015-16) was less than the prescribed rate of 6 *per cent* of the basic pay.

The FRED stated (October 2016) that the less/excess deductions of GPF as pointed by Audit was noted and data was rectified by the concerned PAOs in conformity with the prevailing norms. Audit observed that, instead of the rectification of erroneous data, the application should have been modified with proper mapping of rules so that excess/less GPF subscription would be rejected by the system itself. Thus, the problem persisted as during 2016-17 also, in 293 cases (out of 4,55,141 cases), GPF subscription was more than basic pay and in 373 cases, GPF subscription was less than 6 *per cent* of the basic pay.

#### *(ii) Service Rule*

State Government servant retires on the last day of month after he/she attains 58 years. However, this was not mapped in the system. Hence, the system could not restrict entry of service details of Government servant even after attaining 58 years of age. Ideally, the system should also have a provision for exception of the said control through authorisation in case of extension of service of any Government employee. Scrutiny of records at PGIPF revealed that nine persons (five and four persons during 2015-16 and 2016-17 respectively) received salary even after the due date of retirement.

#### *(iii) Profession Tax*

Salary bill data of 2015-16 revealed that in 962 cases (out of 3,99,486) profession tax was deducted less than what was stipulated under the Act.

The FRED stated (October 2016) that less deduction of profession tax as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required where the system itself calculates on the basis of the salaries/wages paid. However, the application was not modified (August 2017) as evident from the fact that during 2016-17, in 895 cases (out of 4,55,141) profession tax was deducted less than what was stipulated under the Act.

### *(iv) Licence Fee*

Analysis of salary bill data of 2014-15 and 2015-16 revealed that in 3,590 cases (out of 4,12,355) and 2,731 cases (out of 3,99,486) respectively, licence fees were not deducted as per rule from the salary bills of employees concerned who were not paid house rent allowances.

The FRED stated (October 2016) that less deduction of licence fee as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required so that any bill with less licence fee was rejected by the system itself or else the licence fee would be calculated by the system itself on the basis of the class of quarter allotted to the Government servant. Further scrutiny revealed (August 2017) that the Department had not modified/rectified the application as in 2,306 cases (out of 4,55,141) licence fees were not deducted from the employees who were not paid house rent allowances during 2016-17.

### *(v) Advances*

No control was mapped in SIFMS for the forfeiture of travelling allowance (TA) advances or recovery from the pay in respect of those who failed to claim within the prescribed time limit as per SFR 216(2). Resultantly, a considerable amount of TA advances were lying unadjusted for more than one year.

The FRED stated (October 2016) that measures would be taken to overcome the defect. However, till the date of audit (August 2017) measures had not been taken to overcome the defect.

### *(vi) Contributory pension scheme*

Improper mapping of the salary bill with Government rules resulted in deduction of less than 10 *per cent* monthly contribution for pension scheme for all the new Government employees (i.e. employed under Defined Contributory Pension Scheme since 1 April 2006) in 24,200 cases (out of 4,12,355) in 2014-15 and 25,360 cases (out of 3,99,486) in 2015-16.

Scrutiny revealed (August 2017) that the Department had not modified/rectified the application for deduction of monthly contribution for pension scheme as, monthly contribution for pension scheme was less than 10 *per cent* in 24,234 cases (out of 4.55,141) during 2016-17.

### *5.4.7.3.4 Budgetary control*

Sikkim Financial Rules provides for control of expenditure against the sanctioned grants and appropriations. Further, the control of expenditure within the approved grant or appropriation was one of the major functions of the SIFMS. However, SIFMS could not administer effective budgetary control.

### *(i) Excess expenditure*

➢ As per Appropriation Accounts of 2015-16, there was excess expenditure over the budget provisions as shown below:

(i) Grant 3-Building and Housing Department (Heads of Account-4059-01-51-03-31-Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas): There was excess expenditure of ₹ 1.35 crore due to acceptance of surrender of ₹ 25.63 crore by the System as against the actual saving amount of ₹ 24.28 crore on the last working day (31 March 2016) which resulted in erroneous recording of excess surrender which was not restricted by the system.

(ii) Grant-12 Forestry and Environment Management (Wild Life Preservation): There was excess expenditure of ₹ 21.95 lakh (2015-16) due to wrong budget provision mapped in SIFMS i.e. increase in budget provision which allowed expenditure beyond actual budget allotment.

The FRED stated (October 2016) that utilisation was made against the provision under the vote on accounts while no provision was made in the budget under the same head of accounts resulting in excess expenditure. The FRED also added that the software was in the development stage and the Department would address the issue during further development of the software. The reply was not tenable since the excess was due to excess surrender/expenditure as elaborated in the above para. Further, it was seen that the Department had not taken any steps to rectify the software as there were excess expenditure over the budget provision noticed in the Appropriation Accounts of 2016-17 as shown below:

(i) Grant -34 Roads and Bridge (Head of Account-3054-04-105-052-71 maintenance and Repairs of road machineries): There was an excess expenditure of ₹ 1.10 lakh.

(ii) Grant-38 Social justice, Empowerment and Welfare (Heads of Account-2236-02-101-Special Nutrition Programmes): There was excess expenditure of ₹ 1.58 lakh.

(iii) Grant-41 Urban Development and Housing (Head of Account-4217-03-051-78-Project Schemes for benefit of N.E. Region and Sikkim): There was excess expenditure of ₹ 5.64 lakh.

(iv) Grant- 43 Panchayati Raj Institutions (Head of Account-2515-101 Panchyati Raj): There was excess expenditure of ₹ 4.41 lakh.

➢ Analysis of SIFMS data of Demand View Information for the year 2016-17 revealed that there were excess expenditure on Capital Outlay in 8 cases. Similarly there were excess Revenue Expenditure (excluding Salaries, Wages, and Muster Rolls) in 227 cases during 2016-17.

### *(ii) Incorrect re-appropriation*

As per Rule 85(1) of Sikkim Financial Rules, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation shall be sanctioned by the FRED at any time before the close of the financial year to which such grant or appropriation relates. Thus, the transfer of funds should be equal. However, as per 'Demand View Information Table', re-appropriation for the year 2014-15 and 2015-16 was not equal in six grants[12] and four grants[13] respectively. This should have been checked and disallowed by the System.

The FRED stated (October 2016) that the software was in the development stage and the Department would address the issue during further development of software. However, it was seen that the system was not rectified as re-appropriations were not equal in the 'Demand View Information Table' in respect of three grants[14] during 2016-17.

### *5.4.7.4. Reliability of Data*

PAOs had been submitting monthly accounts to the Senior Deputy Accountant General (Accounts & Entitlement) based on which monthly accounts of the State Government were compiled and subsequently Finance and Appropriation Accounts were prepared each year. Cross checking of the returns for the years 2015-16 and 2016-17 submitted to the Senior Deputy Accountant General (A&E) with the data generated by the SIFMS disclosed various discrepancies as detailed below:

➢ The Receipts and expenditure figures tallied as per Form 80 (Monthly Accounts) submitted to the office of Senior Deputy Accountant General (A&E) except in four cases (two cases during 2015-16 and two cases during 2016-17) in the SIFMS. However, the system instead of giving warning on non-tallying of data, generated the wrong statement. The cases of receipt and expenditure where the data did not tally in the SIFMS was attributable to non-depiction of reissued cancelled cheque in the SIFMS and depiction of wrong amount of profession tax.

➢ Progressive expenditure figure shown in Form 74(A) (Classified Abstract of Expenditure) submitted to Senior Deputy Accountant General (A&E) differed with Form 74 generated by SIFMS.

➢ Form 79 (Schedule of Deposits) submitted to Senior Deputy Accountant General (A&E) differed from those generated through SIFMS.

➢ Deductions of storage charges pertaining to departments with no stores were made and shown credited to head of account: 0059.80.800.02.00.00 (Other Receipts) i.e. Public Works Department in Form 80 generated by SIFMS instead of other receipts of concerned Department. This was due to non-provision of other receipts in the Form generated by the SIFMS.

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[12] *Grants.- 10-Finance Revenue and Expenditure Department, 11- Food, Civil Supplies and Consumer Affairs Department, 15- Horticulture & Cash Crops Management Department, 34- Roads and Bridges, 41-Urban Development and Housing Department and 43-Panchayati Raj Institutions.*

[13] *Grants 6- Ecclesiastical, 8- Election, 10-Finance Revenue and Expenditure Department and 34- Roads and Bridges.*

[14] *Grants-14- Home, 28- Personnel, Administrative reforms, Training and PG and 31-Energy and Power.*

- In 'Demand View Information' the budget provision under head of account: 2202-80-001-60-00-50 during 2015-16 was shown as ₹ 9.77 crore whereas in Form 74(A) generated by SIFMS it showed ₹ 9.81 crore. Further, expenditure in Form 74(A) was shown as ₹ 0.88 lakh whereas as per 'Demand View Information', the expenditure was ₹ 9.77 crore. Similarly, during 2016-17 under head of account 2702-60-45-74, the budget provision in 'Demand View Information' was shown as ₹ 1,600 crore. However, in Form 74(A) generated from SIFMS, it was shown as ₹ 2.28 crore. Further, the expenditure in Form 74(A) was shown as ₹ 50.83 lakh whereas as per Demand View Information, the expenditure was ₹ 224.38 crore. All these cases pointed to compilation error in SIFMS.

- There were discrepancies in Form 51 (Schedule of monthly settlement with bank) generated by SIFMS as against the manually prepared Form 51 submitted to Senior Deputy Accountant General (A&E). This was due to absence of linkages between SIFMS and the bank.

- CPAO (HQ) submitted works accounts showing an adverse balance of ₹ 61.00 crore (negative) in Form 51 in respect of Tourism (Plan) pertaining to the month of February 2016. Further, similar adverse opening balance was earlier noticed in the month of September 2015 amounting to (-) ₹ 60.09 crore. Erroneous depictions of adverse balances ought not to have been accepted/generated by the SIFMS and should have been warned before generation.

The FRED admitted (October 2016) that there were some discrepancies in the report modules. It also assured that the issue would be taken care of and rectified accordingly. However, similar discrepancies in the forms generated by SIFMS were noticed during March 2017 for an amount of (-) ₹ 13.46 crore.

