



# **Annual Technical Inspection Report on PRIs and ULBs**

**for the year ended 31 March 2015**

**GOVERNMENT OF SIKKIM**



## TABLE OF CONTENTS

Contents	Paragraph Number	Page Number
<b>Preface</b>	v	
<b>Overview</b>	vii	
<b>CHAPTER – I</b>		
<b>AN OVERVIEW OF THE FUNCTIONING, ACCOUNTIBILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYAT RAJ INSTITUTIONS (PRIs)</b>		
Introduction	1.1	1
Organisational Structure of PRIs	1.2	1
Functioning of PRIs	1.3	2
Formation of various Committees	1.4	4
Audit Arrangement	1.5	6
Response of Audit Observations	1.6	7
Ombudsman	1.7	9
Social Audit	1.8	9
Lokayukta	1.9	9
Submission of Utilisation Certificate	1.10	10
Internal Audit and Internal Control System of PRIs	1.11	10
Financial Reporting Issues	1.12	11
<b>CHAPTER – II</b>		
<b>AUDIT ON TRANSACTIONS OF PANCHAYATI RAJ INSTITIONS</b>		
Wasteful expenditure towards salary and allowances of Divisional Forest Officer	2.1	25
Extra expenditure on construction of Community Recreation Centre at Bermoik-Barthang	2.2	26
Injudicious expenditure from District Innovation Fund	2.3	27
Unfruitful expenditure on water harvesting structure	2.4	28
Unfruitful expenditure on Information, Education and Communication activities	2.5	29

**CHAPTER – III**  
**AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM**  
**AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES**

Introduction	3.1	31
Organisational Set up	3.2	31
Functioning of ULBs	3.3	33
Formation of various Committees	3.4	33
Audit Arrangement	3.5	33
Response to Audit Observations	3.6	34
Ombudsman	3.7	35
Social Audit	3.8	35
Lokayukta	3.9	35
Property Tax Board	3.10	35
Service Level Benchmark	3.11	35
Submission of Utilisation Certificates	3.12	36
Internal Audit and Internal Control System of ULBs	3.13	36
Financial Reporting Issues	3.14	37

**APPENDICES**

<b>Statement</b>	<b>Appendix</b>	<b>Page Number</b>
Statement showing vital statistics of Rural Sikkim	1.1	43
Statement showing powers of PRIs	1.2	44
Statement showing functions to be transferred to PRIs	1.3	49
Statement showing functions not transferred to PRIs	1.4	53
Statement showing utilisation certificates submitted by PRIs	1.5	55
Statement showing vital statistics of Urban Sikkim	1.6	56
Statement showing functions to be transferred to ULBs	1.7	57
Statement showing service level benchmark for solid waste management	1.8	58



## PREFACE

*This Report for the year ended March 2015 has been prepared for submission to the Government of Sikkim in terms of Technical Guidance and Support to audit of PRIs and ULBs under Section 20(1) of CAG's DPC Act 1971.*

*The Report contains significant results of the audit of the Panchayati Raj Institutions and Urban Local Bodies in the State including the departments concerned.*

*The issues noticed in the course of test audit for the period 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.*

*The audit has been conducted in conformity with auditing standards issued by the Comptroller and Auditor General of India*





# OVERVIEW



# OVERVIEW

*This report contains three Chapters. Chapter I contains an overview of functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions in the State, Chapter II contains Compliance Audit Paragraphs related to PRIs. Chapter III contains an overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies in the State.*

## 1. An overview of Panchayati Raj Institutions

*The State Government was to delineate the role and responsibilities of each tier of the PRIs by transferring 29 subjects along with devolution of all the functions listed in the XI<sup>th</sup> schedule of the Constitution. However, only 15 subjects were transferred to the PRIs.*

*(Paragraph 1.3.1 & 1.3.2)*

*Out of 14 Departments, only one Department (Rural Management & Development Department) released funds of ₹ 5.61 crore to PRIs during 2014-15 against the mandatory release of ₹ 28.91 crore. The other 13 departments had not done the mandatory fund transfer of ₹ 207.52 crore during 2014-15 to PRIs. In the absence of a sound basis for transfer of funds to the PRIs by the departments, the PRIs could not formulate any plan with certainty. Thus, the planning at the PRI level was on an ad-hoc basis.*

*(Paragraph 1.12.1)*

*Sikkim Panchayat Act, 1993 provides for collection of taxes under Section 39(1) and 40(1). The information in this regard was received from 117 GPs out of which 08 GPs had neither initiated any steps to identify the areas for levying taxes nor collected any revenue.*

*(Paragraph 1.12.2)*

*Scrutiny of records of 88 GPs revealed that basic records and registers were not maintained properly as required under the Sikkim Gram Panchayat (Financial) Rules, 2004.*

*(Paragraph 1.12.4)*

## 2. Compliance Audit Paragraphs of PRIs

*Zilla Panchayat (ZP), East failed to utilise the services of Divisional Forest Officer posted at ZP and thus ₹ 29.02 lakh incurred towards his salary and allowances for 2009-14 were wasteful.*

*(Paragraph 2.1)*

*Action of the ZP (West) to allow rate revision at par with SOR-2012 (from SOR- 2006) and allowing of rates at revised cost based on SOR-2012 for new item of works was in contravention to SPWD Manual. This led to extra expenditure of ₹ 44.61 lakh besides extension of undue benefit to the contractor.*

*(Paragraph 2.2)*

*Decision of the ZP (South) to take up Pandal making and Equipment leasing was neither in conformity with the TFC guidelines nor in consonance with Annual Plan and SWOT analysis leading to injudicious expenditure of ₹50 lakh from District Innovation Fund.*

*(Paragraph 2.3)*

*Expenditure of ₹1.66 crore for construction of 80 tanks remained largely unfruitful as it failed to provide safe drinking water in adequate quantity, especially during distress periods.*

*(Paragraph 2.4)*

*Expenditure of ₹16 lakh incurred towards awareness-cum-coordination meeting was unfruitful as awareness among Panchayats, NGOs and SHGs about preparation of budget was not achieved.*

*(Paragraph 2.5)*

### **3. An overview of the Urban Local Bodies**

*Out of 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution, only three functions were partially transferred by the State Government to the ULBs as of March 2015.*

*(Paragraph 3.3)*

*The revenue income showed an increasing trend during 2014-15 as compared to previous year (2013-14) in case of three Nagar Panchayats (i.e. Mangan, Geyzing and Jorethang) and decreasing trend in case of two Nagar Panchayats (Rangpoo and Singtam). Gangtok Municipal Corporation and Namchi Municipal Council also showed decreasing trend of own revenue during 2014-15.*

*(Paragraph 3.14.1)*

*The Sikkim Urban Local Bodies Accounting Manual based on the National Municipal Accounting Manual (NMAM) had not been approved by the Government as of March 2015.*

*(Paragraph 3.14.4)*

**PART – A**  
**PANCHAYATI RAJ INSTITUTIONS**



# **CHAPTER-I**

**AN OVERVIEW OF THE FUNCTIONING,  
ACCOUNTABILITY MECHANISM AND  
FINANCIAL REPORTING ISSUES OF  
PANCHAYATI RAJ INSTITUTIONS**





## CHAPTER-I

### AN OVERVIEW OF THE FUNCTIONING, ACCOUNTIBILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

#### An Overview of the Functioning of the Panchayati Raj Institutions (PRIs) in the State

##### 1.1 Introduction

The 73<sup>rd</sup> Constitutional Amendment gave constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, holding of regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust the PRIs with such powers, functions and responsibilities to enable them to function as institutions of self-governance. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice, including those enumerated in the Eleventh Schedule of the Constitution.

Consequent to the 73<sup>rd</sup> amendment of the Constitution, Government of Sikkim enacted the Sikkim Panchayat Act, (SPA) 1993. Under this Act, a two tier system of PRIs viz., Gram Panchayat at Village level and Zilla Panchayat at District level were established. As of March 2015, there were 4 ZPs<sup>1</sup> and 176 GPs in the State.

The State Government promulgated Sikkim Zilla Panchayat (Financial) Rules, 2001; Sikkim Zilla Panchayat (Financial) Amendment Rules, 2004; Sikkim Gram Panchayat (Financial) Rules, 2003; Sikkim Gram Panchayat (Financial) Amendment Rules, 2004 besides enactment of SPA.

The important statistics reflecting rural population, sex ratio, literacy rate, etc are given in *Appendix 1.1*.

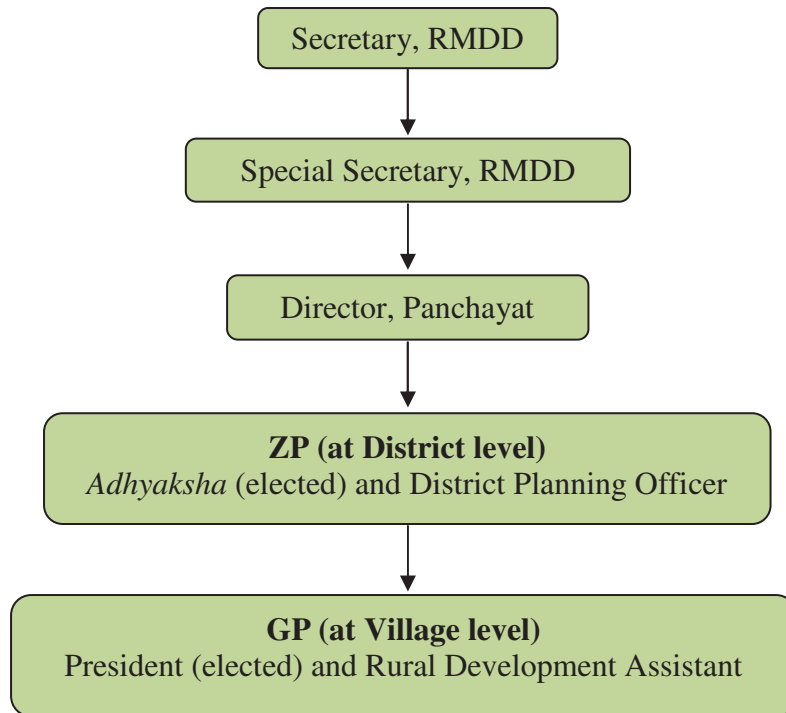
##### 1.2 Organisational structure of PRIs

The following organogram chart depicts the organisational structure of the Department and the PRIs.

---

<sup>1</sup> North, East, South and West.

**Chart – 1.1**  
**Organisational chart of PRIs**



The Secretary, Rural Management & Development Department (RMDD), is the administrative head of PRIs. He is assisted by Special Secretary and Director (Panchayat) in exercising overall control and supervision of PRIs in the State.

### **1.3 Functioning of PRIs**

As per the Sikkim Panchayat Act, 1993, and Rules made thereunder, the State Government exercises its powers in relation to PRIs. Details regarding the powers of PRIs are given in *Appendix 1.2*. Besides, the Sikkim Panchayat Act (SPA) also entrusts the State Government with the following powers to exercise control over functioning of the PRIs:

- call for any record, register, plan, estimate, information, etc., from the PRIs;
- inspect any office or any record or any document of the PRIs;
- inspect works and development schemes implemented by PRIs;
- remove *Adhyaksha* and *Upadhyaksha* of ZP/GP after following the appropriate procedure; and

- take action for default of a Panchayat President, Secretary/District Planning Officer.

Despite the above empowerment of the State Government for the enhancement of quality of public service and governance, a number of deficiencies in the implementation of schemes, matters relating to finance, etc. were noticed which are discussed in this chapter.

### ***1.3.1 Devolution of functions***

In order to operationalise administrative decentralisation of funds, functions and functionaries among PRIs, the Ministry of Rural Development, GOI constituted (July 2001) the Central Task Force (CTF) for suggesting the manner of transfer to each tier of PRIs so that devolution of all the 29 functions listed in the XI<sup>th</sup> Schedule of the Constitution could be completed by March 2002. Article 243 G of Constitution has enabling provision for transfer of these functions to different tiers of PRIs. The department-wise list of 29 functions transferred to the PRIs by the State Government is detailed in ***Appendix 1.3***. For effective functioning of both State Government and PRIs, it is necessary to delineate the role and responsibilities of the State Government and each tier of PRIs for each of the transferred subjects. This exercise was done through activity mapping<sup>2</sup> in April 2008.

### ***1.3.2 Functions not transferred as per 73<sup>rd</sup> Constitutional Amendment***

Although the State Government delineated role and responsibilities of each tier of PRIs by transferring 29 subjects for devolution of all functions listed in the XI<sup>th</sup> Schedule of the Constitution to the PRIs, the same was not implemented completely and only 15 subjects were transferred (April 2008) to PRIs. The department-wise position of schemes not transferred to PRIs by the State Government as of March 2015 is detailed in ***Appendix 1.4***.

Analysis revealed that transfer of important subjects such as land improvement, health and sanitation, fisheries, public distribution system, minor forest produce, small scale industries, khadi, village and cottage industries and non-conventional energy sources had not taken place as of March 2015.

Thus, all subjects were not transferred, and even in the cases where subjects were transferred, adequate funds were not released by the departments concerned. Thus, the PRIs could not initiate various activities mandated in the 73<sup>rd</sup> Constitutional Amendment.

---

<sup>2</sup> 'Activity Mapping' is an exercise to devolve various functions to be discharged by the GPs and ZPs.

The RMDD stated (December 2015) that the transfer of important subjects as prescribed in the XI<sup>th</sup> Schedule of the Constitution had been taken up with the higher authorities and the activity mapping exercise would be reviewed. However, as of March 2015, no such review had taken place.

#### 1.4 Formation of various Committees

The State Government constituted a number of committees such as Social Audit-cum-Vigilance Committee; Disaster Management Committee; Block Development Committee; Village Health & Sanitation Committee; District Technical Support Committee; Water Supply & Sanitation Committee for smooth functioning of the Gram Panchayat, Block, etc. The position of various committees along with their assignments in respect of 88 test checked GPs are given in table 1.1:

**Table - 1.1**

Sl. No.	Committee	Assignment	Audit Comment
1	Social Audit-cum-Vigilance Committee	To ensure that the works are executed at Panchayat level as per estimate and also to monitor the quality of works. The Committee consisted of a wide spectrum of stake holders, users and marginalised and vulnerable sections of society, including women and senior citizens of the Gram Panchayat.	The Committee certifies the works executed by Gram Panchayats. However, regular monitoring to ensure the quality of work was not done by the Committee.
2	Disaster Management Committee	To prepare disaster mitigation and preparedness plan, conduct mock drills twice a year, generate awareness among the residents on disaster preparedness and manage and facilitate training of Disaster Management Team.	Disaster mitigation and preparedness plans were not prepared by GPs. Preparatory exercises such as conducting mock drills twice a year, generating awareness among the residents on disaster preparedness, management and facilitating training of Disaster Management Team were not carried out.
3	Block Development Committee	Identifying schemes and scrutinising them for overall development of the Gram Panchayat and Block, taking up schemes for implementation by ensuring proper monitoring and maintenance as well as projecting them to the District Planning Committee (DPC) so that the development/benefits generated at the lowest level (Gram Panchayat) is in overall interest of the Block through participation of the beneficiaries.	Monitoring and maintenance of schemes was not adequately done.

