



Executive Summary



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

This Report contains 24 audit paragraphs (including 13 general paragraphs) and three Performance Audits. According to the existing arrangements, copies of the draft compliance audit paragraphs and draft performance audits were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of two paragraphs (2.5 and 5.4).

SOCIAL SECTOR COMPLIANCE AUDIT

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

(Paragraph 1.3)

ECONOMIC SECTOR PERFORMANCE AUDIT

Tourism Development in Sikkim

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

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

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

(Paragraph 2.3)

COMPLIANCE AUDIT

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

(Paragraph 2.4)

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

(Paragraph 2.5)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKING) PERFORMANCE AUDIT

Performance Audit on functioning of State Trading Corporation of Sikkim

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

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

(Paragraph 3.2)

COMPLIANCE AUDIT

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

(Paragraph 3.3)

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

(Paragraph 3.4)

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

(Paragraph.3.5)

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

(Paragraph.3.6)

REVENUE SECTOR COMPLIANCE AUDIT

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

(Paragraph 4.12)

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

(Paragraph 4.13)

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

(Paragraph 4.14)

GENERAL SECTOR PERFORMANCE AUDIT

Water supply projects funded under NLCPR and NEC

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

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

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

(Paragraph 5.3)

COMPLIANCE AUDIT

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

(Paragraph 5.4)