- Expenditure data of 38 selected Major Heads extracted from 'Bill Master' for the year 2016-17 were compared with the amount booked in the Office of the Senior Deputy Accountant General (A&E). However, expenditure in 34, out of 38 Major Heads, did not tally. Voucher wise analysis revealed that the difference was mainly due to three reasons in the Bill Master: (i) the total bill amount (advance plus balance amount) as shown in detailed contingent bills was incorrectly reflected in the gross amount field instead of reflecting only the balance amount (i.e., total bill amount – advance), (ii) deductions from salary bills (i.e., GPF, recovery of excess payment or advances etc.) were not included in the gross amount and (iii) some of the vouchers were not captured while extracting the actual expenditure from SIFMS due to some technical reasons.

Thereafter, IT Cell of FRED also extracted the expenditure of 38 Major Heads from various table of SIFMS and found that the expenditure in respect of only 24 Major Heads tallied with the books of the Senior Deputy Accountant General (A&E).

Further, even the expenditure data of 'Bill Master' and 'Demand View Information' (both within the SIFMS) did not tally.

This indicated that SIFMS which was expected to generate or give financial information accurately and conveniently as and when required did not deliver the required information.

#### *5.4.7.5 Other deficiencies in System*

➢ The Treasury interface was not linked with Voucher Level Computerisation (VLC) database in the Senior Deputy Accountant General (A&E). Due to this, there was duplication of work in the office of the Senior Deputy Accountant General (A&E) where monthly accounts figures submitted by the Treasuries have to be re-entered into the VLC system instead of processing from soft copies.

➢ In four cases in South district for the year 2015-16, payments were made from the head of account: 2851-00-003-61-45-14 (Rent, Rates and Taxes) relating to East district and in four cases, expenditure was incurred from the head of accounts: 2851-00-003-61-60-14 (Rent, Rates and Taxes) which was not found in Demand for Grants.

The FRED accepted (October 2016) the Audit observation and noted it for future compliance.

### 5.4.8 Current status of SIFMS

FRED stated (September 2017) that the new version of SIFMS, based on audit observations, was being developed. Accordingly, it obtained (March 2017) token approval from the Chief Minister to develop a new version of SIFMS.
Audit, however, observed that neither details of modus-operandi nor the cabinet approval was obtained by the Department as of November 2017. Hence, the Department did not take appropriate action to either rectify the deficiencies pointed out in the system by Audit or to develop the new system as approved by the Chief Minister even though eight months had lapsed. Thus, the system as of November 2017 failed to fulfil the objectives of providing real-time data and make the accounting system transparent and accurate.

### 5.4.9 Conclusion

*The Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Sr. Deputy Accountant General (A&E), non-mapping of business rules and orders. The Department obtained token approval of the Chief Minister to develop a new system. However, as of November 2017 neither concrete action to develop the new system nor corrective action to rectify the defects in the system were taken even after a lapse of eight months. Thus, the objective envisaged had not been achieved.*

### 5.4.10 Recommendation

The Department should initiate urgent measures to expedite the development of the new SIFMS to achieve its intended objective to provide real-time data and to make the accounting system of the Government more transparent and accurate.

# CHAPTER VI
# FOLLOW UP OF AUDIT OBSERVATIONS

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# FOLLOW UP OF AUDIT OBSERVATIONS

## 6.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance, Revenue and Expenditure Department (FRED), Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of November 2017, in more than 26 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2011-12. In respect of Audit Reports for the year 2012-13, 2013-14, 2014-15 and 2015-16 explanatory notes had not been submitted by concerned departments in 43, 78, 52 and 81 *per cent* cases respectively.

## 6.2 Response of the departments to the recommendations of the Public Accounts Committee

The FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC Reports to the Legislature. The PAC Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As of November 2017, ATNs had been received in respect of all 598 recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2008-09. However, ATNs were not received for two out of three recommendations in respect of Audit Report 2009-10 and for 10 out of 13 recommendations in respect of Audit Report 2010-11.

## 6.3 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

**Departmental Audit and Accounts Committee**: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the departmental Secretary/Head of Department to monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the Accountant General (Audit). It was to hold meetings once in three months and send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2016-17, no DAAC meeting was held.

**State Audit and Accounts Committee**: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary. This was to monitor the response and corrective action on the findings reported by Audit to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished though called for.

After formation of DAAC and SAAC by the State Government, Human Resource Development Department and Animal Husbandry, Livestock and Fisheries Development Department approached the Office of the Accountant General, Audit (AG) to settle outstanding paragraphs and IRs during 2011-12 and 2015-16 respectively. However, during 2013-14, 2014-15 and 2016-17, not a single Department approached to settle outstanding paragraphs and IRs.

## 6.4 Outstanding Inspection Reports

The AG conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issue of IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2017 is shown below:

**Table 6.1**

| Year | Civil (*including works, Forest and Autonomous Bodies*) | | Revenue | | Commercial | |
|---|---|---|---|---|---|---|
| | No. of IRs | Paragraphs | No. of IRs | Paragraphs | No. of IRs | Paragraphs |
| Upto 2012-13 | 519 | 1207 | 48 | 98 | 46 | 94 |
| 2013-14 | 115 | 383 | 11 | 36 | 14 | 48 |
| 2014-15 | 125 | 462 | 3 | 10 | 16 | 62 |
| 2015-16 | 136 | 617 | 12 | 42 | 20 | 125 |
| 2016-17 | 77 | 377 | 8 | 24 | 12 | 96 |
| **Total** | **972** | **3,046** | **82** | **210** | **108** | **425** |

This large pendency of IRs was indicative of inadequate action by the Heads of offices and departments towards the remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

## 6.5 Departmental Audit Committee Meetings

The position of Audit Committee Meetings for the year 2016-17 are detailed below:

**Table 6.2**

| Sector | No. of meetings | Discussed | | Settled | |
|---|---|---|---|---|---|
| | | IR | Paragraph | IR | Paragraph |
| Civil (*including Works, Forest and Autonomous Bodies*) | 3 | 28 | 160 | 5 | 52 |
| Revenue | 1 | 7 | 34 | 4 | 27 |
| Commercial | 0 | - | - | - | - |
| **Total** | **4** | **35** | **194** | **9** | **79** |

During 2016-17, four Audit Committee Meetings were held, wherein 35 IRs and 194 paragraphs were discussed, out of which, 9 IRs and 79 paragraphs were settled.

**Gangtok** **(RINA AKOIJAM)**

**Dated 08 May 2018** **Accountant General (Audit), Sikkim**

**Countersigned**

**New Delhi** **(RAJIV MEHRISHI)**

**Dated 10 May 2018** **Comptroller and Auditor General of India**

# APPENDICES

# Appendix 1.2.1
## Audit conducted during 2016-17 under Social Sector

(*Reference: Paragraph 1.2*)

(₹ *in lakh*)

| Name of the Unit | Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*) | | | | |
|---|---|---|---|---|---|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Member Secretary, Sikkim State Illness Assistance Fund | - | 26.44 | 25.31 | 62.42 | - |
| Principal, District Institute of Education and Training (DIET) | - | 123.70 | 141.36 | 143.62 | - |
| Principal, Government Law College, Burtuk | - | 165.68 | 134.84 | 163.13 | - |
| Principal, Sikkim Government College, Tadong | - | 884.89 | 828.32 | 823.43 | - |
| Principal, VTI (VTIP), Rangpo | - | - | - | 204.79 | - |
| Director, North Eastern Region Capital City Development Investment Programme (SIPMIU) | - | - | - | 1425.16 | - |
| Mission Director, NRHM, Gangtok | - | - | 4843.00 | 5119.00 | - |
| Commissioner-cum-Secretary, Social Justice and Empowerment Department (Welfare Division) | - | - | - | 2968.50 | - |
| Commissioner-cum-Secretary, Social Justice and Empowerment Department (Social Welfare Division) | - | - | - | 3679.18 | - |
| Commissioner-cum-Secretary, Social Justice and Empowerment Department (Women and Child Welfare) | - | - | - | 2540.66 | - |
| Director, Directorate of Technical Education, HRDD | - | - | 56.24 | 66.00 | - |
| Member Secretary, Sikkim Protection of Child Right | - | - | 81.99 | 38.81 | - |
| Block Development Officer, BAC, Namchi | - | - | 129.68 | 156.76 | - |
| Director General-cum-Secretary, Health Care, Human Service and Family Welfare Department | - | - | - | - | 11930.65 |
| Project Director, Sikkim Urban Development Agency (SUDA), Gangtok | - | - | 726.00 | 314.00 | - |
| Principal Secretary, Human Resource Development Department | - | - | - | - | 9738.50 |
| Medical Superintendent, STNM Hospital, Gangtok | - | - | - | 165.15 | - |
| Project Director, Sikkim State Aids Control Society | - | - | - | 602.37 | - |
| Block Development Officer, BAC Nandok | - | - | 640.68 | 598.35 | - |
| Block Development Officer, BAC Sikkip | - | - | 455.26 | 265.86 | - |
| Block Development Officer, Ravangla | - | - | 593.41 | 439.75 | - |
| Secretary, Cultural Affairs and Heritage Department | - | - | - | - | 583.48 |
| Block Development Officer, BAC, Ranka | - | - | 333.82 | 241.96 | - |
| Block Development Officer, BAC, Passingdong | - | - | 287.94 | 407.75 | - |
| Block Development Officer, BAC, Mangan | - | - | 1123.99 | 1044.65 | - |
| Secretary, Ecclesiastical Affairs Department | - | - | - | 386.62 | - |
| Block Development Officer, BAC, Rakdong Tintek | - | - | 983.83 | 966.68 | - |
| Block Development Officer, BAC, Barapathing | - | - | 495.19 | 415.24 | - |
| PCE-cum-Secretary, UDHD | - | - | - | 7914.11 | - |
| **Total** | **-** | **1,200.71** | **11,880.86** | **31,153.95** | **22,252.63** |

# Appendix 2.2.1
## Audit conducted during 2016-17 under Economic Sector

(*Reference: Paragraph 2.2*)