4	Village Health Sanitation Committee (VHSC)	Responsible for overall sanitation facilities in the village and health condition of the villagers, formulation of village level health plan, analysing health issues, conducting household surveys and submitting reports.	VHSC was not adequately functional as it did not carry out household surveys before implementing the sanitation programme.
5	District Technical Support Committee	Preparation of District Perspective Plan for each sector; coordinating with the Gram Panchayat functionaries and its working groups to provide technical inputs for preparation of GP plan; assisting in formulation of ZP Plan and preparation of projects in collaboration with the Zilla Panchayat and scrutiny of technical aspects of the GP/ZP plan and submitting its observations to the DPC.	Estimates prepared by GPs were not technically vetted by District Technical Support Committee. This resulted in deficiency in preparation of estimate and also execution of a number of works without preparation of estimates.
6	Water Supply & Sanitation Committee	Preparation of Village Action Plan (VAP); preparation of the Water Safety Plan; conducting community mapping to describe the system; walk the system “Source to Mouth” <sup>3</sup> ; preparation and operationalisation of Water Safety Plan; preparation of proposal for submission to the District for financing.	The Committee remained largely ineffective as action for preparation of the Water Safety Plan; community mapping to describe the system; walk the system “Source to Mouth”; preparation and personalisation of the Water Safety Plan; preparation of proposal for submission to District for financing had not been initiated.

The RMDD while accepting that there were few aberrations due to communication gap, stated (December 2015) that all the stakeholders were being intensively trained to adhere to the recommendations of XIV<sup>th</sup> Finance Commission.

#### 1.4.1 District Planning Committee

In pursuance of Article 243ZD of the Constitution of India and Section 127 of the Sikkim Panchayat (SP) Act 1993, the State Government constituted (July 2008) District Planning Committee (DPC). The Committee included Members of the Legislative Assembly whose major part of the constituencies fell within the District; three members of Zilla Panchayat besides the *Adhyaksha* and Members of Parliament of both the Houses. The *Adhyaksha* will be the Chairman; the Mayor/President of Municipal Corporation/Council, the Vice-Chairman; and the Additional District Collector (Development)-cum-Panchayat Officer, the Member Secretary. The Committee was assigned the role and responsibility of consolidating the plans prepared by ZPs, GPs, Nagar Panchayats and Municipal

<sup>3</sup> “Source to Mouth” means the water supply from its originating place (source) to the consumer point (mouth).

Corporation in the District and preparing a draft development plan for the District as a whole.

Audit observed that DPCs finalised the Annual District Development Plans (ADDPs) by merely consolidating the plan proposals received from various line departments, without taking any inputs from grass root level for overall District Development Plan. It also did not forward the same to the State Government for integration with the State plan. The DPCs had also not adequately engaged technical experts from different fields during preparation of the development plans.

The RM&DD accepted (December 2015) the observation.

## 1.5 Audit arrangement

### 1.5.1 Primary Auditor

DLFA is the primary auditor to conduct the audit of PRIs and ULBs of Sikkim. The year-wise position of units planned to be audited and those actually audited are given in table 1.2:

**Table - 1.2**  
**Units planned for audit and actually audited**

Year	No. of units planned for audit		No. of units audited		No. of reports issued	
	PRIs	ULBs	PRIs	ULBs	PRIs	ULBs
Upto 2012-13	Not available	Not available	47	6	47	6
2013-14	129	3	0	0	0	0
2014-15	178	7	20	0	20	0
<b>Total</b>	<b>307</b>	<b>10</b>	<b>67</b>	<b>6</b>	<b>67</b>	<b>6</b>

Source: Information furnished by DLFA, Government of Sikkim

Analysis revealed that while no audit was conducted during 2013-14, only 20 units were audited despite planning for 185 units during 2014-15.

The RMDD stated (December 2015) that the DLFA could not complete the targeted number of units due to shortage of man power. The matter had been apprised to the higher authority. However, as of March 2016, there was no improvement in manpower strength of DLFA.

### 1.5.2 Audit by Comptroller and Auditor General of India

As per Section 48(2) of the Sikkim Panchayat Act, 1993, the State Government is required to appoint an Auditor for audit of accounts of the GPs. Section 48 (3) of the Act also provides for audit of accounts of GPs by the Comptroller & Auditor General of India

(CAG). Further, as per Section 86 of the Act, the accounts of the funds of the GP or ZP shall be examined and audited by the Auditor appointed under Sections 48(2) and 48(3) in such manner as may be prescribed. The State Government established (June 2012) Director, Local Fund Audit (DLFA) for audit of Panchayat Raj Institutions (PRIs).

In keeping with the recommendations of the Thirteenth Finance Commission and guidelines issued by the Ministry of Finance, Government of India, Government of Sikkim entrusted (June 2011) the audit of accounts of PRIs to CAG under Section 20(1) of CAG's DPC Act 1971, under standard terms and conditions of the Technical Guidance and Support module.

Accordingly, audit of GPs and ZPs is being conducted biennially and annually respectively by the office of the Accountant General (Audit), Sikkim, as per the methodology and procedure enshrined in the Auditing Standards and the Guidelines issued by the CAG from time to time. During April 2014 to March 2015, the accounts of 92 PRIs (4 ZPs and 88 GPs) were audited.

### ***1.5.3 Placement of Annual Technical Inspection Report (ATIR)***

The ATIRs of the years 2007-09, 2009-10, 2010-11, 2011-12 and 2012-13 were placed in the State Legislature. However, the State Government had not amended the Sikkim Panchayat Act to provide mechanism for discussion of ATIR in the Legislative Assembly. Neither the Public Accounts Committee discussed the ATIRs nor a separate committee of State Legislature was constituted to discuss the same as recommended by Second Administrative Reform Commission.

As none of the ATIR could be discussed in the State Legislature, accountability and financial control in the functioning of Local Bodies could not be ensured by the State Government.

The RMDD stated (December 2015) that the matter was under process.

## **1.6 Response to Audit observations**

Inspection Reports (IRs) were issued by Office of Accountant General (Audit), Sikkim to audited PRI authorities with a copy of each to the State Government. PRI authorities were required to comply with the observations contained in the IRs and rectify the defects and omissions and report their compliance within four weeks from the date of issue of IRs. Important audit findings were processed for inclusion in the Annual Technical Inspection Report (ATIR).

The details of outstanding IRs and paragraphs in respect of PRIs, as of 31 March 2015 are shown in Table 1.3

**Table - 1.3**  
**Outstanding IRs and Paragraphs**

(₹ in lakh)

Year	No. of Inspection Reports	No. of outstanding paras	Money value
Up to 2009-10	97	215	4.92
2010-11	37	122	5.90
2011-12	10	13	0
2012-13	16	33	0
2013-14	61	223	0
2014-15	90	212	52.45
<b>Total</b>	<b>311</b>	<b>818</b>	<b>63.27</b>

Source: Outstanding para register maintained in Office of the AG (Audit), Sikkim

Increased accumulation of old outstanding paras indicated that the PRIs had not taken adequate measures to initiate corrective actions pointed out through the IR. This also indicated weak internal control mechanism for addressing the issues mentioned in the IRs.

The RMDD stated (December 2015) that the PRIs had been instructed to attend to audit Inspection reports on priority basis, take corrective measures and submit compliance report to the office of the Accountant General, Sikkim.

However, the pendency of IRs and accumulation of paras indicated that more efforts were required by GPs to obviate the position.



## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 1.7 Ombudsman

The State government was yet to appoint Ombudsman for making investigations and enquiries, in respect of charges on any action involving corruption or maladministration or irregularities in the discharge of administrative functions by Panchayats and Public Servants working under them, in accordance with the provisions of Prevention of Corruption Act, 1988 (Sec. 268) for disposal of complaints.

#### 1.8 Social Audit

Government of Sikkim initiated social audit in 2007-08 as envisaged in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 (Rule 17). Thereafter in compliance to MGNREGA Audit of Scheme Rules, 2011 the State Government established Social Audit Unit (SAU) by designating one Non-Governmental Organisation (NGO) as SAU in December 2011. An independent Social Audit Director was also appointed (December 2012) to head the SAU. Four District Resource Institutes have also been designated in four districts. During 2014-15, a total of 92 GPs were covered under Social Audit with involvement of State Resource Persons<sup>4</sup>, District Resource Persons<sup>5</sup> and beneficiaries. The Social audit was fully functional in the State with independent SAU and full time Director of SAU with adequate number of resource persons at State and district levels.

#### 1.9 Lokayukta

The State Government had appointed (February 2014) Lokayukta in compliance with sub-section 4 of section 1 of the Sikkim Lokayukta Act, 2014. The Lokayukta comprised of chairperson, one judicial, one administrative and one *ad hoc* administrative member.

---

<sup>4</sup> *Members of the Social Audit Unit. They take the lead in planning, training of DRIs, training material, finalising all the formats and review of the Social Audit Reports prepared by the DRIs.*

<sup>5</sup> *Facilitators of Social Audit in Gram Panchayat and members of the District Resource Institution. They prepare the Social Audit Report following prescribed process and format in co-ordination with the SAU.*

## **1.10 Submission of Utilisation Certificates**

The PRIs were regular and prompt in submission of utilisation certificates during the year 2012-15 as detailed in *Appendix 1.5*.

## **1.11 Internal Audit and Internal Control System of PRIs**

### ***1.11.1 Internal Audit***

Internal Audit is an important instrument to examine and evaluate the level of compliance with rules and procedures as envisaged in the relevant Acts as well as in the Financial/Accounting Rules so as to provide independent assurance to management on adequacy of risk management and internal control frame work in the Local Bodies. However, despite enabling provision for Internal Audit in Sikkim Panchayat Act {sec. 48(2)}, the internal audit was not accorded due priority by State Government. Although Chartered Accountant firms were assigned the responsibility to audit the accounts of PRIs, audit of accounts were in arrears since 2009-10. Thus, an important check towards accountability in ensuring proper compliance of rules and procedures was not accorded due importance. It is therefore, recommended that the Internal Audit may be commenced forthwith for PRIs in the State.

### ***1.11.2 Internal control system in PRIs***

Internal control mechanism is an integral function of an organisation which helps it to govern its activities effectively and achieve the objectives of the organisation. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws. Various internal control measures would minimise the risk of errors and irregularities. It also provides reasonable assurance that the general objectives of organisations are achieved duly fulfilling accountability obligations; compliance of applicable rules and regulations and implementation of programmes in an orderly, economical, efficient and effective manner.

The internal control system at the level of each PRIs had been designed by Government of Sikkim through the Sikkim Panchayat Act, 1993, Sikkim Zilla Panchayat (Financial) Rules, 2001 and Sikkim Gram Panchayat (Financial) Rules, 2003; besides application of State Government's own rules and policies relating to finance, budget and personnel matter. Significant provision of internal control mechanism vis-à-vis position in test checked PRIs are given in the following table:

**Table-1.4**  
**Statement showing Internal Control System at the level of PRIs**

Provision	Authority	Gist of the provision	Actual position
Budget	Sec. 46 of the SP Act, 1993; Sec. 83 of the SP Act, 1993	Every GP / ZP shall prepare in each year a budget of its estimate receipts and expenditures for the next financial year and submit it to the Government for approval.	Budget not prepared by GPs/ZPs except two GPs (Mellidara Paiyong and Gerethang).
Accounts	Sec. 48(1) of the SP Act, 1993; Sec. 85 of the SP Act, 1993	Accounts of receipts and expenditure of every GP/ZP shall be maintained in such forms and in such manner as may be prescribed.	Receipt and expenditure as recommended in Model Accounting Structure was not maintained by GPs.
Internal Audit	Sec. 48(2) of the SP Act, 1993; Sec. 86 of the SP Act, 1993	The accounts of the fund of a GP/ZP shall be examined and audited by an auditor appointed by State Government.	The Chartered Accountants firms were assigned responsibility to audit GPs and ZPs. However, there were arrears since 2010-11.
Supervision	Sec. 68 (1) (2) of the SP Act, 1993	The Sachiva of a Zilla Panchayat appointed by the State Government shall have authority to supervise all records of every Gram Panchayats falling under the jurisdiction of a Zilla Panchayat of a concerned district.	Records relating to supervision of records by Sachiva was not available in the GPs.
Reporting of loss, wastage of money/ property	Sec. 90(2) (c) of the SP Act, 1993	To be reported by an auditor authorised to audit the documents of GPs/ZPs.	No such report was available in test checked GPs/ZPs.
Inspection	Sec. 109(1) of the SP Act, 1993	Government or any officer empowered by the Government may inspect any works which are being carried out by GP/ZP.	The inspection was carried out from time to time by various departments of State Government.
Reporting of the work	Sec. 122 of the SP Act, 1993	The GP/ZP concerned shall prepare and submit annually report on work done during previous years and the work proposed to be done during the following year.	No such report was available in test checked ZPs/GPs.
Asset Register	Rule 7(2)(d) of Sikkim ZP (Financial) Rules, 2001; Rule 7(2)(f) of the Sikkim GP (Financial) Rules, 2003	To be maintained in the format prescribed under the Rule.	None of the ZPs/GPs test checked had maintained Asset Register as prescribed.

The deficiencies as summarised in the preceding table indicated weak internal control mechanism in PRIs.

The RMDD assured (December 2015) to look into the audit observations for better management of the PRIs.

### 1.12 Financial Reporting Issues

Financial reporting in the PRIs is a key element of accountability. The best practices in matters relating to drawal of funds, form of bills, incurring of expenditure, maintenance

of accounts, rendering of accounts by the ZPs and GPs are governed by the provisions of the Sikkim Panchayat (SP) Act, 1993; Sikkim Zilla Panchayat (Financial) Rules, 2001; Sikkim Zilla Panchayat (Financial) Amendment Rules, 2004; Sikkim Gram Panchayat (Financial) Rules, 2003; Sikkim Gram Panchayat (Financial) Amendment Rules, 2005; Sikkim Financial Rules; Sikkim Public Works Accounts Code; Sikkim Public Works Manual; and Standing Orders and Instructions.

The PRIs are solely funded by Government through grants-in-aid from Central and State Governments for general administration as well as developmental activities. Funds are initially reflected in the State budget and released to PRIs. Individual departments also transfer funds from time to time to *Sachiva*, Zilla Panchayats for Zilla Panchayat and Additional District Collector (Development)–cum- Panchayat Officer for GPs as grants-in-aid. The ZPs and GPs, in turn, deposit their funds in the savings account maintained with nationalised banks.