(₹ *in lakh*)

| Name of the Unit | Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*) | | | | |
|---|---|---|---|---|---|
| | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** |
| CEO, Sikkim Livestock Development Board | - | 47.09 | 108.81 | 46.37 | - |
| PCE-cum-Secretary, Accelerate Irrigation Benefit Programme | - | - | - | 850.00 | - |
| District Project Manager, North Eastern Livelihood Project (World Bank funded), Jorethang | - | - | - | 1282.21 | - |
| District Project Manager, North Eastern Livelihood Project (World Bank Funded), Gyalshing | - | - | - | 1436.40 | - |
| Commissioner-cum-Secretary, Co-operation Department | - | - | - | 1096.92 | - |
| Commissioner-cum-Secretary, Mines, Mineral and Geology Department | - | - | - | 369.93 | - |
| Secretary, Food and Civil Supplies and Consumer Affairs | - | - | 2784.22 | 1691.94 | - |
| Project Director, North Eastern States Roads Investment Programme (NERIP), Roads and Bridges Department | - | - | - | 3183.58 | - |
| Joint Registrar (South), Co-operation Department | - | - | 143.24 | 142.45 | - |
| Member Secretary, Sikkim Biodiversity Board | - | - | - | 4.08 | - |
| Joint Registrar (West), Co-operation Department | - | - | 126.10 | 125.62 | - |
| Jt. Registrar (North), Co-operation Department | - | - | 75.94 | 77.03 | - |
| Principal, Institute of Hotel Management (IHM), Sajong | - | 1438.01 | 314.16 | 261.00 | - |
| Commissioner-cum-Secretary, Excise (Abk) Department (Expenditure) | - | - | 683.00 | 539.00 | - |
| Commissioner-cum-Secretary, Food Security and Agriculture Development Department | - | - | - | 2806.00 | - |
| Project Director, South Asian Infrastructure Tourism Development Project, Tourism Department | - | - | - | 967.79 | - |
| PCCF-cum-Principal Secretary, Environment and Soil Conservation Circle, Forest Environment and Wild Life Management Department (FEWMD) | - | - | - | 683.31 | - |
| PCCF-cum-Principal Secretary, (Territorial), FEWMD | - | - | 1323.69 | 1397.52 | - |
| Sikkim Renewable Development Agency (SREDA) | - | - | - | 256.02 | - |
| PCCF-cum-Principal Secretary, Wild Life Circle, FEWMD | - | - | - | 185.71 | - |
| Director, Sikkim Rural Development Agency (SRDA) | - | - | 321.49 | 468.22 | - |
| Director, Himalayan Zoological Park, FEWMD | - | - | 86.83 | 87.40 | - |
| Director, State Institute of Rural Development, (SIRD) | - | - | - | 458.61 | - |
| Project Director, Japan International Corporation Agency (JICA), FEWMD | - | - | - | 1888.16 | - |
| CEO, Sikkim Khadi and Village Industries Board | - | - | 320.89 | 352.95 | - |
| Divisional Engineer (West), Water Resource and River Development Department (WRRDD) | - | - | 97.50 | 128.42 | - |
| Divisional Engineer, Jorethang, WRRDD | - | - | 137.00 | 598.00 | - |
| Divisional Engineer (West), WSPHED | - | - | 52.00 | 130.00 | - |
| Divisional Engineer (West), BHD | - | - | - | 96.09 | - |
| Secretary, Animal Husbandry, Livestock and Fisheries Development Department (AHLFDD) | - | - | - | 1088.39 | - |
| Secretary, Transport Department (MVD), Expenditure | - | - | 478.00 | 559.00 | - |
| Director, Directorate of Fisheries, AHLFDD | - | - | - | 107.38 | - |
| PCE-cum-Secretary, WSPHED | - | - | - | 6315.00 | - |
| Secretary-cum-Chief Executive Officer, PMGSY, RMDD | - | - | - | 12604.00 | - |
| Nodal Officer, State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) | - | 940.01 | 1383.01 | 590.46 | - |
| Secretary, RMDD | - | - | - | 29794.87 | - |
| PCE-cum-Secretary, Building and Housing Department | - | - | - | 3299.25 | - |
| **Total** | **-** | **2,425.11** | **8,435.88** | **75,969.08** | **-** |

## Appendix 2.3.1
## Components of NRDWP, purpose, distribution of allocation and Centre-State sharing pattern

*(Reference: Paragraph no 2.3.1)*

*(₹ in crore)*

| Sl. No. | Component | Purpose | Distribution of State NRDWP allocation | Centre-State sharing pattern | Funds available | Expenditure |
|---|---|---|---|---|---|---|
| 1 | Coverage | For providing safe and adequate drinking water supply to unserved, partially served and slipped back habitations. | 47 *per cent* | 90:10 | 104.82 | 121.32 |
| 2 | Water Quality | For providing safe drinking water to quality affected habitations. | 20 *per cent* | 90:10 | | |
| 3 | Operation and Maintenance | For expenditure on running, repair and replacement cost of drinking water supply projects. | 15 *per cent* (Maximum) | 90:10 | 19.15 | 5.16 |
| 4 | Sustainability | To achieve drinking water security at the local level through sustainability of sources and systems. | 10 *per cent* (Maximum) | 100:0 | 12.76 | 10.03 |
| 5 | Support Activity | Support activities like Water and Sanitation Support Organisation (WSSO), District Water and Sanitation Mission (DWSM), Block Resource Centres (BRCs), Information, Education and Communication (IEC), Human Resource Development (HRD), Management Information System (MIS) and computerisation, Research and Development (R&D), etc. | 5 *per cent* | 100:0 | 2.80 | 2.66 |
| 6 | Water Quality Monitoring and Surveillance | For monitoring and surveillance of water quality in habitations at field level and for setting-up, upgrading Laboratories at State, District and Sub-district levels. | 3 *per cent* | 100:0 | 1.73 | 1.63 |
| | **Total** | | **100 *per cent*** | | | |

## Appendix 2.3.2

*(Reference: Paragraph 2.3.6)*

### Districts, blocks, GPs and habitations sampled/selected for performance Audit on NRDWP

| State | Name of selected District | Name of selected Block | Name of selected Gram Panchayat | Total no of Habitations in the GP | No. of Habitations selected/test checked | Name of habitations test checked |
|---|---|---|---|---|---|---|
| SIKKIM | EAST | GANGTOK | Khamdong | 15 | 4 | Thansing -1<br>Thansing -2<br>L. Khamdong-1<br>Upper Khamdong -2 |
| | | | Sirwani | 21 | 4 | Lower Chisopani -3<br>Tinik -1<br>Tinik -2<br>Upper Chisopani - 1 |
| | | | Beyong | 16 | 4 | Beyong 1<br>Beyong 2<br>Pheyong 1<br>Pheyong 2 |
| | | PAKYONG | Chalamthang | 26 | 4 | Chalamthang 1<br>Chalamthang 2<br>West Dikling 1<br>Pacheykhani 1 |
| | | | Taza | 19 | 4 | Titribotey 1<br>Titribotey 2<br>Dugalakha 1<br>Dugalakha 2 |
| | | | Bering | 8 | 4 | Bering 1<br>Bering 2<br>Lower Tareythang 1<br>Lower Tareythang 2 |
| | | RONGLI | Chujachen | 10 | 4 | Lungchok 1<br>Lungchok 2<br>Sungdong 1<br>Sungdok 2 |
| | | | Budang | 8 | 4 | Kamarey 1<br>Kamarey 2<br>Kamarey 3<br>Lower Pachak 1 |
| | SOUTH | NAMCHI | Sadam | 19 | 4 | Lower Sadam 1<br>Upper Sadam 2<br>Lower Sukrabarey 1<br>Upper Suntaley 1 |
| | | | Turuk | 14 | 4 | Panchgarey 1<br>Lower Ramabong 1<br>Upper Ramabong 1<br>Mangalbarey 2 |
| | | | Namthang | 12 | 4 | Lower Maneydara 1<br>Nalam Kolbong 1<br>Nalam Kolbong 2<br>Palitam |
| | | RABONGLA | Sripatam | 13 | 4 | Upper Gagyong 1<br>Upper Gagyong 2<br>Namphok 1<br>Namphok 2 |
| | | | Niya Manzing | 19 | 4 | Lower Mangzing 1<br>Upper Mangzing 1<br>Lower Niya 1<br>Lower Niya 2 |
| | NORTH | MANGAN | Kabi | 11 | 4 | Rangpa 1<br>Rangpa 2<br>Tingda 1<br>Tingda 2 |
| | | | Navey | 10 | 4 | Navey<br>Pachey<br>Penlong 1<br>Penlong 2 |
| | 3 Districts | 6 Blocks | 15 GPUs | 221 | 60 | |

## Appendix 2.3.3
## PAC's recommendations, Action taken and present status in respect of Performance Audit on Accelerated Rural Water Supply Programme in Sikkim featured in Audit Report 2007-08

(*Reference: Paragraph 2.3.7*)

| Sl. No. | Gist of the para | PAC's recommendations | Action Taken Notes | Present status |
|---|---|---|---|---|
| 1 | Inconsistent data on coverage of habitations. | The Committee observed that the Department should initiate immediate steps to set its records right to sort out the inconsistencies relating to the number of habitations, category of habitations, status and progress of coverage of habitations and also ensure proper reconciliation of figures between the Department and the AG Audit | The Department has since overhauled the old system of maintaining all records related to the number of habitation, category of habitations, status and progress and habitation coverage. The GoI from 2010-11 has rechristened the ARWSP to NRDWP and online data entry of all physical and financial progress has since been made mandatory. Since computerised, the new process automatically indicates wrong entries and mistakes ensuring clarity and correctness of all online data whether it relates to the different category of habitation, physical targets or financial achievement. | The Department had rectified the habitation figures (2,084) from 2013-14 onwards. However, prior to that the figures were not rectified and IMIS in 2012-13 showed 2,498 habitations. |
| 2 | Quality of water treatment | O&M of water supply assets created under ARWSP are as important as their very functioning in the overall service of providing safe drinking water to the village populace. It is not known for certain whether the PRIs left alone could be held responsible for their O&M. the Committee therefore, observes that the Department should be able to provide adequate technical support/proper trainings to the concerned PRIs so that proper upkeep and maintenance of such vital assets are ensured in future. | To ensure drinking water quality and its treatments, the Department has since set up fully equipped Water Testing Laboratories, one at Karfectar for South/West and other at Tadong for North/East. Besides the two Water Testing Laboratories, the Department has also installed electro chlorinators in all the BDOs and few Panchayats to facilitate end user and beneficiaries to collect without any cost sodium hypo-chloride solution which is a very effective disinfectant and ensures portability of water. In addition, GoS have distributed 6,400 tera filters to further facilitate purification of drinking water of household level. Since the ownership of the ARWSP is with the Department, PRIs are assured a full support and hand holding assistance in the operating and maintaining of the water supply infrastructure at all times. The Department has also been organizing workshop and training for the PRI at regular intervals in the SIRD, Karfectar as a part of IEC and HRD submission activities of the RWS Programme. | Audit observed shortfall in equipment in both the District Laboratories (**Para-3.9.3.6**). Defunct/idling of electro chlorinators (**Para-2.9.3.3 (d)**). Audit also observed non-fixation of targets, shortfall in imparting training as per guidelines during 2012-17. (**Para-2.9.3.5 (c)**). |

## Appendix 2.3.4
## Delay in completion of schemes
(*Reference: Paragraph 2.3.9.3.1*)

**Image 2.3.4.1**

| | |
|---|---|
| Name of work: | Augmentation of RWSS from Raley Khola to Lower Passi, South Sikkim |
| Sanctioned cost: | ₹ 22 lakh |
| Name of contractor: | Smt. Dil Maya Tamang |
| Date of commencement: | July 2014 |
| Due date of completion: | May 2015 |
| Expenditure incurred: | Nil |
| Reasons for delay: | Non-issue of materials from Store in time. |

**Image 2.3.4.2**

| | |
|---|---|
| Name of work: | Augmentation of RWSS from Dahal Dara source to L/Maney Dara, South Sikkim |
| Sanctioned cost: | ₹ 15 lakh |
| Name of contractor: | Shri. Yadhunath Mishra |
| Date of commencement: | December 2014 |
| Due date of completion: | June 2015 |
| Expenditure incurred: | Nil |
| Reasons for delay: | Financial problem of the contractor. |

**Image 2.3.4.3**

| | |
|---|---|
| Name of work: | Augmentation of RWSS at Upper and Lower Pepthang, South Sikkim |
| Sanctioned cost: | ₹ 81 lakh |
| Name of contractor: | M/s Lingmoo Co-op. Society Ltd. |
| Date of commencement: | August 2013 |
| Due date of completion: | July 2014 |
| Expenditure incurred: | ₹ 14 lakh |
| Reasons for delay: | Non-issue of materials from Store in time and non-release of RA bill payment. |

**Image 2.3.4.4**

| | |
|---|---|
| Name of work: | Augmentation of RWSS at U/Poklok under Borong Phamtam, South Sikkim |
| Sanctioned cost: | ₹ 111.79 lakh |
| Name of contractor: | M/s Poklok Educated Unemployed Co-op. Society Ltd. |
| Date of commencement: | December 2012 |
| Due date of completion: | November 2013 |
| Expenditure incurred: | ₹ 77.08 lakh |
| Reasons for delay: | Non-issue of materials from Store. |

| Image 2.3.4.5 | | |
|---|---|---|
|  | Name of work: | Augmentation of RWSS at Nim Khola source to Dhajey Gaon at Mangthang, East Sikkim |
| | Sanctioned cost: | ₹ 15 lakh |
| | Name of contractor: | M/s Mangthang Mens' Labour Co-op. Society Ltd. |
| | Date of commencement: | February 2014 |
| | Due date of completion: | August 2014 |
| | Expenditure incurred: | ₹ 4.21 lakh |
| | Reasons for delay: | Work stalled since February 2015 due to non-issue of materials from Store. |

| Image 2.3.4.6 | | |
|---|---|---|
|  | Name of work: | Augmentation of RWSS at Lower Khesey, East Sikkim |
| | Sanctioned cost: | ₹ 34.70 lakh |
| | Name of contractor: | M/s Women's Labour Co-op. Society Ltd. |
| | Date of commencement: | March 2014 |
| | Due date of completion: | September 2014 |
| | Expenditure incurred: | ₹ 15.13 lakh |
| | Reasons for delay: | Work stalled since September 2015 due to contractor's negligence. |

| Image 2.3.4.7 | | |
|---|---|---|
|  | Name of work: | Augmentation of RWSS at Tumin Khola source to Raley Village, East Sikkim |
| | Sanctioned cost: | ₹ 109.83 lakh |
| | Name of contractor: | M/s Contractor's Co-op. Society Ltd. |
| | Date of commencement: | June 2013 |
| | Due date of completion: | March 2014 |
| | Expenditure incurred: | ₹ 42 lakh |
| | Reasons for delay: | Non-payment of value of work done. |

| Image 2.3.4.8 | | |
|---|---|---|
|  | Name of work: | Augmentation of RWSS at Dong source to lower Rey Mindu, East Sikkim |
| | Sanctioned cost: | ₹ 34.70 lakh |
| | Name of contractor: | M/s Labour Co-op. Society Ltd. |
| | Date of commencement: | August 2014 |
| | Due date of completion: | March 2015 |
| | Expenditure incurred: | ₹ 11 lakh |
| | Reasons for delay: | Non-availability of pipes. |

| Image 2.3.4.9 | | |
|---|---|---|
|  | Name of work: | Augmentation of RWSS at Ward No.8 Ajitgaon, East Sikkim |
| | Sanctioned cost: | ₹ 32.88 lakh |
| | Name of contractor: | M/s Labour Co-op. Society Ltd. |
| | Date of commencement: | November 2014 |
| | Due date of completion: | June 2015 |
| | Expenditure incurred: | ₹ 8.38 lakh |
| | Reasons for delay: | Contractor's negligence. |

# Appendix 2.3.5
## Other issues under coverage component

*(Reference: Paragraph no2.3.9.3.1)*

| Sl. No | Name of work | Sanctioned cost (₹ in lakh) | Date of commencement | Scheduled date of completion | Expenditure till August 2017 (₹ in lakh) | Reasons |
|---|---|---|---|---|---|---|
| **1.** | **Non – commencement of work** | | | | | |
| i. | Augmentation of RWSS from Ahal Gairi to Middle Nandugoan, South Sikkim | 15.00 | February 14 | January 2015 | Nil | No reason was either on record or furnished to Audit. |
| ii. | Augmenation of RWSS at Dhajey Dara and Berbing from Bhalukhop source | 22.85 | February 15 | January 2016 | Nil | Due to water supply source dispute as the current water source identified for this work was already catering to another habitation. |
| iii. | Augmentation of RWSS at Topa Chisopani NH 10 and $16^{th}$ Mile Chisopani | 15.78 | 2013-14 | 2014-15 | Nil | Due to land dispute for laying of pipes. |
| Department's response: Department stated (November 2017) that reports from the field had been sought and appropriate action would be taken to complete the work. | | | | | | |
| **2.** | **Abandoned works** | | | | | |
| i. | Augmentation of RWSS at Haldergoan Maneydara at Aritar | 21.35 | 10 March 2011 | September 2011 | 19.43 | Reasons for abandonment was not furnished by the Department as the files and other relevant records are missing and also not furnished to audit. |
| ii. | Augmentation of RWSS at upper Khamdong | 25.00 | 2013-14 | - | Nil | Due to non-identification of water source by the department. |
| iii. | Augmentation of RWSS at Nave source to Malamdara | 21.50 | - | - | Nil | Due to land dispute for laying of pipes. |
| iv. | Augmentation of RWSS at Upper Kita and Sorok village from Singhithang source | 48.97 | August 2014 | May 2015 | Nil | Due to land dispute for laying of pipes. |
| v. | Augmentation of RWSS at Sunarajhora to Bahungaon | 12.00 | July 2014 | January 2015 | Nil | Due to non–release of running account payment to the contractor by the Department. 85 *per cent* of work was found completed. |
| vi. | Augmentation of RWSS at Turkhola source to Shyamdas upper Dwarey ward, South Sikkim | 25.07 | August 2014 | May 2015 | Nil | No reasons for abandonment of the work was furnished by the department. However, during joint physical verification it was found that the pipes were missing from the work site which were issued from the departmental stores. 50 *per cent* of work was found completed. |
| Department's response: The Department stated (November 2017) that the report from the field had been sought and | | | | | | |

| Sl. No | Name of work | Sanctioned cost (₹ in lakh) | Date of commencement | Scheduled date of completion | Expenditure till August 2017 (₹ in lakh) | Reasons |
|---|---|---|---|---|---|---|
| appropriate action would be taken to complete the works. | | | | | | |
| **3.** | **Partial execution of water supply schemes** | | | | | |
| i. | RWSS from Kali Khola to lower Bokrong | 30.00 | November 2014 | July 2015 | Nil | **Status: 5 *per cent* complete** Due to non-availability of material in time. |
| ii. | Augmentation of RWSS at Namchom source to Youngang | 35.00 | February 2014 | March 2016 | 35.00 | **Status: Complete** No provision was made for tapping and laying pipelines from distribution tanks to the households. |
| iii. | Augmentation of RWSS at Bijaurey-jhora to Baijanath-gaon at lower Suntalay | 10.00 | March 2017 | September 2017 | Nil | **Status: under progress** Work order issued to the contractor for construction of pipelines from source to reservoir only. |
| Department's response: Department stated (November 2017) that schemes were revised and water pipeline from source to main reservoir along with the construction of tank was being taken up. | | | | | | |
| **4.** | **Tapping of water from non-perennial sources** | | | | | |
| i. | RWSS from Hittidhara to Namphok | 30.00 | February 2014 | August 2014 | Nil | **Status: 80 *per cent* complete** The identified spring source was not perennial as found during joint physical verification. |
| ii. | RWSS from Sarkijhora to Chawangaon | 10.00 | February 2015 | August 2015 | Nil | **Status: Complete** Acute shortage discharge of water. As a result sufficient water was not provided to intended beneficiaries |
| iii. | Augmentation of RWSS from Bhalukhop source to Sangtong | 17.50 | February 2015 | August 2015 | Nil | **Status: 85 *per cent* complete** Department had failed to identify the perennial source |
| iv. | Augmentation of RWSS from 7th mile Lingdok to lingdok gaon | 9.30 | November 2013 | August 2014 | Nil | **Status: 50 *per cent* complete** The source was not perennial as found during joint physical verification. |
| Department's response: Department stated (November 2017) that the perennial water sources were not available in the dry belt areas and the requirement of water was to be met from seasonal water sources and sources which can cater for almost nine months in a year were taken up. Huge expenditure was required to tap water to these areas from perennials sources which were located far away. Further, roof rain water harvesting structures with storage of rain water which could be utilised during the dry period were being encouraged. | | | | | | |
| **5.** | **Lack of co-ordination with other State Government departments** | | | | | |
| i. | RWSS at Maniram Bhanjyang, South Sikkim | 107.74 | November 2013 | November 2014 | 30.36 lakh | **Status: 60 *per cent* complete** Piped laid alongside 6 Km road was completely damaged due to widening of |

| Sl. No | Name of work | Sanctioned cost (₹ in lakh) | Date of commencement | Scheduled date of completion | Expenditure till August 2017 (₹ in lakh) | Reasons |
|---|---|---|---|---|---|---|
| | | | | | | road by the Roads & Bridges Department without the knowledge of RM&DD. |
| ii. | Augmentation of RWSS Kopchey from Tirikhola | 30.83 | June 2013 | February 2014 | Nil | **Status: 80 *per cent* complete** The work remained stalled since seven months due to interruption and damage of tanks during the construction of Pradhan Mantri Gram Sadak Yojana road. |
| iii. | RWSS from Chuba source to Kolbong, South Sikkim | 46.66 | 2011-12 | March 2014 | 46.17 lakh | **Status: Complete** Widening of roads damaged all the pipes and fittings which were along the roadsides. |
| Department's response: Department stated (November 2017) that the matter to fund the repair work was being pursued with the concerned department. | | | | | | |