The budget provision kept in the State budget, expenditure there against and excess/savings during 2010-15 is given below:

**Table - 1.5**  
**Budget of PRI vis-a-vis expenditure**

Year	Budget	Expenditure	Excess (-)/Saving(+)	Percentage of Excess/Saving
<b>2010-11</b>	696.45	716.29	(-) 19.84	3
<b>2011-12</b>	899.91	793.41	(+) 106.50	12
<b>2012-13</b>	974.68	974.67	(+) 0.01	0
<b>2013-14</b>	832.17	832.17	0.00	0
<b>2014-15</b>	1089.40	1087.89	(+) 1.51	0

(₹ in lakh)

(Source: Detailed Appropriation Accounts of Government of Sikkim)

The budgetary process was well managed as the excess was well under control while the saving was also negligible except in the year 2011-12.

➤ **Budget**

Budget is the most important tool for financial planning, accountability and control. The Sikkim Panchayat Act, 1993, read with the Sikkim Gram Panchayat (Financial) Rules, 2003 (*Para 8*), envisaged preparation of budget by the GPs indicating estimated receipts and expenditure for the next financial year by August each year for submission to the Secretary, RMDD of the State Government. It was noticed that no budget proposals were prepared by the GPs except Mellidara Paiyong Gram Panchayat under Sumbuk Gram Vikas Kendra and Gerethang Gram Panchayat under Yuksom Gram Vikas Kendra.

Similarly, the ZPs also failed to prepare their budgets for submission to the State Government. This was despite stipulation in para 8(1) of Sikkim Gram Panchayat (Financial) Rules, 2003, requiring the DPC to consolidate the PRI budgets of various ZPs for integrating into the State Budget. Funds were released to all PRIs without even preparation of budget.

The RMDD stated (December 2015) that all the GPs and ZPs had been asked to prepare budget and the sample budget formats had been circulated to the PRIs.

### 1.12.1 Source of Funds

The broad sources of receipts of PRIs included grants from Central Government and State Government. The Central grants are given under various schemes such as MGNREGS, Central Finance Commission etc. Similarly, the State grants are released by the Nodal Department (RMDD) for Development fund and establishment charges. Other Line Departments also release funds to PRIs towards developmental activities relating to their sector.

The details of grants released by Central, State and line departments are given below:

**Table - 1.6**

(₹ in crore)

Year	Central Grant		State Grants				Total Fund transferred from other Departments		Grand Total	
			Development Fund		Direction & Administration					
	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP
2010-11	7.85	64.91	0.12	0.07	4.47	2.00	4.59	2.17	17.03	69.15
2011-12	9.14	122.12	0	0	3.67	2.00	0	0	12.81	124.12
2012-13	23.00	82.21	4.61	4.97	4.11	8.45	0	0	31.72	95.63
2013-14	7.04	122.87	0	0	2.99	0.64	0	0	10.03	123.51
2014-15	9.10	91.64	0	0	4.10	1.51	0	0	13.20	93.15
<b>Total</b>	<b>56.13</b>	<b>483.75</b>	<b>4.73</b>	<b>5.04</b>	<b>19.34</b>	<b>14.60</b>	<b>4.59</b>	<b>2.17</b>	<b>84.79</b>	<b>505.56</b>

Source: Information furnished by the RMDD, Government of Sikkim

Analysis revealed following:

**Central Grants:** The broad sources of receipts from Central Grants during the year 2010-11 to 2014-15 pertained to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Backward Region Grant Fund (BRGF), Twelfth/Thirteenth Finance Commission and *Swarna Jayanti Gram Rojgar Yojana* as shown in table 1.7:

**Table - 1.7**

(₹ in crore)

Year		2010-11	2011-12	2012-13	2013-14	2014-15	Total
MGNREGS	ZP	0	0	0	0	0	0
	GP	44.48	100.80	74.07	106.84	73.86	400.05
BRGF	ZP	6.41	1.12	19.51	2.60	3.77	33.41
	GP	7.55	2.61	0	6.07	7.70	23.93
Thirteenth FC	ZP	1.44	8.02	3.49	4.44	5.33	22.72
	GP	7.14	18.71	8.14	9.96	10.08	54.03
SGRY	ZP	0	0	0	0	0	0
	GP	5.74	0	0	0	0	5.74
<b>Total</b>		<b>72.76</b>	<b>131.26</b>	<b>105.21</b>	<b>129.91</b>	<b>100.74</b>	<b>539.88</b>

Source: Information furnished by the RMDD, Government of Sikkim

The decrease in grants during 2010-11 and 2014-15 were due to less release of funds under MGNREGS.

**State Grant:** Audit analysis revealed that prescribed stipulation in Third State Finance Commission (TSFC) and scheme guidelines were not adhered to in apportionment of funds between ZPs and GPs by RMDD. In case of BRGF, as against the stipulated allocation of funds in the ratio 30:70 between ZP and GP, the actual allocation worked out to be in the ratio 58 (₹ 33.41 crore): 42 (₹ 23.93 crore) during 2010-15. This resulted in excess allocation of ₹ 17.20 crore to the ZP and less allocation to GPs to that extent.

Similarly, in case of General and Specific purpose grants, the prescribed percentage of apportionment between ZP (10) and GPs (90) as stipulated in TSFC recommendations was also not adhered to leading to excess allocation of ₹ 3.54<sup>6</sup> crore to ZPs and less allocation to GPs to that extent during the year 2014-15.

RMDD, the nodal department for PRIs, responsible for fund allocation did not ensure adherence to norms as a result of which GPs were constrained of funds for undertaking developmental activities.

**Grants by Line Department:** It was mentioned in previous Annual Technical Inspection Reports, the last being 2013-14 (para 1.8) regarding maintenance of inadequate data on budget provisions, release of fund and expenditure incurred under Plan and Non-Plan head under important sectors like education, health, nutrition, social forestry, solid waste management, sanitation, water and housing etc., by RMDD. The above position still persists, thereby making it difficult to analyse the progress of work done in these sectors.

<sup>6</sup> Total fund released for Direction and Administration (D&A) = ₹ 5.61 crore, 10% of ₹ 5.61 crore = ₹ 0.56 crore. ZP received excess fund under D&A = ₹ 4.10 crore - ₹ 0.56 crore = ₹ 3.54 crore.

Audit observed that release of funds by various sectors to the PRIs appeared to be based on the discretion of the Departments, as against any rationale, as seen from the figures given in table 1.8:

**Table - 1.8**  
**Sector-wise total allocation *vis-à-vis* allocation to PRIs during 2014-15**

(₹ in crore)

Name of Department	Total Plan allocation (Revenue and Capital)	Percentage to be transferred to PRI as recommended by Third Finance Commission (In per cent)	Amount to be transferred to PRI	Actual fund released to PRIs
Health & Family Welfare	162.78	29.28	47.66	Nil
Social Welfare	81.12	21.96	17.81	Nil
Tourism	279.70	21.96	61.42	Nil
Commerce & Industries	36.34	21.96	7.98	Nil
Energy	76.03	21.96	16.70	Nil
Irrigation & Flood Control	19.80	21.96	4.35	Nil
Co-operation	6.53	14.64	0.96	Nil
Agriculture & Allied Services	75.15	29.28	22.00	Nil
Animal Husbandry	13.52	36.60	4.95	Nil
Human Resource Development	293.68	2.93	8.60	Nil
Forest	53.02	21.96	11.64	Nil
Rural Management & Development	197.49	14.64	28.91	5.61
Land Revenue	5.99	21.96	1.32	Nil
Culture	14.54	14.64	2.13	Nil
<b>Total</b>	<b>1315.69</b>		<b>236.43</b>	<b>5.61</b>

Source: Finance Accounts 2014-15, and information furnished by the RMDD, Government of Sikkim.

Out of 14 Departments, only one Department (RMDD) released funds of ₹ 5.61 crore to PRIs during 2014-15 against the mandatory release of ₹ 28.91 crore. The other 13 departments had not done the mandatory fund transfer of ₹ 207.52 crore during 2014-15 to PRIs. Non-transfer of adequate funds to the PRIs by the Departments put constraints on the PRIs in formulating any plan with certainty. Thus, planning at the PRI level was done on *ad-hoc* basis.

The RMDD stated (December 2015) that higher authorities in the State had been apprised about non-transfer of mandatory release of plan funds to PRIs. The State Government had also directed concerned line departments to find out ways and means to abide by the Finance Commission's recommendations.

#### ***Overall financial position of PRIs***

The RMDD could not furnish (March 2015) information on the opening balance, total receipts, total expenditure and closing balance regarding availability of funds and its

utilisation by the Gram Panchayats and Zilla Panchayats during 2014-15. Audit obtained the information directly from ZPs/GPs. According to information furnished by four ZPs and 117 GPs, a total fund of ₹ 77.45 crore was available, of which ₹ 49.12 crore was spent during 2014-15, leaving a balance of ₹ 28.33 crore as shown in table 1.9:

**Table - 1.9**

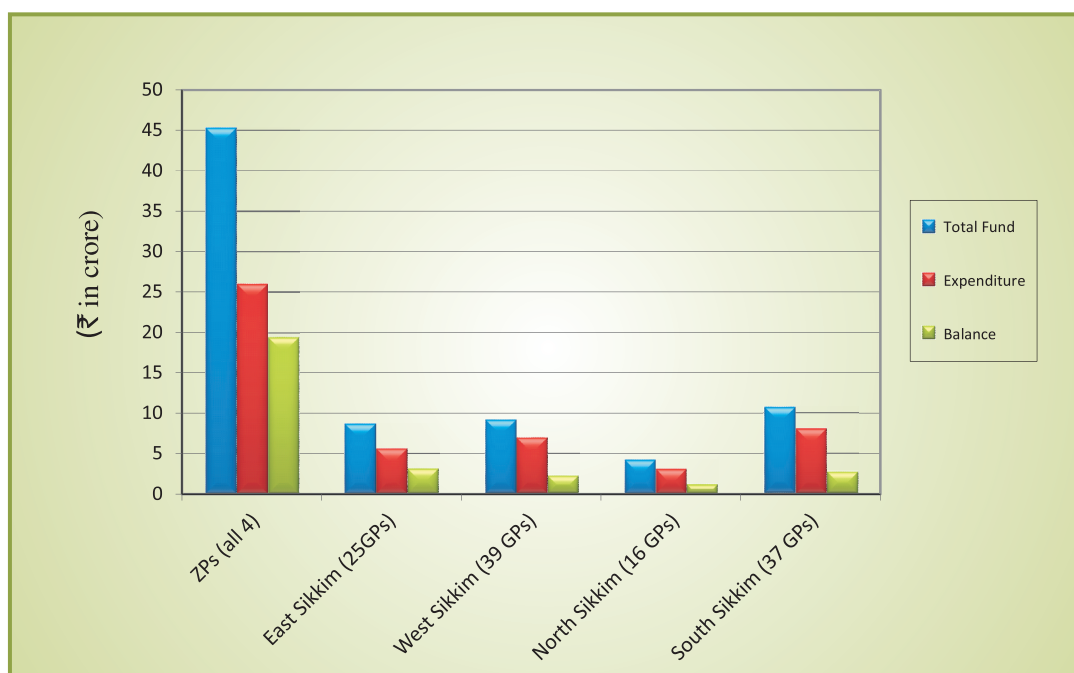
(₹ in crore)

ZP / GP	Total fund available	Expenditure	Balance
ZPs (South, East, West & North)	45.18	25.89	19.29
East Sikkim (25 GPs)	8.60	5.52	3.08
West Sikkim (39 GPs)	9.05	6.84	2.21
North Sikkim (16 GPs)	4.02	2.93	1.09
South Sikkim (37 GPs)	10.60	7.94	2.66
<b>Total</b>	<b>77.45</b>	<b>49.12</b>	<b>28.33</b>

Source: Information furnished by ZPs & GPs

The above position is also shown in the following Bar graph:

**Chart 1.2**  
**Fund utilisation by PRIs**



The funds were neither surrendered nor utilised due to absence of planning to utilise the funds through execution of works in time.

The RMDD stated (December 2015) that the line departments could not provide information on the financial status of the remaining Panchayats as on March 2015. The



financial status of the PRIs would be provided once the Chartered Accountant<sup>7</sup> firm completes the audit assignment of the PRIs which was under progress.

### **1.12.2 Recommendation of State Finance Commission (SFC)**

State Finance Commission (SFC) is set up to recommend:

- Arrangements for distribution between the State and Panchayats as well as the Municipalities of the net proceeds of the taxes, duties and fees leviable by the State.
- The determination of taxes, duties and tolls which may be assigned to or appropriated by the Panchayats as well as the Municipal bodies.
- Grants-in-aid to the Panchayats as well as the Municipal bodies from the Consolidated Fund of the State.

Accordingly, the Third State Finance Commission (TSFC) of the State of Sikkim recommended (February 2010) certain measures for improving the fiscal health of Panchayats and Municipalities. The recommendations were accepted by the State Government in November 2010. However, their implementation left much to be desired as mentioned below:

- During 2010-15, ₹ 50.46 crore was released to PRIs against the stipulated transfer of ₹ 741.54 crore as per TSFC recommendation, considering plan allocation to 14 sectors. While the Plan allocation for 14 sectors increased from ₹ 754.48 crore (2010-11) to ₹ 1,315.69 crore (2014-15), PRI allocation decreased from ₹ 13.42 crore for 2010-11 to ₹ 5.61 crore for 2014-15.
- The TSFC worked out gap between administrative expenditure and own revenue of the PRIs (if the PRIs levied and collected all taxes as recommended by TSFC) and recommended the transfer of fund of ₹ 6.00 crore for 176 GPs during 2014-15 {to be met from 2.58 per cent of net proceeds of revenue (after deducting 25 per cent of total revenue collected as cost of collection) collected by 8 departments<sup>8</sup>} for administrative expenses, which was accepted by the State Government. However, only ₹ 5.15 crore was transferred to ZPs/GPs towards administrative expenditure from own revenue during 2014-15 as depicted in the following table:

---

<sup>7</sup> Chartered Accountant appointed by State Government to guide PRIs in maintenance of account and preparation of Annual statement of PRIs

<sup>8</sup> i. Land Revenue, ii. Stamps and Registration, iii. Tax on Sale, Trade etc. iv. Animal Husbandry, v. Forestry and Wildlife, vi. Minor Irrigation, vii. Village and Small Industries and viii. Tourism

**Table - 1.10****Actual transfer of funds to PRI during 2014-15 vis-à-vis TSFC recommendation***(₹ in crore)*

Sl. No.	Head	Tax receipt	Net proceeds (75 % of tax receipt)	Funds to be transferred to PRIs (2.58 per cent of Net proceeds)	Tax Transferred
1.	Land Revenue	6.16	4.62	0.12	0
2.	Stamp & Registration	6.77	5.08	0.13	0.15
3.	Taxes on Sales, Trades etc.	282.10	211.58	5.46	5.00
4.	Animal Husbandry	1.17	0.88	0.02	0
5.	Forestry & Wild Life	11.45	8.59	0.22	0
6.	Minor Irrigation	0.07	0.05	0	0
7.	Village & Small Industries	0.13	0.10	0	0
8.	Tourism	2.64	1.98	0.05	0
	<b>Total</b>	<b>310.49</b>	<b>232.88</b>	<b>6.00</b>	<b>5.15</b>

Source: Finance Accounts 2014-15, and information furnished by Rural Management & Development Department.