# Appendix 2.9.1

## Excess payment to contractors on account of excess carriage of haulage

(*Reference: Paragraph 2.9*)

| Sl. | Name of work | Material | Quantity executed (Cu m.) | Distance hauled (Km.) | Multiplication factor (2 or 2.2) if rate is on per ton basis | Haulage admissible (In cum/ton) | Haulage actually allowed (In cum/ton) | Haulage excess allowed (In cum/ton) | Rate (₹ per cum/ton) | Excess payment made by the Department (₹ in lakh) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | | 3 | 4 | 5 | 6 (3 x 4 x 5) | 7 | 8 (7-6) | 9 | 10 (8 x 9) |
| 1 | RC Rd Tshalamthang to L/Tareythang | Stone | 862.89 | 24 | - | 20709.36 | 45560.49 | 24851.13 | 9.19/cum | 2.28 |
| | | Stone | 194.02 | 24 | - | 4656.48 | 10244.22 | 5587.74 | 9.19/cum | 0.51 |
| 2 | RC Rd from Maney Sishney to Thoker | Sand | 1846.32 | 40 | - | 73852.8 | 107491.69 | 33638.89 | 11.51/cum | 3.87 |
| 3 | RC Rd fromTemi to Aiefaltar | Sand | 12517.41 | 40 | - | 500696.4 | 625870.5 | 125174.1 | 9.19/cum | 11.51 |
| | | Stone | 222.98 | 40 | - | 8919.2 | 11149 | 2229.8 | 9.19/cum | 0.21 |
| 4 | RC Rd from Yusom to Dubdi | Sand | 1013.3 | 30 | - | 30399 | 70931.058 | 40532.058 | 11.51/cum | 4.67 |
| | | Stone | 3584.7 | 30 | - | 107541 | 250929.308 | 143388.308 | 11.51/cum | 16.50 |
| | | Sand | 245.7 | 30 | - | 7371 | 17198.836 | 9827.836 | 11.51/cum | 1.13 |
| | | Stone | 495.42 | 30 | - | 14862.6 | 34679.194 | 19816.594 | 11.51/cum | 2.28 |
| 5 | RC Rd from 9th Mile turning - Subuk | Sand | 226.63 | 60 | 2.00 | 27195.6 | 59830.65 | 32635.05 | 7.99/ton | 2.61 |
| 6 | Upgrtadation of RC Rd from Nandugoan to Ranigoan | Stone | 9461.275 | 15 | 2.20 | 312222.075 | 591329.688 | 279107.613 | 4.20/ton | 11.72 |
| | | Sand | 1290.549 | 15 | 2.00 | 38716.47 | 44523.941 | 5807.471 | 4.20/ton | 0.24 |
| | | Stone | 4314.229 | 15 | 2.20 | 142369.557 | 161783.588 | 19414.031 | 4.20/ton | 0.82 |
| | | Sand | 144.649 | 15 | 2.00 | 4339.47 | 4990.39 | 650.92 | 4.20/ton | 0.03 |
| | | Stone | 568.841 | 15 | 2.20 | 18771.753 | 21331.538 | 2559.785 | 4.20/ton | 0.11 |
| 7 | RC from NSH to L/Paney Phensong | Sand | 1086.75 | 70 | 2.20 | 167359.5 | 208003.95 | 40644.45 | 3.93/ton | 1.60 |
| | | Sand | 256.29 | 70 | 2.00 | 35880.6 | 36393.32 | 512.72 | 3.93/ton | 0.02 |
| | | Stone | 981.28 | 70 | 2.20 | 151117.12 | 153275.47 | 2158.35 | 3.93/ton | 0.08 |
| **Total** | | | **39313.233** | | | **1666979.985** | **2455516.831** | **788536.846** | | **60.19** |

# Appendix 3.1.1

## Summarised financial position and working results of Government Companies and Statutory Corporation as per their latest finalised financial statements/accounts as on 30 September 2017

(*Reference: Paragraph 3.1.14*)

**(₹ in crore)**

| Sl No | Sector/Name of the company | Period of accounts | Year in which accounts finalised | Paid up capital | Loan outstanding at the end of the year | Accumulated Profit (+) / loss (-) | Turnover | Net profit (+) / loss (-) | Net impact of Accounts comments | Capital employed [1] | Return on capital employed | Percentage of return on capital employed | Manpower |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| **A. Working Government Companies** | | | | | | | | | | | | | |
| **Agriculture and Allied** | | | | | | | | | | | | | |
| 1 | Sikkim Poultry Development Corporation Limited (SPDCL) | 2008-09 | 2009-10 | 0 | 0 | -0.73 | 0 | -0.08 | 0 | 0.58 | -0.08 | 0.00 | 4 |
| 2 | Sikkim Hatcheries Limited (SHL) | 2008-09 | 2009-10 | 0.46 | 0 | -1.67 | 0.98 | -0.14 | 0 | 0.33 | -0.14 | 0.00 | 5 |
| 3 | Sikkim Livestock Processing and Development Corporation (SLPDC) | 2012-13 | 2014-15 | 0.69 | 0.01 | -1.02 | 0.05 | -0.01 | 0 | 0.05 | -0.01 | 0.00 | 3 |
| **Sector wise total** | | - | - | **1.15** | **0.01** | **-3.42** | **1.03** | **-0.23** | **0** | **0.96** | **-0.23** | 0.00 | **12** |
| **Finance** | | | | | | | | | | | | | |
| 4 | Schedule Caste, Schedule Tribe and Other Backward Classes Development Corporation Limited (SABCCO) | 2012-13 | 2015-16 | 15.81 | 31.14 | -15.26 | 2.02 | -3.91 | 0 | 31.69 | -2.88 | 0.00 | 26 |
| **Sector wise total** | | | | **15.81** | **31.14** | **-15.26** | **2.02** | **-3.91** | **0** | **31.69** | **-2.88** | **0** | **26** |
| **Infrastructure** | | | | | | | | | | | | | |
| 5 | Sikkim Industrial Development and Investment Corporation Limited (SIDICO) | 2015-16 | 2017-18 | 17.14 | 120.47 | 8.15 | 2.41 | 1.6 | 0 | 148.13 | 1.60 | 1.08 | 37 |
| **Sector wise total** | | | | **17.14** | **120.47** | **8.15** | **2.41** | **1.6** | **0** | **148.13** | **1.6** | **1.08** | **37** |
| **Power** | | - | - | | | | | | | | | | |
| 6 | Teesta Urja Limited (TUL) | 2015-16 | 2016-17 | 2611.5 | 8534.52 | -97.58 | 0 | -6.62 | 0 | 11049.64 | 1100.92 | 9.96 | 100 |
| 7 | Teestavalley Power Transmission Limited (TPTL) | 2016-17 | 2017-18 | 355.89 | 838.84 | -6.72 | 0 | -2.71 | 0 | 1188.01 | 101.16 | 8.52 | 68 |
| 11 | Sikkim Power Investment Corporation Limited (SPICL) | 2016-17 | 2017-18 | 0.01 | 2609.15 | -547.39 | 0 | -315.1 | 5.85 | 2061.77 | 9.02 | 0.44 | 3 |
| 9 | Sikkim Power Development Corporation Limited (SPDC) | 2016-17 | 2017-18 | 20.3 | 60.16 | -83.77 | 10.54 | -9.22 | 0.53 | 55.38 | -0.27 | 0.00 | 73 |
| **Sector wise total** | | - | - | **2987.7** | **12042.67** | **-735.46** | **10.54** | **-333.65** | **6.38** | **14354.80** | **1210.83** | **8.44** | **244** |
| **Service** | | | | | | | | | | | | | |
| 10 | Sikkim Tourism Development Corporation (STDC) | 2016-17 | 2017-18 | 6.46 | 0 | -1.85 | 2.6 | 0.08 | 4.95 | 4.61 | 0.06 | 1.30 | 71 |