➤ Out of eight sectors, in six sectors (Land Revenue, Animal Husbandry, Forestry & Wild Life, Minor Irrigation, Village & Small Industries and Tourism), no tax transfer was effected during 2014-15. In the remaining two sectors, the percentage of transfer ranged between 92 (Taxes on Sale, Trades, etc.) and 115 (Stamps & Registration) *per cent* of the funds required to be transferred.

The RMDD stated (December 2015) that the observation of audit would be brought to the notice of the Finance Revenue and Expenditure Department for appropriate action. However, as of July 2016, no progress was seen.

➤ TSFC also recommended (February 2010) for transfer of (i) 2.93 to 36.60 *per cent* plan fund aggregating to ₹ 103.67 crore from 14 sectors towards 'Specific purpose grant'; and (ii) 29.28 *per cent* of State Plan budget under RMDD towards 'General purpose Grant' to PRIs during 2014-15.

Specific purpose grant was allocated to the PRIs for taking up specific activity under the respective sector Similarly, General purpose grant was allocated by RMDD as untied grants which are not linked to any specific programme or purpose and can be utilised at the discretion of PRIs towards meeting innovative / need based activity for GPs/ZPs.

Audit noticed that neither the RMDD nor the line departments allocated any fund during 2014-15 towards general purpose and specific purpose grants respectively. Thus, on the one hand, TSFC recommendations were largely not adhered to by the concerned departments and on the other hand, PRIs could not take up specific and innovative / need based activity under the respective sectors.

➤ *Non-levy of taxes*

Sections 39 (1) and 40 (1) of Sikkim Panchayat Act, 1993, envisages constitution of Gram Panchayat Fund and levy of taxes, rates, and fees on the subjects mentioned in clauses (a) to (i) of Rule 40(1) by the GPs, subject to the rates fixed by the State Government. Similarly, ZP may also levy taxes, rates and fees with the approval of the State Government on the subjects mentioned in clauses (a) to (j) of section 77(1) of Sikkim Panchayat Act, 1993.

Based on the TSFC recommendations (February 2010), the State Government notified (September 2010) for levying of Household Tax (₹ 5 to ₹ 15 per month); Water & Sanitation Tax (₹ 1 per month for each household); Village Road & Environment Tax (₹ 1 per month per household); Panchayat Recommendation/Clearance/Certificate Fees (@ ₹ 20 per case/application); Sale of Tender forms at the rates prescribed by Sikkim Public Works Department/RMDD/other Government departments; Building Construction Fees (@ ₹ 2 for *pucca* construction and ₹ 1 for *kuchcha* construction per square feet of plinth area) and other miscellaneous receipts by the Gram Panchayat.

It was, however, noticed that despite above enabling provisions, out of 117 GPs from whom information was received; 8 GPs had neither initiated any steps to identify the areas for levying taxes nor collected any revenue. It was also noticed that the control mechanism for levying of taxes/fees and its collection by the PRIs was not prescribed to facilitate timely initiation of the levy and collection procedures, despite notification issued by the State Government (September 2010) based on the recommendations of the TSFC.

Had the PRIs initiated steps to identify the areas for levying and collection of taxes, the realised revenue could have been gainfully utilised by the PRIs towards meeting administrative expenditure, purchase of stationery, equipment, etc. besides incurring expenditure relating to functioning of Gram Prasasan Kendras<sup>9</sup>. In absence of requisite revenue realisation, the PRIs defrayed the above expenditure from scheme funds such as BRGF, TFC, etc.

The RMDD stated (December 2015) that efforts would be initiated by PRIs to augment their own source of revenue.

---

<sup>9</sup> *Gram Prasasan Kendra works as an office for Gram /Village where Panchayat performs administrative functions and holds Gram Sabha.*

### 1.12.3 Recommendation of the Central Finance Commission (CFC)

The year wise budget provision and expenditure relating to Thirteenth Finance Commission (TFC) is given below:

**Table - 1.11**  
**Fund received by State Government under TFC**

*(₹ in lakh)*

SI. No.	Year	Date of receipt from Central Govt.	General Basic Grant	Date of Release of fund to PRIs	Delay (in days)
1.	2010-11	15.07.2010	858.00	16.08.2010	16 days
		10.08.2011	838.00	12.08.2011	-
		<b>Total</b>	<b>1,696.00</b>		
2.	2011-12	21.09.2011	1,075.00	01.10.2011	-
		01.03.2012	1,098.00	31.03.2012	16 days
		<b>Total</b>	<b>2,173.00</b>		
3.	2012-13	27.09.2012	1,163.38	18.01.2013	96 days
		06.09.2013	1,281.18	13.09.2013	-
		<b>Total</b>	<b>2,444.56</b>		
4.	2013-14	20.12.2013	1,440.59	09.01.2014	9 days
		02.03.2015	1,379.56	11.03.2015	-
		<b>Total</b>	<b>2,820.15</b>		
5.	2014-15	25.03.2015	<b>1,541.23</b>	31.03.2015	-
		<b>Total</b>	<b>10,674.94</b>		

*(Figures provided by RM&DD)*

According to TFC recommendation (Para 10.157), TFC grants should be transferred to Local Bodies within 15 days of receipt of fund by the State Government failing which interest at Bank rate (rate specified by Reserve Bank of India) would be payable to Local Bodies by the State Government. It was noticed that grants were not released within stipulated time by the State Government in many occasions. The delay in release of TFC fund ranged between 9 and 96 days. Second instalment of ₹ 3.43 crore was not released by Government of India during 2014-15. Audit paras relating to utilisation of TFC funds are included in chapter-II.

### 1.12.4 Maintenance of Records

The Sikkim Gram Panchayat (Financial) Rules, 2004 [Rule 7(1) &7(2)] stipulated maintenance of various records such as (i) Cash Book, (ii) Monthly Receipt and Payment Register, (iii) Annual Receipts and Payment Accounts, (iv) Monthly Reconciliation Statement, (v) Inventory Register for Moveable Assets, (vi) Inventory Register for Immoveable Assets, and (vii) Balance Sheet for proper depiction of accounts of the Gram Panchayat Funds.

Scrutiny of records in 88 GPs revealed that many records and registers as indicated above were either not maintained or not maintained properly. Details are given below:

- Monthly Receipt and Payment Registers, Annual Receipts and Payments Accounts and Registers for Moveable and Immovable Assets were not maintained in any of 88 test checked GPs; and
- None of the 88 test checked GPs prepared Balance Sheet during the period under report.
- ***Maintenance of community assets and Asset register***

The Sikkim Panchayat Act {Rule 7(2) (d) of Sikkim ZP (Financial) Rule 2001 and Rule 7(2) (f) of the Sikkim GP (Financial) Rules 2003} gives the responsibility of maintenance of community assets to PRIs. All PRIs should maintain an asset register in the prescribed form, containing particulars of assets owned by them. The particulars should include description of asset, year of acquisition and amount incurred towards acquisition. The scheme guidelines in respect of TFC, BRGF, MGNREGS, etc., also stipulate recording of assets created under such schemes.

Despite this provision, none of the PRIs had maintained asset registers to indicate the assets possessed by the GPs/ZPs, cost of assets, maintenance cost, etc. Annual Physical Verification of assets, as required under the Financial Rules, was also not carried out in any of the GPs/ZPs. The State Government also did not call for any return detailing the nature of assets, year of creation and monetary value of the assets held by the GPs/ZPs.

The RM&DD stated (December 2015) that the Assets Register formats were already circulated to the PRIs for compliance.

#### ***1.12.5 Reconciliation of Balances of Cash Book with Bank Pass Book***

According to Sikkim Panchayat Financial Rule 2001 {4(2) and 5(1)} it shall be the responsibility of the President of GP and *Sachiva* of ZP to ensure maintenance of cash book and balances of cash book should be reconciled with the balance in Bank. Scrutiny of Cash Books in 88 GPs disclosed that (i) Cash Book balances were not certified in any of the GPs by the President of the GPs and (ii) none of the GPs had reconciled the Cash Book balances with the balances maintained by the Banks.

#### ***1.12.6 Maintenance of Accounts by PRIs***

The Ministry of Panchayati Raj in consultation with Comptroller & Auditor General of India prescribed (January 2009) new accounting formats for Panchayati Raj Institutions.

The TFC recommended (December 2009) implementation of new accounting formats with effect from 2010-11.

The Rural Management & Development Department (RMDD), Government of Sikkim informed (April 2010) Government of India that it had adopted the new accounting formats with effect from 2010-11. For implementation of new accounting formats, the State Government imparted (July-September 2010) training to Rural Development Assistants (RDAs) at State Institute of Rural Development (SIRD), Karfector and also appointed (April – September 2010) 166 Panchayat Accounts Assistants (PAAs).

The accounts of the PRIs were, however, not maintained in the new accounting formats as prescribed by the Ministry of Panchayati Raj and the PRI accounts continued to be maintained in old pattern. The accounts in old pattern however, did not reflect transactions of all receipts and expenditure relating to Panchayat Fund, Provident Fund, loans, deposits, etc. The accounts of the PRIs were finalised upto 2008-09 whereas accounts for the years 2009-10 to 2014-15 have not been prepared. Certification of accounts was also not done, for any year, by the Primary auditor (DLFA) since its formation in June 2012.

The RMDD stated (December 2015) that the Model Accounting System (MAS), a simplified form of government accounting system prescribed for PRIs by the Ministry of Panchayati Raj, Govt. of India, in consultation with the C & AG was adopted by the State for implementation in PRIs. The formats as prescribed had been circulated to all PRIs and several round of trainings had been held for different levels of Panchayat functionaries viz. Accounts Officials of the Block Administrative Centres, Panchayat Inspectors, Rural Development Assistants (RDAs) and Panchayat Accounts Assistants (PAAs). Further, instructions had also been issued (February 2012) that the PAAs shall maintain accounts of GPs and RDAs shall supervise the maintenance of accounts and Accounts Officials of Block Administrative Centre will visit GPs at least once in a month to oversee the maintenance of Accounts.

However, the fact remained that basic records like Receipt and Payment Register, Balance Sheet, Assets Register, Advance Register, etc. as required under New Accounting formats were either not maintained or not maintained properly in PRIs.

### ***1.12.7 Maintenance of database and the formats therein on the finances of PRIs***

Panchayati Raj Accounting Software (PRIA Soft) designed and developed by the MoPR, GOI, based on the features of Model Accounting System was in operation in almost all the PRIs. The system generated financial reports were also uploaded in the web and can be viewed online by logging in to [www.panchayatonline.gov.in](http://www.panchayatonline.gov.in).

However, necessary entries in the registers prescribed by the nodal Department (RMDD) based on New Accounting format were not done by GPs.





# **CHAPTER-II**

## **AUDIT OF TRANSACTION OF PANCHAYATI RAJ INSTITUTIONS**



## CHAPTER-II

### AUDIT ON TRANSACTIONS OF PANCHAYATI RAJ INSTITUTIONS

#### 2.1 Wasteful expenditure towards salary and allowances of Divisional Forest Officer

*Zilla Panchayat (ZP), East failed to utilise the services of Divisional Forest Officer posted at ZP and thus ₹ 29.02 lakh incurred towards his salary and allowances for 2009-14 were wasteful.*

73<sup>rd</sup> constitutional amendment (1992) envisaged upon the State Government to transfer fund, functions and functionaries as enlisted in XI<sup>th</sup> Schedule of the Constitution. Accordingly, State Government posted (December 2005) one Divisional Forest Officer (DFO) in ZP (East) to execute forest related activities.

Audit noticed that services of DFO were not utilised by ZP (East) w.e.f April 2009 as the only activity under forestry sector i.e., implementation of Integrated Waste land Development Project (IWDP) was discontinued since April 2009. Further, no supporting staff was posted in ZP (East) to assist the DFO. In some of the Blocks, although Forest Officers in the rank of Assistant Conservator of Forest (ACF) were posted to oversee the work at Gram Panchayat level, they were not under the control of DFO. Instead, the ACFs were working under respective BDOs for execution of plantation related works. Thus, ₹ 29.02<sup>10</sup> lakh incurred towards salary and allowances of DFO for the period 2009-14 were wasteful.

The ZP (East) stated (August 2015) that the services of DFO was utilised for implementing Green Mission and Hariyali Project. The reply is not acceptable as Green Mission project was not executed by ZP (East) during 2009-14 and Hariyali Project was closed in March 2009.

The RMDD while accepting audit observation stated (December 2015) that the services of DFO could not be utilised due to fund constraints and less priority accorded by the *Zilla Panchayat* in sanctioning forest related works.

<sup>10</sup> Year wise salary paid to DFO: 2009-10 = ₹ 3.75 lakh, 2010-11= ₹ 5.17 lakh, 2011-12= ₹ 5.79 lakh, 2012-13= ₹ 6.69 lakh, 2013-14= ₹ 7.62 lakh. Total salary for 5 years = ₹ 29.02 lakh.

## 2.2 Extra expenditure on construction of Community Recreation Centre at Bermoik-Barthang

*Action of the ZP (West) to allow rate revision at par with SOR-2012 (from SOR-2006) and allowing of rates at revised cost based on SOR-2012 for new item of works was in contravention to SPWD Manual. This led to extra expenditure of ₹44.61 lakh besides extension of undue benefit to the contractor.*

State Government sanctioned ₹ 52.83 lakh for construction of Community Recreation Centre (CRC) at Bermoik-Barthang based on the proposal submitted by Rural Management & Development Department. The *Sachiva*, ZP (West) was intimated (November 2011) by Director (Panchayat) to initiate necessary action towards construction of CRC duly following standard procedure.

The work was awarded (March 2012) to M/s Women Labour Co-operative Society of Bermoik and accordingly agreement was drawn (March 2012) with the contractor for construction of CRC at ₹ 52.83 lakh with stipulation to complete the work within 9 months (i.e. December 2012). The term of contract envisaged that no rate revision will be entertained (Para-16.6). However, the work was completed belatedly in March 2015 at an enhanced cost of ₹ 97.44 lakh.