| Sl No | Sector/Name of the company | Period of accounts | Year in which accounts finalised | Paid up capital | Loan outstanding at the end of the year | Accumulated Profit (+) / loss (-) | Turnover | Net profit (+) / loss (-) | Net impact of Accounts comments | Capital employed [1] | Return on capital employed | Percentage of return on capital employed | Manpower |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sector wise total** | | **-** | **-** | **6.46** | **0** | **-1.85** | **2.6** | **0.08** | **4.95** | **4.61** | **0.06** | **1.30** | **71** |
| **Total A (All sector wise working Government companies)** | | **-** | **-** | **3028.24** | **12194.29** | **-747.84** | **18.6** | **-336.11** | **11.33** | **14540.19** | **1209.38** | **8.32** | **390** |
| **B Statutory Corporations** | | | | | | | | | | | | | |
| **Finance** | | | | | | | | | | | | | |
| 11 | State Bank of Sikkim (SBS) | 2015-16 | 2017-18 | 0.53 | 30.94 | 0.71 | 147.91 | 6.79 | 66.41 | 57.01 | 120.50 | 211.37 | 400 |
| **Sector wise total** | | **-** | **-** | **0.53** | **30.94** | **0.71** | **147.91** | **6.79** | **66.41** | **57.01** | **120.5** | **211.37** | **400** |
| **Service** | | | | | | | | | | | | | |
| 12 | State Trading Corporation of Sikkim (STCS) | 2015-16 | 2016-17 | 1.61 | 0 | 4.90 | 19.13 | -1.89 | 5.68 | 6.51 | -2.13 | 0.00 | 81 |
| **Sector wise total** | | | | **1.61** | **0** | **4.90** | **19.13** | **-1.89** | **5.68** | **6.51** | **-2.13** | **0** | **81** |
| **Total B (All sector wise working Statutory corporations)** | | **-** | **-** | **2.14** | **30.94** | **5.61** | **167.04** | **4.9** | **72.09** | **63.52** | **118.37** | **186.35** | **481** |
| **Grand Total (A+B)** | | **-** | **-** | **3030.40** | **12225.23** | **-742.23** | **185.64** | **-331.21** | **83.42** | **14603.71** | **1327.75** | **9.09** | **871** |
| **C. Non-working Government Companies** | | | | | | | | | | | | | |
| **Manufacturing** | | | | | | | | | | | | | |
| 13 | Sikkim Jewels Limited (SJL)[2] | 2012-13 | 2013-14 | 15.25 | 0 | -15.89 | 0 | -1.09 | 0 | 0.06 | - | 0 | 0 |
| 14 | Sikkim Times Corporation (SITCO) | 2012-13 | 2013-14 | 23.49 | 0 | -21.42 | 0 | -2.23 | 0 | 2.8 | - | 0 | 0 |
| 15 | Sikkim Precision Industries Limited (SPIL)[3] | 2012-13 | 2013-14 | 4.39 | 0 | -3.53 | 0 | -0.64 | 0 | 0.86 | - | 0 | 0 |
| **Sector wise total** | | **-** | **-** | **43.13** | **0** | **-40.84** | **0** | **-3.96** | **0** | **3.72** | **0** | **0** | **0** |
| **Total C (All sector wise non-working Government companies)** | | **-** | **-** | **43.13** | **0** | **-40.84** | **0** | **-3.96** | **0** | **3.72** | **0** | **0** | **0** |
| **D. Non-working Statutory Corporation** | | | | | | | | | | | | | |
| 16 | Sikkim Mining Corporation (SMC)[4] | 2010-11 | 2012-13 | 12.5 | 0.54 | -11.88 | 0 | 0 | 0 | 1.16 | 0 | 0 | 0 |
| **Sector Wise Total** | | **-** | **-** | **12.5** | **0.54** | **-11.88** | **0** | **0** | **0** | **1.16** | **0** | **0** | **0** |
| **Total D** | | **-** | **-** | **12.5** | **0.54** | **-11.88** | **0** | **0** | **0** | **1.16** | **0** | **0** | **0** |
| **Grand Total (A+B+C+D)** | | **-** | **-** | **3086.01** | **12225.77** | **-794.95** | **185.64** | **-335.17** | **83.42** | **14608.59** | **1327.75** | **9.09** | **871** |

[1] *Capital employed represents shareholders' funds plus long term borrowings*

[2] *Companies at C-13 and C-14 had been closed down by GoS w.e.f 30.04.2011. The Assets of these companies had been disposed of and the sales proceeds remitted to Commerce & Industries, GoS on 31.12.2012. The audit of accounts and transaction pertaining to these two companies had been entrusted to this office upto 2016-17*

[3] *Company at Serial no.C-15 had been closed down by GoS w.e.f 30.04.2011. The Assets of the company had been disposed of and the sale proceeds remitted to Commerce and Industires, GoS on 31.12.2012. The audit of accounts and transactions pertaining to the company had been entrusted to this office upto 2017-18.*

[4] *Department of Mines, Mineral and Geology, GoS has approved liquidation of SMC and waiver of it liabilities of ₹ 6.85 crore vide notification dated 06.10.2016. The audit of accounts and transactions pertaining to SMC had been entrusted to this office upto 2016-17.*

# Appendix 4.10.1
## Short assessment of electricity consumption: Bulk Supply (LT) 2014-16 (Gangtok)

(*Reference: Paragraph 4.10*)

| Sl No | Account No | Name of the consumer | Sanctioned Load | | Amount billed per month (Minimum Charge @ ₹ 150/ KVA) | Energy consumption as per formula in units # | Per unit charges in ₹ | Energy consumption charges in ₹ | Short assessment per month in ₹ | No.of Months Avg consumption was assessed | Total Short assessment (₹ in lakh) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | in KVA | in KW* | | | | | | | |
| 1 | 112053A010C3001 | Grendadiers Nathula Regiment | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 2 | 112053A010C3001 | Grendadiers Nathula II Regiment | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 3 | 112058A010C30001 | 219 MED Regiment | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 4 | 112056A010C30001 | 24 Rajput VIP HUT | 25.00 | 20 | 3750.00 | 3456 | 5.40 | 18662.40 | 14912.40 | 5.00 | 0.75 |
| | | | 63.00 | 50 | 9450.00 | 8640 | 5.40 | 46656.00 | 37206.00 | 11.00 | 4.09 |
| | | | 100.00 | 80 | 15000.00 | 13824 | 5.40 | 74649.60 | 59649.60 | 7.00 | 4.18 |
| 5 | 112057A010C30001 | 219 MED Regiment Menla Complex | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 6 | 112050A010C30001 | Second in Commandent 223 MRG | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 7 | 112052A010C30001 | 19.5 Ammunition Depot | 63.00 | 50 | 9450.00 | 8640 | 5.40 | 46656.00 | 37206.00 | 23.00 | 8.56 |
| 8 | 112001A010C30001 | 24 Rajput Tanzee Garrission | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 23.00 | 27.44 |
| 9 | 112011A010C30001 | F M Transmeter Doordarshan | 100.00 | 80 | 15000.00 | 13824 | 5.40 | 74649.60 | 59649.60 | 12.00 | 7.16 |
| 10 | 112061A010C30001 | Station Engineer Staff Qtrs | 150.00 | 120 | 22500.00 | 20736 | 5.40 | 111974.40 | 89474.40 | 12.00 | 10.74 |
| 11 | 11205A010C3001 | Army Camp 5th Mile | 100.00 | 80 | 15000.00 | 13824 | 5.40 | 74649.60 | 59649.60 | 11.00 | 6.56 |
| 12 | 112040A010C3001 | T58 GREF | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 11.00 | 13.12 |
| 13 | 112049A010C3001 | HQ63 MTW BDE P W 908063 | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 4.00 | 4.77 |
| 14 | 112049A010C3001 | No name available in record | 315.00 | 252 | 47250.00 | 43546 | 5.40 | 235148.40 | 187898.40 | 7.00 | 13.15 |
| 15 | 112051A010C3001 | 2nd in Commandent 223 Artelary field | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 11.00 | 13.12 |
| 16 | 10018063A010C3001 | Artillary unit | 200.00 | 160 | 30000.00 | 27648 | 5.40 | 149299.20 | 119299.20 | 11.00 | 13.12 |
| 17 | 10018064A010C3001 | Signal bet | 100.00 | 80 | 15000.00 | 13824 | 5.40 | 74649.60 | 59649.60 | 11.00 | 6.56 |
| 18 | 10018062A010C3001 | Wakchook | 100.00 | 80 | 15000.00 | 13824 | 5.40 | 74649.60 | 59649.60 | 11.00 | 6.56 |
| | | | | | | | | | | ***Total Gangtok Division*** | **277.08** |

** KVA/.80 (PF) # Considering the load factor as 0.24 under public service*

# Appendix 4.10.2

## Short assessment of electricity consumption: Bulk Supply (LT) 2014-16 (Rongli)

(*Reference: Paragraph 4.10*)

| Sl No | Name of the consumer | Sanctioned Load in KVA | Sanctioned Load in KW* | Energy consumption as per formula in units till March 2016 # | Per unit charges in ₹ | No. of Months Avg consumption was assessed | Total Short assessment (₹ in lakh) |
|---|---|---|---|---|---|---|---|
| 1 | Garrison Engineer 867 | 100.00 | 80 | 13824.00 | 5.40 | 24.00 | 17.92 |
| 2 | 222 Transit Camp | 315.00 | 252 | 43545.60 | 5.60 | 12.00 | 29.26 |
| 3 | 37 Fd Regd Chhoky Chho | 25.00 | 20 | 3456.00 | 5.60 | 12.00 | 2.32 |
| 4 | Environment Park | 63.00 | 50 | 8640.00 | 5.60 | 12.00 | 5.81 |
| 5 | AP Salami | 63.00 | 50 | 8640.00 | 5.60 | 12.00 | 5.81 |
| 6 | 8 Mahar Regiment, Kupup | 63.00 | 50 | 8640.00 | 5.60 | 10.00 | 4.84 |
| 7 | Salagari 12 Joak | 63.00 | 50 | 8640.00 | 5.60 | 22.00 | 10.64 |
| 8 | Jwalamukhi Signal | 100.00 | 80 | 13824.00 | 5.60 | 24.00 | 18.58 |
| 9 | Baba Mandir | 25.00 | 20 | 3456.00 | 5.60 | 24.00 | 4.64 |
| 10 | Airtel Tower | 25.00 | 20 | 3456.00 | 5.60 | 12.00 | 2.32 |
| | **Short Assessment for Rongli Division** | | | | | | **102.14** |

# Appendix 4.10.3

## Short assessment of electricity consumption: Bulk Supply (LT) 2014-16 (Pakyong)

(*Reference: Paragraph 4.10*)

| Sl. No | Name of the consumer | Sanctioned Load in KVA | Sanctioned Load in KW* | Energy consumption as per formula in units per month# | 2013-14 to 2015-16 Per unit charges in ₹ | 2013-14 to 2015-16 No. of Months Avg consumption was assessed | 2016-17 Per unit charges in ₹ | 2016-17 No. of Months Avg consumption was assessed | Total Short assessment for the period 2014- 17 (₹ in lakh) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Reliance Telecom Ltd | 25.00 | 20 | 4320.00 | 3.00 | 36 | 3.20 | 12 | 6.32 |
| 2 | BSNL, Lossing | 25.00 | 20 | 4320.00 | 3.00 | 36 | 3.20 | 12 | 6.32 |
| 3 | Vodafone Towers | 25.00 | 20 | 4320.00 | 3.00 | 36 | 3.20 | 12 | 6.32 |
| 4 | Aircell, Basmey | 25.00 | 20 | 4320.00 | 3.00 | 36 | 3.20 | 12 | 6.32 |
| 5 | Telephone Exchange, Pakyong | 25.00 | 20 | 4320.00 | 3.00 | 36 | 3.20 | 12 | 6.32 |
| | **Total Short Assessment for Pakyong Division** | | | | | | | | **31.60** |