Audit noticed that instead of completing the work within scheduled time frame, the estimate of work was revised (July 2013) by ZP (West) based on Schedule of Rates (SOR) 2012 on the plea that protective work was not included in the original estimate. Not only the protective work of ₹ 12.24 lakh was included in the revised estimate as new work, the rates for other items of original estimate were also revised based on Schedule of Rates (SOR) 2012. This led to revision of cost to ₹ 97.44 lakh, entailing an extra expenditure of ₹ 44.61 lakh.

Action of the ZP (West) was in contravention of the Sikkim Public Works Department Manual which entails that additional work, if any, required to be carried out by the contractor, would be done at *par* the rate of original estimate (Para- 11.10). Similarly, rates once finalised in the agreement would not be changed (Para- 16.6).

Thus, action of the ZP (West) to allow rate revision at par with SOR-2012 from SOR-2006 and allowing of rates at revised cost based on SOR-2012 for new item of works was in contravention to the SPWD Manual. This led to extra expenditure of ₹ 44.61 lakh besides extension of undue benefit to the contractor.

The RMDD stated (December 2015) that since it was difficult to complete the work based on SOR 2006 due to hike in the cost of materials and labour component, rate revision as per SOR 2012 was sanctioned. The reply is not acceptable as it was not permissible to change the rates finalised in the agreement (Para 16.6).

### 2.3 Injudicious expenditure from District Innovation Fund

*Decision of the ZP (South) to take up Pandal making and Equipment leasing was neither in conformity with the TFC guidelines nor in consonance with Annual Plan and SWOT analysis leading to injudicious expenditure of ₹ 50 lakh from District Innovation Fund.*

The 13<sup>th</sup> Finance Commission (TFC) recommended for formulation of District Innovation Fund (DIF) with a view to support and promote innovation for better alternatives, reducing costs, increasing the efficiency of capital assets, improving service delivery and governance. The guidelines envisaged drawing up of an Annual Plan for utilisation of fund to trigger innovative measures with a view to make Government accountable and accessible to all sections of the society.

Audit noticed that ₹ 50 lakh (out of ₹ 1 crore of DIF) was incurred during March 2013 by ZP (South) towards Pandal Making and Equipment Leasing Unit on the plea that the assets would help in meeting the demand for making pandals/ stages and dissemination of information about welfare schemes. This would also generate revenue to the Gram Panchayats through rentals to private parties/NGOs/Government, etc.

Audit scrutiny of records revealed that incurring of expenditure on Pandal and stage making etc. was not in consonance with the Annual Plan and SWOT analysis of the district which indicated tourism, horticulture, floriculture, dairy development, etc. as the potential areas for development.

Thus, the decision of the ZP (South) to take up Pandal making and Equipment leasing was neither in conformity with the TFC guidelines nor in consonance with Annual Plan and SWOT analysis. This led to injudicious expenditure of ₹ 50 lakh from DIF.

The RMDD stated (December 2015) that the South District Zilla Panchayat exercised the freedom given in District Innovation Fund (DIF) guidelines to select appropriate project, which was passed by majority in the meeting (August 2011). The reply is not acceptable as the expenditure was not likely to support and promote innovation for better alternatives, reducing costs, increasing efficiency of capital assets, improving service delivery and governance as recommended by TFC.

## 2.4 Unfruitful expenditure on water harvesting structure

*Expenditure of ₹ 1.66 crore for construction of 80 tanks remained largely unfruitful as it failed to provide safe drinking water in adequate quantity, especially during distress periods.*

Rural Management & Development Department took up roof water harvesting under Sustainability component of National Rural Drinking Water Programme (NRDWP) to provide safe drinking water in adequate quantity round the year. As per technical specification prescribed by Ministry of Drinking Water and Sanitation, Government of India for construction of tank, rainwater from roof top carried through pipes or drains to storage / harvesting system has to be ultra violet (rays) resistant; drain is to be wire meshed to restrict floating material; filtration is to be done by using filters and brick masonry construction filled by pebbles, gravel and sand.

A total of 80 works of 'Construction of Water Harvesting Tank' for ₹ 1.66 crore were sanctioned and executed across West district under 'Sustainability' component during 2013-14.

Audit noticed that the requirements under NRDWP guidelines for storing of surface water as per terrain conditions and adoption of roof-water harvesting especially for scattered habitations where water was scarce were not fulfilled; source sustainability for ensuring availability of safe drinking water in adequate quantity throughout the year; and capacity building of PRIs and awareness generation were not accorded due priority.

Physical verification of projects (15 out of 80) along with PRI representatives revealed (May 2015) that survey for design and viability was not carried out before preparation of estimate; rainwater from rooftop carried through pipes or drains to storage/harvesting system was not ultra violet (rays) resistant; drain was not wire meshed to restrict floating material; filtration was not done using brick masonry construction filled by pebbles, gravel, and sand; etc. Physical verification also revealed that water collected in the tank was utilised for washing clothes, utensils and irrigating vegetable gardens. The water collected in the tank did not appear safe for drinking purpose.

Thus, expenditure of ₹ 1.66 crore incurred towards construction of 80 water tanks was largely unfruitful as it did not ensure sustainability of drinking water sources to facilitate the existing/new drinking water supply projects to provide safe drinking water in

adequate quantity, especially during distress periods<sup>11</sup>, owing to defective design and absence of adequate survey.

The RMDD stated (December 2015) that water so collected was to be generally used for all purposes other than drinking. Moreover, the term drinking water supply implied water required for all household purposes other than drinking as well. The reply is not acceptable as Sustainability component under NRWDP was to be utilised for scattered habitations where water was scarce for providing safe drinking water in adequate quantity round the year.

## **2.5 Unfruitful expenditure on Information, Education and Communication activities.**

*Expenditure of ₹ 16 lakh incurred towards awareness-cum-coordination meeting focusing on preparation of budget and legal matters was unfruitful as awareness among Panchayats, NGOs and SHGs towards preparation of Budget was not achieved.*

Information, Education and Communication (IEC) play crucial role for ensuring better and effective planning and programme implementation, especially for rural planning relating to Backward Region Grant Fund (BRGF). The State Government provided (November 2013) ₹ 74 lakh to State Institute of Rural Development (SIRD), Karfector during 2013-14 for IEC activities. The SIRD, in turn, transferred ₹ 16 lakh to ZP (West) for conducting awareness cum coordination meetings for Zilla Panchayats and Gram Panchayats with a view to bringing awareness among Panchayats, Non- Governmental Organisations (NGOs) and Self Help Groups (SHGs) towards preparation of budget and legal matters.

Audit noticed (September 2014) that awareness-cum-coordination meetings were organised (November 2013) at different places in the districts such as Zoom, Gerethang, Kaluk, Daramdin, Dentam, Martam, etc. A total of 927 trainees participated in the awareness-cum- coordination meeting. Services of four persons (3 Panchayat functionaries and 1 Circle Officer from Police Department) were utilised to deliver lecture to the participants. It was noticed that trainee participants were not Panchayat functionaries but common people who were not involved in the Budget preparation

<sup>11</sup> Distress period is the period from November to March when shortage of water is experienced in most of the places in Sikkim.

process. They were paid ₹ 300 each as honorarium. The awareness-cum-coordination meetings did not help in bringing desired awareness among Panchayats, NGOs and SHGs towards preparation of budget and legal matters and thus did not serve the intended purpose. This was confirmed by the fact that even after these awareness-cum-coordination meetings, none of the GPs had prepared budget of their GPs. Thus, expenditure of ₹ 16 lakh incurred towards awareness-cum-coordination meetings was unfruitful.

The RMDD stated (December 2015) that fund of ₹ 74.00 lakh was provided under 13th Finance Commission Grant as untied fund and not under BRGF. The IEC programme was conducted for Zilla Panchayats and Gram Panchayats and its functionaries of the West District with the intention to highlight about the role of Panchayats in implementation of various government programmes, planning process to be followed in panchayats, record keeping, etc.

The reply is not acceptable as participants in the training programme were not Gram Panchayat functionaries of the West District dealing with records keeping but general public. Further, the fund was provided under BRGF and not TFC as contended by the Department.



**PART – B**  
**URBAN LOCAL BODIES**



# **CHAPTER-III**

**AN OVERVIEW OF THE FUNCTIONING,  
ACCOUNTABILITY MECHANISM AND  
FINANCIAL REPORTING ISSUES OF  
URBAN LOCAL BODIES**



## CHAPTER-III

### AN OVERVIEW OF THE FUNCTIONING, ACCOUNTIBILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

#### An Overview of the Functioning of the Urban Local Bodies(ULBs) in the State

#### 3.1 Introduction

Consequent upon the 74<sup>th</sup> Constitutional Amendment, the Urban Local Bodies (ULBs) were made full-fledged institutions of Local Self Governments and witnessed a significant increase in responsibilities with greater powers and distinct sharing of resources with the State Government. The amendment empowered ULBs to function efficiently and effectively and to deliver services for economic development and social justice with regard to 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution. Government of Sikkim enacted the Sikkim Municipalities Act, 2007 empowering ULBs to function as institutions of Self Government and to accelerate economic development in urban areas.

The category-wise ULBs in the State as of March 2015 are shown in table 3.1:

**Table - 3.1**  
**Category-wise ULBs in Sikkim**

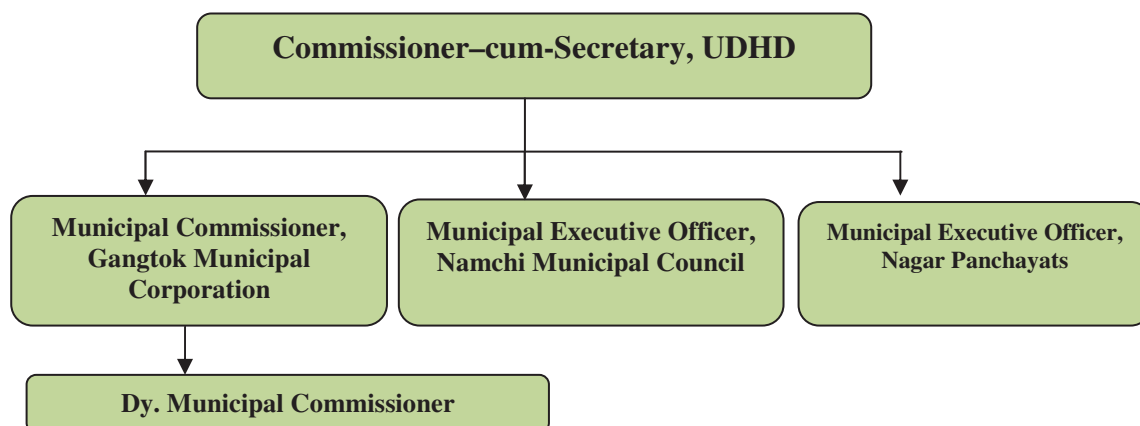
Sl. No.	ULBs	Number of ULBs
1	Municipal Corporation	1
2	Municipal Council	1
3	Nagar Panchayats	5
	<b>Total</b>	<b>7</b>

The ULBs are governed by the Sikkim Municipalities Act, 2007. Each ULB area is divided into a number of wards, which is determined and notified by State Government. Important statistics relating to urban population, sex ratio, literacy etc. is given in *Appendix 1.6*.

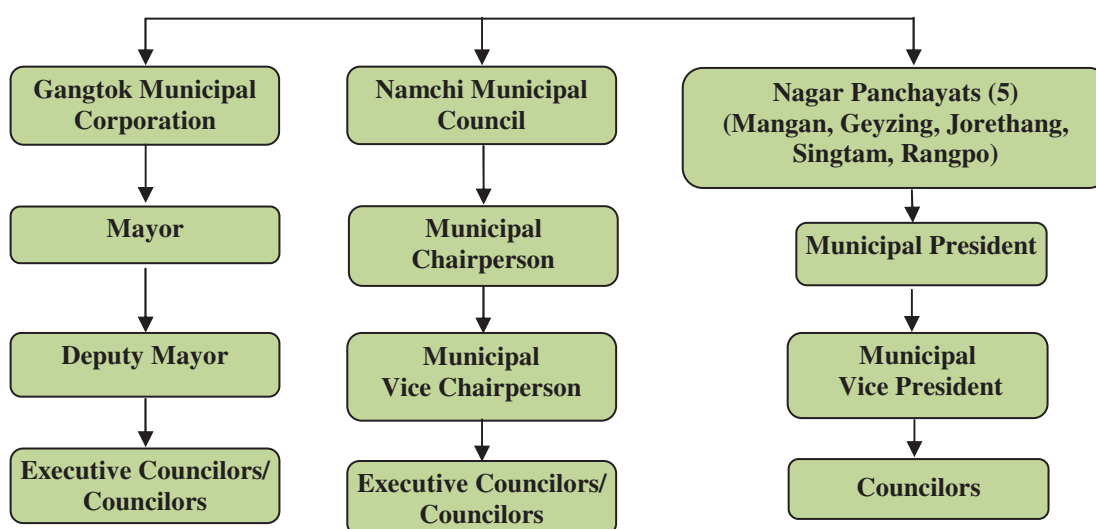
#### 3.2 Organisational set up

The Commissioner-cum-Secretary, Urban Development & Housing Department (UDHD) is the overall in charge of Urban Local Bodies in the State. The organisational structure with respect to functioning of ULBs in the State is as follows:

### Administrative Body



### Elected Body



All the ULBs have a body comprising of Councillors /Members elected by the people under their jurisdiction. The Mayor presides over the meetings of Municipal Corporation and the Chairperson/President presides over the meetings of the Council/Nagar Panchayats and is responsible for overall functioning of the body.

The Municipal Commissioner is the executive head of the Gangtok Municipal Corporation (GMC) while the Council/Nagar Panchayats (NP) is headed by the Municipal Executive Officer. They exercise such powers and perform such functions as prescribed in the Act and as per instructions of the UDHD.

### 3.3 Functioning of ULBs

The Sikkim Municipalities Act, 2007 envisages transfer of functions of various departments of the State Government to ULBs. Only three functions (viz. Public health, sanitation conservancy and solid waste management; Urban poverty alleviation; and public amenities including street lighting, parking lots, bus stops and public conveniences) out of 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution (*Appendix 1.7*) had been partially transferred by the State Government to the ULBs as of March 2015.

### 3.4 Formation of various Committees

As per Section 27 (1) of Sikkim Municipality Act 2007, a Municipal Corporation may constitute a Subject Committee consisting of Councillors to deal with the issues like, (a) water-supply, drainage and sewerage, and solid waste management, (b) urban environment management and land use control, and (c) slum services. Besides, a Municipal Corporation or a Municipal Council or a Nagar Panchayat, singly or jointly, may constitute an *ad hoc* Committee or a Joint Committee to perform such functions as the State Government may direct.

However, the Municipal Corporation, the Municipal Council, the Nagar Panchayats had not constituted any committees as of March 2015.

### 3.5 Audit arrangement

#### 3.5.1 Primary Auditors

According to Section 60(1) of the Sikkim Municipalities Act, 2007, municipal accounts as contained in the financial statements including the accounts of special funds, if any, and the balance sheet shall be examined and audited by the Director of Local Fund Audit, or any other person, as may be appointed by the State Government or an Auditor appointed by the Municipality from the panel of professional Chartered Accountants prepared in that behalf by that Government. According to Section 61(1) of the Sikkim Municipalities Act, 2007, as soon as practicable after the completion of audit of the accounts of the Municipality, but not later than the thirtieth day of September each year, the Auditor shall prepare a report of the accounts audited and examined and shall send such report along with the report of the results of the test check of accounts by the Comptroller & Auditor General (C&AG) of India to the Chief Municipal Officer.

### 3.5.2 Audit of Comptroller and Auditor General of India

Based on the recommendations of the 13<sup>th</sup> Finance Commission, the State Government entrusted (June 2011) audit of all ULBs in the State under Technical Guidance and Support (TGS) arrangement to the C&AG as per standard terms and conditions under section 20(1) of CAG's DPC Act, 1971. Accordingly, the audit of ULBs is being conducted from 2012-13, by the Accountant General (Audit), Sikkim.

### 3.5.3 Placement of Annual Technical Inspection Report (ATIR)

The ATIR for the year 2013-14 was placed in the State Legislature. However, the State Government had not amended the Sikkim Municipalities Act, 2007 to provide mechanism for discussion of ATIR in the Legislative Assembly. Neither the Public Accounts Committee discussed the ATIR nor a separate committee of State Legislature was constituted to discuss the same as recommended by Second Administrative Reforms Commission as, of March 2015.

As none of the ATIR could be discussed in the State Legislature, accountability and financial control in the functioning of ULBs could not be ensured by the State Government.

## 3.6 Response to Audit Observations

The Audit of ULBs commenced in the State from the financial year 2012-13. Position of outstanding Inspection Reports and paras are given in the following table:

**Table - 3.2**  
**Outstanding IRs and Paragraphs**

Year	No. of Inspection Reports	No. of outstanding paras	Money value (₹ in lakh)
2013-14	-	-	-
2014-15	3	14	2.45
<b>Total</b>	<b>3</b>	<b>14</b>	<b>2.45</b>

Source: Outstanding para register maintained in Office of the AG (Audit), Sikkim

Total number of five Inspection Reports (IRs) and 40 paras were issued to ULBs during the years 2013-15, out of which two IRs and 26 paras were settled.



## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 3.7 Ombudsman

The State government was yet to appoint Ombudsman for making investigations and enquiries, in respect of charges on any action involving corruption, maladministration or irregularities in the discharge of administrative functions by ULBs and Public Servants working under them, in accordance with the provisions of Prevention of Corruption Act, 1988 (Central Act 49 1988) Act (Sec. 268) for disposal of complaint.

#### 3.8 Social Audit

The arrangement for Social Audit of schemes/projects executed by ULBs in Sikkim had not been commenced by the State Government as of March 2015.

#### 3.9 Lokayukta

The State Government had appointed (February 2014) *Lokayukta* in pursuance to the sub section of the section 1 of the Sikkim *Lokayukta* Act, 2014. The *Lokayukta* comprised of chairperson, one judicial functionary, one administrative and one *ad hoc* administrative member. However, functions of *Lokayukta* were not defined in the notification issued in February 2014.

#### 3.10 Property Tax Board

Property Tax Board, although required to be set up as recommended in 13<sup>th</sup> Finance Commission Report, had not been set up in Sikkim as of March 2015.

#### 3.11 Service Level Benchmark

As a follow-up to reforms stipulated by 13<sup>th</sup> Finance Commission and also to provide good service to the public, the State Government had set up (September 2013) service level benchmark for solid waste management service provided by Gangtok Municipal Corporation. The details are shown in *Appendix 1.8*

### 3.12 Submission of Utilisation Certificates

The ULBs receive grants-in-aid from State Government through UDHD. Utilisation certificates (UC) are required to be submitted within three months of receiving grants. The details of grants received *vis-à-vis* utilisation certificate submitted to State Government is given below:

**Table - 3.3**

Year	Name of the Scheme	Amount (in ₹ lakhs)	Due date of submission of U.C	Actual date of submission of U.C
2012-13	TFC	16.66	April 2013	January 2014
	State Fund	275.08	October 2013	October 2014
2013-14	TFC	18.12	April 2014	March 2015
	State Fund	330.60	October 2014	October 2014
2014-15	TFC	17.14	April 2015	Not submitted
	State Fund	375.32	October 2015	-do-

The delay in submission of UCs ranged from 9 to 13 months primarily due to lack of monitoring by UDHD.

### 3.13 Internal Audit and Internal Control System of ULBs

Internal Audit of ULBs is done by Chartered Accountants and also by Director, Local Fund Audit (DLFA). Chartered Accountants have completed audit of ULBs upto 2013-14.

It was noticed that observation relating to non-maintenance of Fixed Assets Registers and absence of physical verification of fixed assets had not been attended to by two ULBs (Gangtok Municipal Corporation and Singtam Nagar Panchayat) against whom the observations were recorded in the Audit Report on Financial Statements from 2010-11 to 2014-15 by Chartered Accountants.

Similarly, audit of six ULBs by DLFA had been taken up from 2013-14 and a total of six<sup>12</sup> units have been audited upto March 2015.

It was noticed that observation relating to variation in accounts figures, excess payments, non-remittance of deductions, wasteful expenditure, violation of rules etc. were recorded by DLFA in the Annual Consolidated Report for the year 2012-13 to 2014-15. However, adequate corrective actions had not been initiated by ULBs as of March 2015.

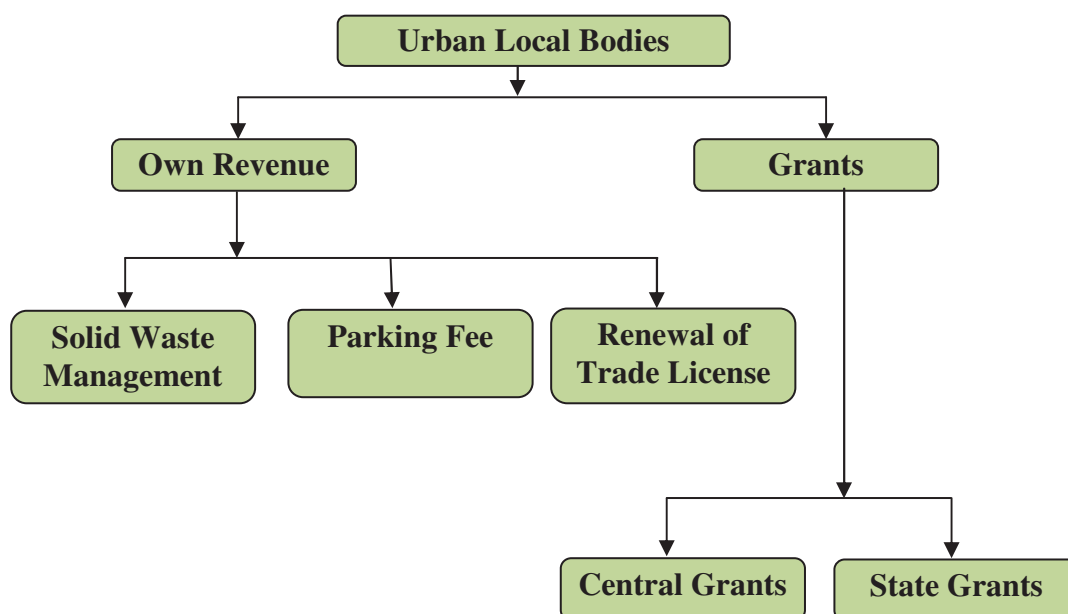
<sup>12</sup> *Mangan Nagar Panchayat, Rangpo Nagar Panchayat, Singtam Nagar Panchayat, Gyalshing Nagar Panchayat, Jorethang Nagar Panchayat and Namchi Municipal Council.*

### 3.14 Financial Reporting Issues

#### 3.14.1 Source of Funds

The Finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI) and State Government. State Government Grants are received through devolution of net proceeds of the total tax revenue on the recommendations of the State Finance Commission. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government. The own non-tax revenue of ULBs comprise of fee for solid waste management, parking fee and renewal of trade license, etc.

Grants and assistance released by the Governments are utilised for extending civic facilities to the urban population. Flow chart of finance of ULBs is as follows:



#### ➤ Custody of funds in ULBs

The grants received for implementation of various schemes/programmes are kept in bank accounts of the ULBs duly authorised by the State Government. The Drawing & Disbursing Officers under ULBs are empowered to draw the funds from the banks after obtaining sanction from the Municipal Commissioner/Municipal Executive Officer.

➤ *Position of funds of ULBs*

The detailed position of funds of ULBs for the period from 2010-11 to 2014-15 are shown in the following table :

**Table - 3.4**  
**Statement showing the position of funds of ULBs for the last five years**

*(₹ in lakh)*

ULBs Year	GMC				Council / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
2010-11	0	282.84	64.14	346.98	1.02	132.77	32.44	166.23
2011-12	51.25	505.13	277.47	833.85	85.27	168.14	117.27	370.68
2012-13	54.82	387.93	554.15	996.90	155.74	109.53	151.89	417.16
2013-14	11.70	204.25	391.27	607.22	48.36	133.61	234.96	416.93
2014-15	134.48	221.39	378.06	733.93	90.41	170.46	224.45	485.32

Source: Information furnished by the ULBs

➤ *Own revenue of ULBs*

Own revenue of ULBs includes revenues from solid waste management, parking fee and renewal of trade license, etc. Collection of own revenue in respect of seven ULBs during the last three years is shown in table 3.5:

**Table 3.5**  
**Statement showing collection of own revenue of seven ULBs**

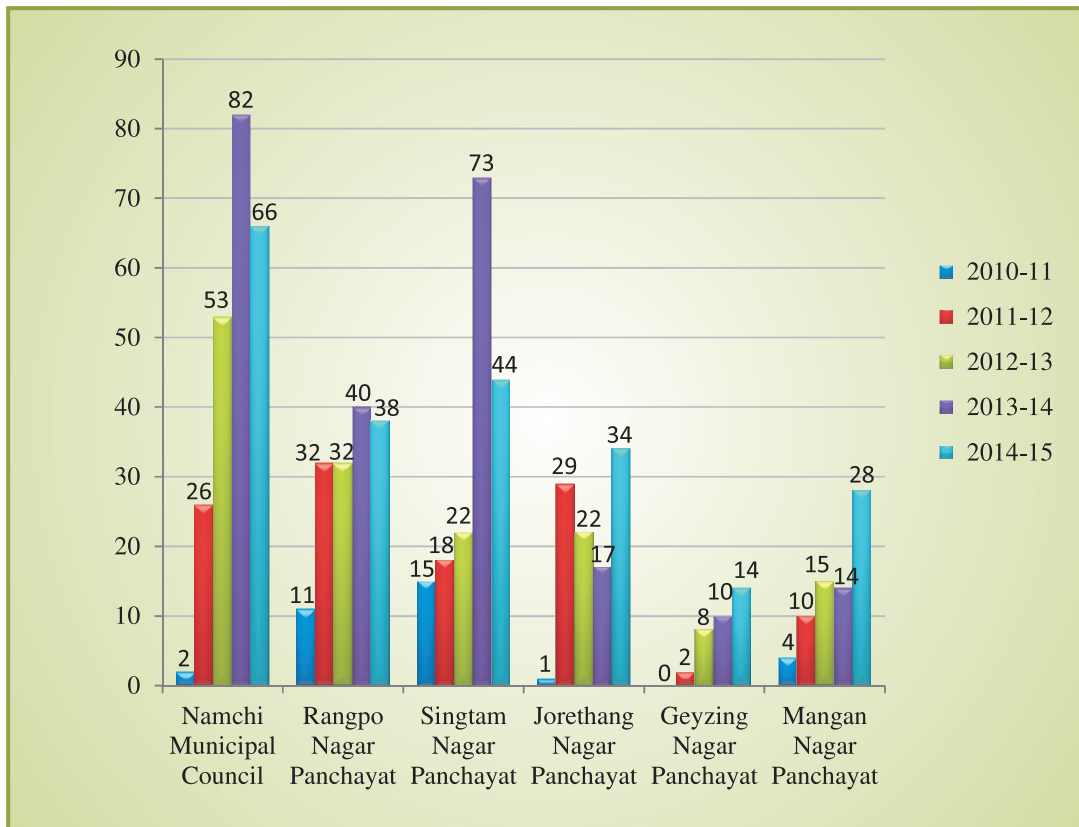
*(₹ in lakh)*

Sl. No.	Name of the ULB	2010-11	2011-12	2012-13	2013-14	2014-15
1	Gangtok Municipal Corporation	64.14	277.47	554.15	391.27	378.06
2.	Namchi Municipal Council	2.24	25.60	53.05	81.76	65.84
3.	Rangpo Nagar Panchayat	10.63	32.28	31.73	39.92	38.49
4.	Singtam Nagar Panchayat	14.62	18.11	21.65	72.98	43.87
5.	Jorethang Nagar Panchayat	0.96	29.42	22.13	16.65	33.92
6.	Geyzing Nagar Panchayat	0.29	1.62	8.27	9.96	14.41
7.	Mangan Nagar Panchayat	3.70	10.24	15.06	13.69	27.92
	<b>Total</b>	<b>96.58</b>	<b>394.74</b>	<b>706.04</b>	<b>626.23</b>	<b>602.51</b>