# Appendix 4.11.1
## M/s Golden Cross Pharmaceuticals Pvt Ltd (Pakyong Division)

(*Reference: Paragraph 4.11*)

| Month | Contracted/ Sanctioned Load in KVA | KVA as per the MDI taken for charging of Fixed Charge | Rate/KVA as per the tariff order in ₹ | Fixed charge to be levied (₹ in lakh) | Actual Fixed charges levied (₹ in lakh) | Short assessment (₹ in lakh) |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5)=(2)x(4) | (6)=(3)x(4) | (7)=(5)-(6) |
| Apr-14 | 1875 | 1725 | 450 | 8.44 | 7.76 | 0.68 |
| May-14 | 1875 | 1725 | 450 | 8.44 | 7.76 | 0.68 |
| Jun-14 | 1875 | 1725 | 450 | 8.44 | 7.76 | 0.68 |
| Jul-14 | 1875 | 1279 | 450 | 8.44 | 5.76 | 2.68 |
| Aug-14 | 1875 | 1220 | 450 | 8.44 | 5.49 | 2.95 |
| Sep-14 | 1875 | 1205 | 450 | 8.44 | 5.42 | 3.02 |
| Oct-14 | 1875 | 1132 | 450 | 8.44 | 5.09 | 3.35 |
| Nov-14 | 1875 | 1132 | 450 | 8.44 | 5.09 | 3.35 |
| Dec-14 | 1875 | 1132 | 450 | 8.44 | 5.09 | 3.35 |
| Jan-15 | 1875 | 1148 | 450 | 8.44 | 5.17 | 3.27 |
| Feb-15 | 1875 | 1146 | 450 | 8.44 | 5.16 | 3.28 |
| Mar-15 | 1875 | 1146 | 450 | 8.44 | 5.16 | 3.28 |
| Apr-15 | 1875 | 1119 | 475 | 8.91 | 5.32 | 3.59 |
| May-15 | 1875 | 959 | 475 | 8.91 | 4.56 | 4.35 |
| Jun-15 | 1600 | 543 | 475 | 7.60 | 2.58 | 5.02 |
| Jul-15 | 1600 | 553 | 475 | 7.60 | 2.63 | 4.97 |
| Aug-15 | 1600 | 100 | 475 | 7.60 | 0.48 | 7.12 |
| Sep-15 | 1600 | 95 | 475 | 7.60 | 0.45 | 7.15 |
| Oct-15 | 1600 | 87 | 475 | 7.60 | 0.41 | 7.19 |
| Nov-15 | 1600 | 94 | 475 | 7.60 | 0.45 | 7.15 |
| Dec-15 | 1600 | 103 | 475 | 7.60 | 0.49 | 7.11 |
| Jan-16 | 1600 | 136 | 475 | 7.60 | 0.65 | 6.95 |
| Feb-16 | 1600 | 166 | 475 | 7.60 | 0.79 | 6.81 |
| Mar-16 | 1600 | 669 | 475 | 7.60 | 3.18 | 4.42 |
| | | | | | | **102.40** |

*Note: Levy of fixed charges extracted from demand registers*

## Appendix 4.11.2
## M/s Golden Cross Pharmaceuticals Pvt Ltd (Rongli Division)
(*Reference: Paragraph 4.11*)

| Month | Contracted/ Sanctioned Load in KVA | KVA as per the MDI taken for charging of Fixed Charge | Rate/KVA as per the tariff order in ₹ | Fixed charge to be levied (₹ in lakh) | Actual Fixed charges levied (₹ in lakh) | Short assessment (₹ in lakh) |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5)=(2)x(4) | (6)=(3)x(4) | (7)=(5)-(6) |
| Apr-14 | 2500 | 1190 | 450 | 11.25 | 5.35 | 5.90 |
| May-14 | 2500 | 1210 | 450 | 11.25 | 5.45 | 5.80 |
| Jun-14 | 2500 | 1355 | 450 | 11.25 | 6.10 | 5.15 |
| Jul-14 | 2500 | 1484 | 450 | 11.25 | 6.68 | 4.57 |
| Aug-14 | 2500 | 1628 | 450 | 11.25 | 7.33 | 3.92 |
| Sep-14 | 2500 | 1613 | 450 | 11.25 | 7.26 | 3.99 |
| Oct-14 | 2500 | 1238 | 450 | 11.25 | 5.57 | 5.68 |
| Nov-14 | 2500 | 1311 | 450 | 11.25 | 5.90 | 5.35 |
| Dec-14 | 2500 | 915 | 450 | 11.25 | 4.12 | 7.13 |
| Jan-15 | 2500 | 1084 | 450 | 11.25 | 4.88 | 6.37 |
| Feb-15 | 2500 | 976 | 450 | 11.25 | 4.40 | 6.85 |
| Mar-15 | 2500 | 1188 | 450 | 11.25 | 5.35 | 5.90 |
| Apr-15 | 2500 | 1053 | 475 | 11.88 | 5.00 | 6.88 |
| May-15 | 2500 | 1277 | 475 | 11.88 | 6.07 | 5.81 |
| Jun-15 | 2500 | 1173 | 475 | 11.88 | 5.57 | 6.31 |
| Jul-15 | 2500 | 1009 | 475 | 11.88 | 4.79 | 7.09 |
| Aug-15 | 2500 | 932 | 475 | 11.88 | 4.43 | 7.45 |
| Sep-15 | 2500 | 859 | 475 | 11.88 | 4.08 | 7.80 |
| Oct-15 | 2500 | 761 | 475 | 11.88 | 3.62 | 8.26 |
| Nov-15 | 2500 | 824 | 475 | 11.88 | 3.92 | 7.96 |
| Dec-15 | 2500 | 753 | 475 | 11.88 | 3.58 | 8.30 |
| Jan-16 | 2500 | 984 | 475 | 11.88 | 4.68 | 7.20 |
| Feb-16 | 2500 | 1260 | 475 | 11.88 | 5.99 | 5.89 |
| Mar-16 | 2500 | 1847 | 475 | 11.88 | 8.78 | 3.10 |
| | | | **Total** | **277.56** | **128.90** | **148.66** |

*Note: Levy of fixed charges extracted from demand registers*

## Appendix 4.11.3
## M/s Pravesh Entreprises (Rongli Division)

(*Reference: Paragraph 4.11*)

| Month | Contracted/ Sanctioned Load in KVA | KVA as per the MDI taken for charging of Fixed Charge | Rate/KVA as per the tariff order in ₹ | Rate/KVA applied for charging Fixed Charge in ₹ | Fixed charge to be levied (₹ in lakh) | Fixed charge levied (₹ in lakh) | Short assessment (₹ in lakh) |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6)=(2)x(4) | (7)=(3)x(5) | (8)=(5)-(6) |
| Dec-14 | 250 | 200 | 200 | 200 | 0.50 | 0.40 | 0.10 |
| Jan-15 | 250 | 200 | 200 | 200 | 0.50 | 0.40 | 0.10 |
| Feb-15 | 250 | 200 | 200 | 200 | 0.50 | 0.40 | 0.10 |
| Mar-15 | 250 | 200 | 200 | 200 | 0.50 | 0.40 | 0.10 |
| Apr-15 | 250 | 101 | 225 | 150 | 0.56 | 0.15 | 0.41 |
| May-15 | 250 | 207 | 225 | 225 | 0.56 | 0.46 | 0.10 |
| Jun-15 | 250 | 100 | 175 | 175 | 0.44 | 0.18 | 0.26 |
| Jul-15 | 250 | 100 | 175 | 175 | 0.44 | 0.18 | 0.26 |
| Aug-15 | 250 | 233 | 225 | 225 | 0.56 | 0.52 | 0.04 |
| Sep-15 | 250 | NA | 225 | NA | 0.56 | 0.34 | 0.22 |
| Oct-15 | 250 | NA | 225 | NA | 0.56 | 0.27 | 0.29 |
| Nov-15 | 250 | NA | 225 | NA | 0.56 | 0.27 | 0.29 |
| Dec-15 | 250 | NA | 225 | NA | 0.56 | 0.27 | 0.29 |
| Jan-16 | 250 | NA | 225 | NA | 0.56 | 0.27 | 0.29 |
| Feb-16 | 250 | NA | 225 | NA | 0.56 | 0.27 | 0.29 |
| Mar-16 | 250 | NA | 225 | NA | 0.56 | 0.48 | 0.08 |
| | | | | | | | **3.22** |

*NA= Not available*

*Note: Levy of fixed charges extracted from demand registers*

## Appendix 5.2.1
## Audit conducted during 2016-17 under General Sector

(*Reference: Paragraph 5.2*)

(₹ *in lakh*)