Source: Information furnished by the ULBs

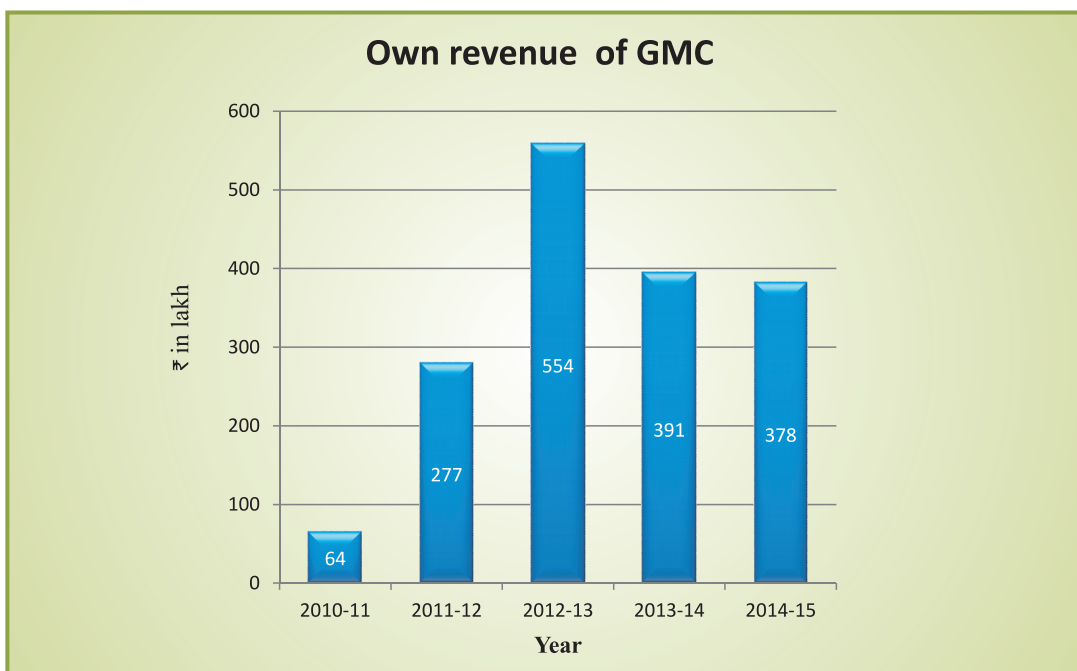
The above table indicates that the revenue collection had shown an increasing trend in case of three Nagar Panchayats (Mangan, Geyzing and Jorethang) and decreasing trend in Gangtok Municipal Corporation, Namchi Municipal Council and two Nagar Panchayats (Rangpo and Singtam) during the period 2014-15 as compared to 2013-14. The trend of own revenue collection by GMC, Namchi Municipal Council and NPs are shown in the following bar graphs:

**Trend of own Revenue Relation  
Chart - 3.1**



In case of GMC, the own revenue collection decreased from ₹ 391.27 lakh to ₹ 378.06 lakh during the period 2014-15 as compared to 2013-14 as shown in the following bar graph:

**Chart - 3.2**



➤ **Grants received and expenditure therefrom**

Receipts and expenditure by the GMC, Namchi Municipal Council and five NPs during the year 2014-15 are shown in table 3.6:

**Table - 3.6**  
**Statement showing grants received and expenditure therefrom of ULBs during 2014-15**

*(₹ in lakh)*

Type of ULBs	Grants received (Central and State)	Expenditure	Balance
Gangtok Municipal Corporation	355.87	233.87	122.00
Namchi Municipal Council	71.47	70.86	0.61
Nagar Panchayats	189.88	203.39	(-) 13.51 <sup>13</sup>
<b>Total</b>	<b>617.22</b>	<b>508.12</b>	<b>109.10</b>

Source: Information furnished by ULBs

From the above, it is seen that GMC could not utilise all the funds received during 2014-15. Analysis of closing balances revealed that unutilised funds of *Swarna Jayanti Sahari Rojgar Yojana* (SJSRY), Backward Region Grand Fund (BRGF), Disaster Management and Gangtok Municipal Corporation Relief Fund were kept in various Banks without being utilised.

➤ **Implementation of Major schemes**

Receipt vis-a-vis expenditure incurred for major schemes implemented by ULBs during 2011-12 to 2014-15 are given in table 3.7:

**Table - 3.7**  
**Statement showing receipts and expenditure of major schemes**

*(₹ in lakh)*

Name of the Scheme	2011-12		2012-13		2013-14		2014-15		Total	
	Receipts	Exp	Receipts	Exp	Receipt	Exp	Receipt	Exp	Receipt	Exp
SJSRY	60.52	2.49 (4.11)	13.09	31.92* (243.85)	4.27	9.48* (222.01)	0.60	3.00* (500)	78.48	46.89 (60)
BRGF	75.27	53.93 (71.65)	172.36	78.40 (45.49)	65.30	68.20 (104.44)	85.72	87.52* (102.09)	398.65	288.05 (72.25)
13 <sup>th</sup> F.C	0.73	0	9.49	3.46 (36.46)	6.18	3.54 (57.28)	4.57	4.21* (92.12)	20.97	11.21 (53.46)
NRHM	0	0	0	0	0	0	9.48	9.48 (100)	9.48	9.48 (100)
<b>Total</b>	<b>136.52</b>	<b>56.42 (41.33)</b>	<b>194.94</b>	<b>113.78 (58.37)</b>	<b>75.75</b>	<b>81.22 (107.22)</b>	<b>100.37</b>	<b>104.21 (103.82)</b>	<b>507.58</b>	<b>355.63 (70.06)</b>

Source: Information furnished by ULBs

\* Expenditure also incurred from the previous year's unspent balances available under the schemes. Figures in bracket indicate percentage.

<sup>13</sup> Excess expenditure done from last year's savings and own revenue.

Out of ₹ 78.48 lakh available for SJSRY, ₹ 46.89 lakh was utilised indicating 60 per cent utilisation. Similarly, ₹ 288.05 lakh and ₹ 11.21 lakh were utilised for BRGF and TFC as against the availability of ₹ 398.65 lakh and ₹ 20.97 lakh respectively. The expenditure of BRGF and TFC was 72.25 per cent and 53.46 per cent respectively. Reasons for low utilisation of funds were neither reflected in records nor furnished to Audit.

### 3.14.2 Recommendation of State Finance Commission (SFC)

At the time of constitution of Third State Finance Commission ULBs were not formed. So, State Finance Commission did not comment or provide any recommendation in respect of Urban Local Bodies.

### 3.14.3 Recommendation of Central Finance Commission (CFC)

The year wise budget provision and expenditure relating to Central Finance Commission (13<sup>th</sup> FC) is given in the following table:

**Table - 3.8**  
**Statement showing utilisation of TFC fund**

<i>(₹ in lakh)</i>				
Year	Amount Released by GOI	Date of receipt of Fund from GOI	Date of release of fund to ULBs	Delay (in days)
2010-11	12.03	15.7.2010	21.9.2010	52
2011-12	11.77	22.3.2012	31.3.2012	--
2012-13	15.00	21.8.2012	12.9.2012	8
	1.66	31.3.2012	30.4.2012	15
2013-14	15.00	12.3.2014	31.3.2014	4
	3.12	24.4.2013	02.5.2013	--
2014-15	17.14	19.3.2015	31.3.2015	--
	5.17	24.3.2015	02.5.2015	24
<b>Total</b>	<b>80.89</b>			

Source: Information furnished by State Government (UDHD)

As would be noticed from the above table, fund amounting to ₹ 80.89 lakh was released belatedly (delay ranging from 4 to 52 days) during 2010-15 which is in contravention to TFC recommendations (Para 10.157) to release funds to ULBs within 15 days of receipt of funds from Government of India.

### 3.14.4 Maintenance of Accounts by ULBs

Financial reporting is a key element of accountability. According to Section 57(1) and 58(1) of the Sikkim Municipalities Act, 2007, the ULBs should prepare the Annual Financial Statements which would include Income and Expenditure Accounts for the preceding year within four months of the close of a financial year. The annual Balance

Sheet of assets and liabilities in the prescribed form should be prepared within three months of the close of the financial year.

Based on the recommendation of XI<sup>th</sup> Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which is based on double entry accrual based system of accounting. The Urban Development & Housing Department, Government of Sikkim had drafted (March 2008) the Sikkim Urban Local Bodies Accounting Manual based on the NMAM. The Manual was not approved by the Government as of March 2015. The accounts of ULBs were being maintained under cash based Double Entry System. However, certification of accounts was not done, for any year, by the Primary auditor (DLFA) since its formation in June 2012.

#### ***3.14.5 Maintenance of records***

According to the Sikkim Municipality Act, 2007 (Rule 56), the State Government shall prepare and maintain a Manual to be called the Municipal Accounting Manual containing details of all financial matters and procedures relating thereto, in respect of the Municipality. Accordingly, Sikkim Urban Local Bodies Accounting Manual (SULBAM) had been drafted by the State Government (which is in the process of approval) and distributed to all ULBs for maintenance of registers such as Demand and Collection Register for rent, Register for bill payment, Register of movable property, Register of dishonoured cheques and drafts, Register of Security Deposits, Deposit Work Register etc. It was, however, noticed that none of the above registers were maintained by ULBs.

**Gangtok**

**(Vanlal Chhuanga)  
Accountant General (Audit)  
Sikkim**



# APPENDICES



**Appendix - 1.1**  
**Statement showing vital statistics of Rural Sikkim**  
*(Reference: Paragraph- 1.1: Introduction; Page: 1)*

<b>Indicator</b>	<b>Unit</b>	<b>State value</b>	<b>National value</b>
Area	Sq.km.	7,096	32,87,263
Rural area	Per cent	99.46	72.20
District	Numbers	4	640
Village	Numbers	451	6,38,588
Population	In lakh	6.11	12,101.93
PRIs	Numbers	180	2,46,062
Municipal Corporation	Numbers	1	139
Municipal Council	Numbers	1	1,595
Nagar Panchayat	Numbers	5	2,108
Gender Ratio	1000 male	890	940
Poverty	Per cent	19.33	26.10
Literacy	Per cent	81.42	74.04
Total Households	Numbers	1,29,006	19,35,79,954

*Source: Census report 2011 and information furnished by the State Government*

**Appendix - 1.2**  
**Statement showing powers of PRIs**  
*(Reference: Paragraph- 1.3: Functions of PRI; Page: 2)*

<b>Name of Sector / Department</b>	<b>Activities under Zilla Panchayat</b>	<b>Activities under Gram Panchayat</b>
1. Agriculture & Food Security	Identification of areas for all programmes; National Agricultural Insurance Scheme; extension and demonstration on organic farming; conducting crop competition demonstration; deconstruction programme; compensation for crop loss due to natural calamities; establishment of storage facilities; and generation of crop statistics.	Selection of beneficiaries for demonstration and organic manure production; assisting in organising crop competition & exhibition; selection of beneficiaries for special program of organic farming; generating yield data; reporting of crop loss; maintenance of infrastructures and organising & motivation for agriculture production.
2. Horticulture & Cash Crop	Extension & demonstration on organic farming related to horticulture; conducting crop competition & exhibition; training & demonstration of horticulture crops including fruits, vegetables, potato, ginger & cardamom; creating awareness in floriculture as commercial venture; assessment, verification and compensation of horticulture crop losses due to natural calamities; establishment of storage facilities; generation of horticulture crop statistics and motivation and implementation of crop insurance.	Extension & demonstration on organic farming related to horticulture and development of local entrepreneurs for production of organic manures; assisting in organising crop competitions & exhibitions; training & demonstration of horticulture crops through selection of right beneficiaries and areas; assessment and reporting of horticulture crop losses; maintenance of storage facilities; generating horticulture crop statistics; and motivation of crop insurance programme.
3. Animal Husbandry, Livestock, Veterinary Services	Rabies control, vaccination & elimination of affected animals; distribution of preventive materials for control of animal diseases preventive measures; compilation of reports & dissemination of information; identification of areas for different types of animal development programme; quality monitoring; meat inspection & certification; programmes for fodder production; management of marketing of animal products; processing centres; training &	Identification of beneficiaries for various purposes under Animal Husbandry Sector; distribution of fodder; collection of products for large markets; assessment of production collection centres; supervision of delivery of Government services; identification of training needs of farmers; requisition of training programmes; distribution of high bred varieties of farm animals; execution of works up to ₹ 2 lakh; and supervision of implementation.

	awareness of animal husbandry related programmes; organising District level training workshops & programmes; cross breeding management of artificial insemination programmes; execution of works between ₹ 2 to ₹ 5 lakh; and identifying areas for various types of fisheries.	
4. Education	Overall supervision of Junior High School (JHS) except appointment and transfer of teachers; all repairs & maintenance of JHS; supporting state authorities in survey & related projects; literacy programmes; and monitoring the programmes.	Overall supervision of functioning of Primary School (PS) and Lower Primary School (LPS) except appointment and transfer of teachers; conducting all repairs & maintenance works up to ₹10 lakh; identification of learners; and assisting in Literacy Supervision programmes.
5. Health & Family Welfare	To facilitate the formation of village health and sanitation committees at the Gram Panchayat level; to ensure and help district health mission under NRHM to prepare a need based demand driven socio-demographic plan at the district level; to oversee effective implementation of health and family welfare programmes at the district level by monitoring and supervising the functions and functionaries, training, equipping and empowering Panchayat members suitably to manage and supervise the functioning of health care infra-structure and man-power and further co-ordinate works of different departments such as Health & Family Welfare, Social Welfare, Public Health Engineering, Rural Development, etc. at the district level; and to ensure un-biased selection of Accredited Social Health Activist (ASHA).	Form village health and sanitation committee comprising of Auxiliary Nurse Midwife (ANM) / Multipurpose Health Worker (Male) {MPHW(M)}, Accredited Social Health Activist (ASHA), Non-Government Organisations (NGOs) and village representatives with adequate representation for women members (Existing village sanitation campaign may be re-designated as Village Health and Sanitation Committees); to ensure and help village level health committees under NRHM to prepare an area specific, need based, demand driven, socio- demographic plan at the village/ sub-centre level; to grant approval and ensure proper utilisation of funds earmarked as untied funds under NRHM; to ensure selection of sincere and dedicated ASHA in village; to improve health care standard at the household level through female health activist (ASHA); to demonstrate exemplary performance in compulsory registration of births, deaths, marriage and pregnancies; ensuring safe deliveries to bring a reduction in Infant Mortality Rate

		(IMR) and Maternal Mortality Rate (MMR); identification of people in need of service and facilitate in providing service in collaboration with village level health workers in respect of National programmes like Reproductive and Child Health, Blindness, Tuberculosis (TB) Control, Sexually Transmitted Disease (STD) / Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Syndrome (AIDS), etc. keeping provision of fund for maternal and child health activities (referral of high risk cases, etc.) in the PRI budget; awareness generation regarding all health and family welfare related issues and to generate demand from the community for services under different National and State health programmes; and to increase service utilisation at different levels through different effective locally acceptable approaches.
6. Forests, Environment and Wildlife	Facilitation for marketing of saplings for Government & private plantation; providing marketing facilities for medicinal plants & other forestry products; training for cultivation; protection support to <i>Smriti Van</i> <sup>14</sup> ; support for control of forest fire, prevention & control; awareness and promotion on regulated grazing; promotion of Non-timber Forest Produce (NTFP) -bamboo plantations; promotion of timber substitutes-marketing; identification of Gram Panchayats for the programme; monitoring of the programme; and harvesting & distribution of fuel wood.	Establishment of community nurseries; establishment of medical plants gardens for commercial purpose; establishment of <i>Smriti vans</i> ; control of forest fires; co-ordination with Joint Forest Management Committee (JFMC); control of grazing in forest land; implementation of regulated grazing; plantation of Non Timber Forest Produces (NTFP) production; micro- planning & implementation of soil conservation works; planning & implementation of Green mission works; planning & implementation of fuel wood plantation in community lands; identification of sites; and upkeep of parks & gardens.
7. Commerce & Industries	Providing assistance to trained beneficiaries to start their own	Identification of beneficiaries for training; distribution of raw

<sup>14</sup> “*Smriti Van*” is a piece of land where medicinal plants have been planted through community participation.

	units including credit support; organizing entrepreneurial development programmes; providing marketing facilities for cottage and village products; and identifying locations for specific industrial & commercial activity.	materials and promotion of cottage industries based on locally available materials.
8. Disaster management	Assisting in assessment of damages during natural calamity; providing training on rescue and relief operation; coordinating with District Relief Committee and Village Relief Committee; investment in preventive and preparedness measures; and maintenance & minor repair works between ₹ 10 to ₹ 20 lakh.	Awareness generation on disaster management; mock drill; and rescue & relief operation.
9. Irrigation	Creation of minor irrigation channels.	Identification of locations for minor irrigation channels; and all repairs of minor irrigation channels.
10. Cultural activities	Identification and preservation of heritage sites.	Promotion of folk art; preservation of traditional culture and customs; and opening and maintenance of rural (village) Libraries.
11. Rural water Supply	All maintenance works and new schemes between ` 10 to ` 20 lakh.	Minor repairs and new schemes up to 10 lakh.
12. Rural bridges	All maintenance works and new schemes between ` 10 to ` 20 lakh.	Minor repairs and new schemes up to `10 lakh.
13. Rural sanitation	Promoting environment friendly means of disposal of solid and liquid waste; maintenance of environmental hygiene; construction and maintenance of institutional and community latrines and bathing places.	Conducting environment friendly waste management through Gram Panchayat level Water and Sanitation Committees; and construction and maintenance of Individual Sanitary latrines and bathing cubicles.
14. Cooperatives	Promotion of Co-operative movement in the district.	Generating awareness about cooperatives.
15. Miscellaneous	Regulating building construction; rural street lighting and its maintenance; establishment & maintenance of crematoriums and burial places; regulating disposal of carcasses; construction of Integrated Child Development Scheme (ICDS) Centres; disbursement of Old Age Pension (OAP) & Sumptuary Allowance (SA); implementation of Small Family Benefits Scheme;	Enforcing regulation for building construction; establishing facilities for generation of renewable energy sources; reporting on presence of carcasses; supervision and maintenance of ICDS Centres; maintaining tourist infra-structure and amenities at the village level; regulating the use of haat sheds at the Sub- Divisional level markets not falling under the jurisdiction of ULBs; collection of data for the

	<p>implementation of National Family Benefit Scheme; promotion of eco-tourism; maintaining tourist's infrastructure and amenities at the district level; identification of potential places for development of tourism; promotion of use of renewable energy sources; maintaining haat sheds at the Sub-divisional level markets not falling under the jurisdiction of ULBs; and assisting the State Govt. in collection of data / survey / maintenance of law &amp; order and Information, Education and Communication (IEC) activities.</p>	<p>State Govt. and reporting to the District Administration of the Law &amp; Order situation including potential dangers and disturbances.</p>
All centrally sponsored schemes	As per guidelines given by the GOI.	As per guidelines given by the GOI.



**Appendix - 1.3**  
**Statement showing functions to be transferred to PRIs**  
(Reference: Paragraph- 1.3.1: Devolution of function; Page: 3)

Sl. No.	Name of Deptt. / Scheme	Zilla Panchayat	Gram Panchayat
<b>Agriculture</b>			
1.	Farmers field seed production	Selection of areas for seed production.	Selection of farmers for seed production.
2.	Manure & fertilizers	Distribution of manure & fertilizers under supervision of Zilla Panchayat (ZP).	Distribution of manure & fertilizers through Village Level Worker (VLW) by Gram Panchayat (GP).
3.	Plant protection	To pursue the matter of plant protection with the department on the basis of information from GP.	Collection of information of pests & diseases in plant and inform GP, introduction of customized services for common diseases.
4.	(A) Commercial crops (B) Other minor cereal crops	Procurement of commercial crops and other minor cereal crops for intra Panchayat.	To organise Gram Sabha for identification & process the list for approval and supply special component Plan/Non component Plan.
5.	Extension & Training	Organising routine training of Extension & Training at farms	Identification of training of Extension & Training needs at farmers level.
6.	(A) Oil Seed Production Programme (B) Pulses Production	As in item 4	As in item 4
7.	Rejuvenation of old orchards	Training/drawing of Annual Action Plan for rejuvenation of old orchards.	Training/identification and supervision of areas where rejuvenation is to be taken up.
8.	Planting new Orchards	Identification of beneficiaries & distribution of Planting materials.	Distribution of planting materials.
9.	Subsidy of Bank Finance Scheme	Approval of Scheme	-
10.	VLW Centre	Supervision of maintenance of VLW Centre upto ₹ 3 lakhs.	-

<b>Animal Husbandry</b>			
1.	Prevention and control of animal disease	Identification of areas for Prevention, execution and monitoring including census of animals to assess the requirement of vaccine & medicine for the district.	Supervision of prevention & control work in co-ordination with the respective veterinary officer and report to ZP.
2.	Herd improvement (A) Through natural service	Approval of requirement placed by GP and release of Maintenance allowance as per the Report of GP.	Identification of farmers for keeping the breeding animals.
	(B) Through Artificial Insemination.	Implementation of programme through concerned field Functionaries.	-
3.	Integrated piggery Devevelopment Programme	Implementation and monitoring of the Integrated piggery Devevelopment Programme, training, orientation and distribution of piglets and feeds.	Identification of beneficiaries for the Integrated piggery Devevelopment Programme and reporting to ZP for approval.
4.	Extension & Training of Integrated piggery Devevelopment Programme	Organising routine training of Extension & Training of Integrated piggery Devevelopment Programme at Farms.	Identification of training needs of farmers.
5.	Minor works/supervision/Maintenance	Approval and Implementation of minor works/supervision/maintenance accounts upto ₹ 3 lakh.	To report to ZP for projecting requirement of minor works.
6.	Stockman centre	Supervision/ maintenance of minor repairs of Stockman centre upto ₹ 3 lakh.	Priority to be fixed in Gram Sabha for Stockman centre.
<b>Medical and Public Health</b>			
1.	Mass education	Implementation and monitoring of Mass education.	To organise <i>Swasthya Samiti</i> in GP and organise health camps in consultation with ZP and concerned Chief Medical Officer.
2.	Rural family welfare services	Implementation and monitoring of Rural family welfare services.	-

3.	Maintenance of Public Health Service Centre	Maintenance of Public Health Service Centre upto ₹ 3 lakh.	Supervision of Maintenance of Public Health Service Centre.
5.	Integrated Child Development Service.	Construction of Integrated Child Development Service Centres in consultation with State Govt.	Supervision of Integrated Child Development Service centre and report to ZP.
<b>Rural Development Department</b>			
1.	Maintenance of Panchayat Ghar	Project formulation and approval of scheme as per fund available upto ₹ 3 lakh.	Selection, arrangement for supervision of work & reporting to ZP.
2.	Rural Bridges	Upto ₹ 3 lakh towards maintenance.	-
3.	Repair/ Maintenance of Village Water Supply.	Upto ₹ 3 lakh towards maintenance.	-
4.	Sanitation	Implementation of household latrines.	Identification of beneficiaries for household latrines.
5.	New and Renewable Source of Energy (NRSE) national programme on Biogas development	Identification of areas on the basis of viability as per the guidelines of the scheme.	Identification of beneficiaries' supervision, implementation and reporting to ZP.
<b>Education Department</b>			
1.	Minor works	Primary School	-
2.	Non-formal education	Supporting State authorities in survey & related projects for Non-formal education.	Motivation and supervision for Non-formal education.
3.	Adult education	<i>Zilla Adhakshyas</i> are the presidents of <i>Zilla Saksharta Samities</i> & Co-ordinate the programme with help of State functionaries for Adult education.	Helping State functionaries in literacy survey, selection of instructors and identifying potential learners.
4.	Mid Day Meals	Distribution of dry rations with help of district authorities.	-
5.	Primary schools	Supervision/ maintenance/ minor repairs of Primary schools upto ₹ 3 lakh.	-

6.	Junior High Schools	Supervisions of Junior High Schools	-
<b>Land Revenue Department</b>			
1.	Village Level Officer Centres	Supervision/ maintenance/ minor repairs of Village Level Officer Centres upto ₹ 3 lakhs	-
<b>Irrigation Department</b>			
1.	Minor Irrigation Works	Supervision/maintenance/ minor repairs of Minor Irrigation works upto ₹ 3 lakhs	-
<b>Forest Department</b>			
1.	Social forestry	Social Forestry will be taken up by ZP.	-

**Appendix - 1.4**  
**Statement showing functions not transferred to PRIs**  
(Reference: Paragraph- 1.3.2: Functions not transferred; Page: 3)

Sl. No.	Function / Scheme	Power of State Government
<b>AGRICULTURE</b>		
01.	Farmers' field seed Production	Selection and procurement of seeds & their technological supervision.
02.	Manure & fertilizers	Procurement of fertilizer.
03.	Plant protection	Procurement of pesticides and overall technical supervision.
04.	(A) Commercial crops (B) Other minor Commercial Crops (C) Spices (D) Tuber crops	Procurement of seeds having Inter district ramification.
05.	Extension & Training	Providing curriculum teaching aids and Other materials, organisation of more sophisticated training and training of trainer.
06.	(A) Oil seed production programme (B) Pulses production	As in item-4.  As in item-4.
07.	Rejuvenation of old orchards	Technological support, supervision and annual physical verification.
08.	Planting new Orchards; integrated development of fruits, vegetable development, floriculture, etc.	Procurement of planting materials in case of Inter District Procurement.
09.	Subsidy of bank finance scheme	Formulation of scheme and allocation of funds.
<b>ANIMAL HUSBANDRY</b>		
1.	Prevention and control of animal diseases	Formulation of strategy for prevention & control of diseases; and provisioning of technology and medicine to Zilla Panchayats.
2.	Cattle improvement through (A) Natural Service and (B) Artificial Insemination.	Formulation of programme and policy and allocation of fund to Zilla Panchayats.
3.	Integrated Piggery Development Programme	Programme introduction guidelines and allocation of funds.
4.	Extension & training	Providing curriculum teaching aids and other materials, organisation of more sophisticated training and training of trainer.
5.	Minor works/ supervision/ maintenance	Allocation of funds to district.
<b>MEDICAL AND PUBLIC HEALTH</b>		
1.	Mass education	Allocation of funds to district.
2.	Rural family welfare services	Allocation of funds to district.

3.	Maintenance of Primary Health Sub Centre (PHSC)	Allocation of funds to district.
4.	ICDS	Women & Child Welfare Department to provide funds from their sources.
<b>RURAL DEVELOPMENT DEPARTMENT</b>		
1.	Maintenance of Panchayat Ghar	Fund allocation to district & monitoring.
2.	Sanitation	Formulation of programme for sanitation.
3.	New and Renewable Source of Energy (NRSE) National programme on Bio-gas development	Fund allocation to district and overall control.
<b>EDUCATION DEPARTMENT</b>		
1.	Non-formal education	Planning, Co-ordination and management of programmes as per GOI guidelines.
2.	Adult education	Planning, co-ordination & management of programmes as per GOI guidelines.
3.	Mid-Day Meals	Co-ordination & Monitoring.

**Appendix - 1.5**  
**Statement showing utilisation certificates submitted by PRIs**  
*(Reference: Paragraph- 1.10 Utilisation Certificates; Page 10)*

(₹In lakhs)

Year	Name of Schemes	Amount given to GPs/ZPs	Due date of submission of UCs by GPs/ZPs	Actual date of submission of UCs by GPs/ZPs
2012-13	BRGF	968.00	31.3.2014	2.12.2013
	TFC	2173.00	31.3.2014	31.3.2014
	SFC	394.67	31.3.2014	1.12.2013
2013-14	BRGF	868.00	31.3.2015	2.12.2014
	TFC	2444.56	31.3.2015	31.3.2015
	SFC	457.25	31.3.2015	1.12.2014
2014-15	BRGF	1146.78	31.3.2016	2.12.2015
	TFC	2820.15	31.3.2016	-
	SFC	514.73	31.3.2016	1.12.2015

Source: Information furnished by State Government

**Appendix - 1.6**  
**Statement showing vital statistics of Urban Sikkim**  
*(Reference: Paragraph-3.1: Vital Statistics of ULBs; Page: 30)*

<b>Particular</b>	<b>State</b>	<b>Urban Sikkim</b>
Population	6.11 lakh	1.54 lakh
Sex ratio	890/1000 males	913/1000 males
Literacy rate	81.42 %	88.71 %
Area	7096 sq km	710 sq km
Poverty	8.19 %	3.6 %
Household	1,29,006	35,718



**Appendix - 1.7**

**Statement showing functions to be transferred to ULBs**  
(Reference: Paragraph-3.3: Functioning of ULBs; Page: 32)

<b>Sl. No.</b>	<b>Functions</b>	<b>Present position</b>
1.	Urban planning including town planning.	Not transferred
2.	Regulation of land-use and constriction of building	-do-
3.	Planning for economic development and social development.	-do-
4.	Roads and bridges	-do-
5.	Water supply for domestic, industrial and commercial purpose.	-do-
6.	Public health, sanitation conservancy and solid waste management.	Transferred
7.	Fire Service	Not transferred
8.	Urban forestry protection of the environment and promotion of ecological aspects.	-do-
9.	Safeguarding the interests of the weaker section of the society, including the handicapped and the mentally retarded.	-do-
10.	Slum improvement and up-gradation.	-do-
11.	Urban poverty alleviation.	Transferred
12.	Provision of urban amenities and facilities such as parks, gardens, playgrounds.	Not transferred
13.	Promotion of culture, educational and aesthetic aspects,	-do-
14.	Burials, burial grounds; cremations, cremation grounds and electric crematoriums.	-do-
15.	Cattle pounds, prevention of cruelty to animals.	-do-
16.	Vital statistics including registration of births and deaths.	-do-
17.	Public amenities including street lighting, parking lots, bus stops and public conveniences.	Transferred
18.	Regulation of slaughter houses and tanneries.	Not transferred

### Appendix - 1.8

#### Statement showing service level benchmark for solid waste management service

(Reference: Paragraph-3.11: Service Level Bench Mark: State Profile; Page: 34)

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2011-12	60	70	-	0	0	50	25
2012-13	80	-	-	10	0	70	35
2013-14	90	90	20	20	0	90	40
2014-15	95	95	40	50	10	95	50
2015-16	99	95	60	70	40	99	70
2016-17	100	100	80	75	50	100	80
2017-18	100	100	90	80	60	100	80
2018-19	100	100	100	85	70	100	80
2019-20	100	100	100	90	90	100	80
2020-21	100	100	100	100	100	100	80

(Source: Information furnished by UDHD, Government of Sikkim)