| Name of the Unit | Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*) | | | | |
|---|---|---|---|---|---|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Principal Secretary, Employee State Insurance Corporation | - | - | 188.70 | 185.17 | - |
| Principal Secretary, Science Technology and Climate Change Department | - | - | - | 209.07 | - |
| Member Secretary, Council of Science and Technology | - | - | - | 96.87 | - |
| Secretary, Sikkim Public Service Commission | - | 270.13 | 338.75 | 309.17 | - |
| District and Session Judge (East), District and Session Court | - | - | 411.89 | 454.81 | - |
| Secretary, High Court Legal Service Authority | - | - | 12.00 | 12.51 | - |
| Additional Director General of Police, Police Check Post | - | - | - | 1045.12 | - |
| District and Session Judge (South), District and Session Court, Namchi | - | - | - | 307.08 | - |
| Chief Electoral Officer, Election Department | - | - | - | 385.91 | - |
| Commandant, 2nd Indian Reserve Battalion (IRB), Pipelay | - | - | - | 2432.54 | - |
| District Collector (North), LRDMD | - | - | 40.78 | 34.90 | - |
| District Collector (East), LRDMD | - | - | 784.00 | 934.00 | - |
| Secretary, LRDMD | - | - | - | 591.00 | - |
| Relief Commissioner, State Disaster Relief Fund | - | - | - | 3796.00 | - |
| Commandant, Sikkim Arm Police, Pangthang | - | - | 4279.76 | 4592.84 | - |
| Additional Director General of Police, Communication and Computers Branch | - | - | - | 666.11 | - |
| Commandant, 3rd IRB | - | - | - | 2337.42 | - |
| Commandant, 1st IRB Pipelay | - | - | - | 3704.92 | - |
| Senior Superintendent of Police, CID, Crime Branch | - | 402.00 | 494.00 | 558.00 | - |
| Secretary, Sports and Youth Affairs Department | - | - | - | 11888.91 | - |
| Secretary, Printing and Stationery Department | - | - | 611.73 | 659.88 | - |
| Superintendent of Police, Reserve Lines | - | 1726.46 | 1827.35 | 2034.52 | - |
| Senior Superintendent of Police (West) | - | - | 1025.68 | 1108.27 | - |
| Director, Pension, GIS, GPF, FRED | - | 280.39 | 336.64 | 355.45 | - |
| Director General of Police, Police Department | - | - | - | 719.61 | - |
| Dy. Commandant of Police, Home Guard and Civil Defence | - | - | - | 252.73 | - |
| Secretary, State Election Commission | - | 320.56 | 244.79 | 192.11 | - |
| Principal Secretary, Information and Technology Department | - | - | - | 132.12 | - |
| Commissioner-cum-Secretary, Raj Bhawan | - | - | - | 443.42 | - |
| Commissioner-cum-Secretary, Department of Personal Administrative Reform Training and Public Grievances | - | - | 374.86 | 361.86 | - |
| Registrar General, High Court of Sikkim | - | - | - | 942.86 | - |
| Director General-cum-Secretary, Department of Economic, Statistics, Monitoring and Evaluation | - | - | - | 1085.63 | - |
| Secretary, Information and Public Relation Department | - | - | - | - | 532.42 |
| Secretary, Home Department | - | - | - | 2299.00 | - |
| **Total** | **-** | **2999.54** | **10970.93** | **45129.81** | **532.42** |

## Appendix 5.3.1
## List of implementing departments

(*Reference: Paragraph 5.3.3*)

| Sl. No. | Name of departments |
|---|---|
| 1. | Animal Husbandry, Livestock, Fisheries & Veterinary Services Department |
| 2. | Army |
| 3. | Building & Housing Department |
| 4. | Cooperation Department |
| 5. | Directorate of Handloom and Handicraft |
| 6. | Energy & Power Department |
| 7. | Food Security & Agriculture Development Department |
| 8. | Health, Human Services & Family Welfare Department |
| 9. | Horticulture & Cash Crop Development Department |
| 10. | Human Resource Development Department |
| 11. | Water Resources and River Development Department |
| 12. | ITBP |
| 13. | Rajya Sainik Board |
| 14. | Roads & Bridges Department |
| 15. | Rural Management & Development Department |
| 16. | Sports & Youth Affairs Department |
| 17. | SSB |
| 18. | Tourism & Civil Aviation Department |
| 19. | Urban Development & Housing Department |
| 20. | Water Security & Public Health Engineering Department |

## Appendix 5.3.2
## List of notified border villages
*(Reference: Paragraph 5.3.8.3.1)*

| Sl. No | Block | District | Border village | Distance of the village from the international border (in km) |
|---|---|---|---|---|
| 1. | Yuksom | West | Yuksom | 10.5 |
| 2. | | | Dubdi | 12.5 |
| 3. | | | Tingley-I | 13.0 |
| 4. | | | Tingley-II | 14.4 |
| 5. | | | Tsozo | 12.5 |
| 6. | | | Khecheopari | 10 |
| 7. | | | Meli | 12.5 |
| 8. | | | Melliaching | 11.5 |
| 9. | | | Singlitam | 10.5 |
| 10. | | | Tingbrum | 10.0 |
| 11. | | | Topong | 6.0 |
| 12. | Gyalshing | West | Singrangpung | 5.0 |
| **13.** | | | Nambu | 9.0 |
| **14.** | | | Darap | 4.0 |
| 15. | Dentam | West | Liching | 8.5 |
| 16. | | | Karmatar | 2.5 |
| **17.** | | | Gayten | 7.0 |
| **18.** | | | Maneybong | 2.5 |
| **19.** | | | Sopakha | 3.0 |
| **20.** | | | Begha | 8.5 |
| **21.** | | | Mangmoo | 7.0 |
| 22. | Daramdin | West | Ribdi | 10.0 |
| 23. | | | Bhareng | 9.0 |
| 24. | Chungthang | North | Chungthang | 9.5 |
| 25. | | | Shipgyer | 11.5 |
| 26. | | | Lachen | 10.5 |
| 27. | | | Lachung | 8.2 |
| 28. | Dzongu-Passingdong | North | Linzah-Tolung | 9.8 |
| 29. | | | Sakyong-Pentong | 11.5 |
| 30. | Gangtok | East | Gnathang | 5.5 |
| 31. | Rhegu | East | Lingtam | 4.5 |
| 32. | | | Phadamchen | 2.0 |
| 33. | | | South Rhegu | 1.2 |
| 34. | | | North Rhegu | 3.0 |
| 35. | | | Rolep | 6.5 |
| 36. | | | Lamaten | 6.4 |
| 37. | | | Subaneydara | 6.5 |
| 38. | | | Singaneybas | 3.0 |
| 39. | | | Premlakha | 1.5 |
| 40. | | | Dalapchen | 5.0 |
| 41. | | | Changeylakha | 4.0 |
| | **Total = 8** | **3** | **41** | |

# Glossary of Abbreviation

## Glossary of Abbreviation

| Abbreviation | Full form |
|---|---|
| AAY | Antodaya Anna Yojana |
| ACA | Additional Central Assistance |
| ADB | Asian Development Bank |
| ARWSP | Accelerated Rural Water Supply Programme |
| ASHA | Accredited Social Health Activist |
| ASRTU | Association of State Road Transport Undertaking |
| ATDC | Apparel Training and Design Centre |
| ATM | Automated Teller Machine |
| ATN | Action Taken Note |
| BAC | Block Administrative Centre |
| BADP | Border Area Development Programme |
| BCBS | Basel Committee on Banking Supervision |
| BFE | Bare Foot Engineer |
| BOCW | Building and Other Construction Workers |
| BOCWWB | Building and Other Construction Workers Welfare Board |
| BPCL | Bharat Petroleum Corporation Limited |
| BPL | Below Poverty Line |
| BRC | Block Resource Centre |
| BRO | Border Road Organisation |
| BRS | Bank Reconciliation Statement |
| CAR | Capital Adequacy Rate |
| CIRT | Central Institute of Road Transport |
| CSS | Centrally Sponsored Scheme |
| CWSAP | Comprehensive Water Security Action Plan |
| DAAC | Departmental Audit and Accounts Committee |
| DBT | Direct Benefit Transfer |
| DC | District Collector |
| DLC | District Level Committee |
| DLVMC | District Level Vigilance-cum-Monitoring Committee |
| DPR | Detailed Project Report |
| DWSM | District Water and Sanitation Mission |
| DWSP | District Water Security Plan |
| FTK | Field Testing Kit |
| FYP | Five Year Plan |
| GoI | Government of India |
| GPS | Global Positioning System |
| GPU | Gram Panchayat Unit |
| GSM | Global System of Mobile Communication |
| HO | Head Office |
| HRD | Human Resource Development |
| HSD | High Speed Diesel |
| IDMS | Integrated Depot Management System |
| IEC | Information, Education and Communication |
| IGNDPS | Indira Gandhi National Disability Pension Scheme |
| IGNOAPS | Indira Gandhi National Old Age Pension Scheme |

| Abbreviation | Full form |
|---|---|
| IGNWPS | Indira Gandhi National Widow Pension Scheme |
| IMIS | Integrated Management Information System |
| IOC | Indian Oil Corporation |
| IR | Inspection Report |
| IT | Information Technology |
| LAC | Loan Appraisal Committee |
| MD | Managing Director |
| MOU | Memorandum of Understanding |
| NEC | North East Council |
| NESRIP | North Eastern State Roads Investment Programme |
| NFBS | National Family Benefit Scheme |
| NGO | Non-Government Organisation |
| NIC | National Informatics Centre |
| NMSA | National Mission for Sustainable Agriculture |
| NOC | No Objection Certificate |
| NPA | Non-Performing Assets |
| NRDWP | National Rural Drinking Water Programme |
| NRHM | National Rural Health Mission |
| NSAP | National Social Assistance Programme |
| PA | Performance Audit |
| PAC | Public Accounts Committee |
| PAO | Pay and Accounts Office |
| PBT | Public Bus Transport |
| PGIPF | Pension, Group Insurance and Provident Fund |
| PHC | Public Health Centre |
| PHH | Priority Household |
| PHSC | Public Health sub-Centre |
| PMGSY | Pradhan Mantri Gram Sadak Yojana |
| PP | Perspective Plan |
| PRI | Panchayati Raj Institution |
| PSB | Public Sector Bank |
| R&D | Research and Development |
| RBI | Reserve Bank of India |
| RKVY | Rastirya Krishi Vikas Yojana |
| RRWHS | Roof Rain Water Harvesting Structure |
| RWA | Risk Weighted Asset |
| SAAC | State Audit and Accounts Committee |
| SBN | Specified Bank Note |
| SBS | State Bank of Sikkim |
| SDC | State Data Centre |
| SEA | State level Executing Agency |
| SFC | Source Finding Committee/State Finance Commission |
| SICB | State Institute of Capacity Building |
| SIFMS | Sikkim Integrated Financial Management System |
| SLSC | State Level Screening Committee |
| SLSSC | State Level Scheme Sanctioning Committee |
| SLVMC | State Level Vigilance-cum-Monitoring Committee |

| Abbreviation | Full form |
| --- | --- |
| SMC | School Management Committee/Sikkim Mining Corporation |
| SNT | Sikkim Nationalised Transport |
| SOR | Schedule of Rates |
| SPSU | State Public Sector Undertaking |
| SRS | Simple Random Sampling |
| SRSWOR | Simple Random Sampling Without Replacement |
| SWSM | State Water and Sanitation Mission |
| TPAO | Treasury Pay and Accounts Office |
| TPIA | Third Party Inspection Agent |
| UC | Utilisation Certificate |
| VLC | Voucher Level Computerisation |
| VWSC | Village Water Security Plan |
| WIM | Weigh-in-Motion |
| WQMS | Water Quality Management System |
| WSSO | Water and Sanitation Support Organisation |
| WTP | Water Treatment Plan |
| ZP | Zilla Panchayat |

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