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## PREFACE

*This Report for the year ended March 2016 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 2015-16 as well as those issues which came to notice in earlier years, but could not be dealt with in 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 five Chapters. Chapter I contains an overview of functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions in the State, Chapter II contains Performance Audit on Utilisation of Thirteenth Finance Commission Grants by Local Bodies in Sikkim, Chapter III contains Compliance Audit Paragraphs related to PRIs, Chapter IV contains an overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies in the State and Chapter V contains Compliance Audit Paragraphs related to ULBs.*

## **1. An overview of Panchayati Raj Institutions**

*The State Government transferred only 15 subjects to the PRIs as against 29 subjects as of March 2016.*

*(Paragraph-1.3.2)*

*District Planning Committee and Block Administrative Centres were not discharging their responsibilities adequately to provide support to PRIs in formulation of plan and strengthening the control mechanism for proper execution of schemes.*

*(Paragraph-1.4.1 & 1.11.3)*

*The Social Audit was institutionalised and made functional in the State but inadequate follow-up mechanism led to redressal of only 33 per cent of issues raised and 12 per cent of recovery pointed out during 2015-16.*

*(Paragraph- 1.8)*

*While the Gram Panchayats had not initiated adequate steps to collect tax revenue as mandated, the State Government had also not released full fund as stipulated by the fourth State Finance Commission causing fund constraint to the PRIs.*

*(Paragraph-1.12.1)*

## **2. Performance Audit on Utilisation of Thirteenth Finance Commission (TFC) Grants by Local Bodies in Sikkim**

*The State failed to fulfil the conditions imposed by TFC in full resulting in short release of fund of ₹ 50.18 crore to PRIs and ₹ 0.79 crore to ULBs.*

*(Paragraph-2.7.2)*

*Fund of ₹ 2.39 crore was irregularly diverted towards ongoing works of State Government against the prescription of TFC guidelines.*

*(Paragraph-2.8.3 & 2.8.4)*

*15 projects were not completed even after recording a delay of 5 to 25 months. Non completion of projects led to postponement of intended benefits despite incurring ₹ 3.46 crore on these incomplete projects.*

*(Paragraph-2.9.1)*

*State High Level Monitoring Committee (SHLMC) convened only seven meetings (July 2010 to March 2016) to dwell upon the responsibilities against stipulation of 19 meetings and rarely discussed the affairs of LBs.*

*(Paragraph-2.10.1)*

## **3. Compliance Audit Paragraphs of PRIs**

*The ZP, South executed the project augmentation of RWSS at Maniram Bhanjyang during 2013-15 despite the fact that all the households of GP were fully covered with water supply leading to unwarranted execution and avoidable expenditure of ₹ 1.07 crore.*

*(Paragraph-3.1)*

*The ZP, South released payment towards carriage of non-stock materials without insisting on compliance of terms of contract for submission of Permits issued by Forest Department, leading to avoidable expenditure of ₹ 21.08 lakh and undue benefit of equal amount to contractors as no carriage was involved.*

*(Paragraph-3.2)*

*Execution of work ‘ Suspension Foot Bridge at Lower Borong Phamtam’ was characterised by extra expenditure on account of acceptance of higher tender premium (₹ 7.20 lakh); allowing of self-purchase of stock material of lower grade leading to undue benefit to contractor (₹ 3.50 lakh) besides the risk of sub-standard works; and excess expenditure on purchase of bridge materials (₹ 22.69 lakh).*

*(Paragraph-3.3)*

*The ZP (East) instead of penalising the contractors for poor workmanship of less underground burying and forceful bending of pipes instead of use of fittings released full amount to the contractor. This led to sub-standard work and irregular payment of ₹14.47 lakh to contractor towards burying.*

*(Paragraph-3.4)*

*The GPs of Daramdin Block procured sand and cement at rates higher than the approved rates which led to excess expenditure of ₹34.53 lakh.*

*(Paragraph-3.5)*

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

*Out of 18 functions listed in the XIIth schedule of the Constitution, only 3 functions were partially transferred by the State Government to the ULBs as of March 2016.*

*(Paragraph-4.3)*

*The State Government had not set up Property Tax Board and announced Service Level Delivery Benchmark for the ULBs (except Gangtok Municipal Corporation) as of March 2016 for realisation of property tax and providing better civic amenities to urban citizens respectively.*

*(Paragraph-4.10 & 4.11)*

*The revenue income showed an increase during 2015-16 over 2014-15 in case of all ULBs except Namchi Municipal Council.*

*(Paragraph-4.14.1)*

## **5. Compliance Audit Paragraphs of ULBs**

*Injudicious and hasty decision of Gangtok Municipal Corporation to acquire Star Cinema Hall Building without ensuring its utilisation, cost-benefit ratio and its subsequent failure to get possession of the Building for intended use or obtain refund of ₹ 4.06 crore, even after expiry of two years of release of fund, led to unfruitful expenditure and loss of interest of ₹32.48 lakh towards idle fund.*

*(Paragraph-5.1)*

*State Government released ₹ 5 crore to ULBs, originally meant for 'Self-reliant Scheme' which was not requested by the ULBs and subsequently not utilized and kept idle in fixed deposit (₹ 3.30 crore) by four ULBs. Provisioning of fund to ULBs by diverting earmarked fund was also against the intent of the Legislature.*

*(Paragraph-5.2)*



**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)

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

#### 1.1 Introduction

The 73<sup>rd</sup> Constitutional Amendment gave constitutional status to Panchayati 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 (ZP) at District level was established. As of March 2016, there were 4 ZP<sup>1</sup> consisting of 110 Territorial Constituencies<sup>2</sup> and 176 Gram Panchayats Units comprising of 989 wards in the State. Of the 176 Gram Panchayats (GP) there are 2 traditional institutions of self-governance at Lachung and Lachen in North Sikkim, also known as the *Dzumsas*. The head of the *Dzumsa* known as Pippon was selected by the public. The *Dzumsas* were deemed to be Gram Panchayat Units (GPU) for the purpose of Sikkim Panchayat Act, 1993 and exercised their traditional powers and functions in addition to those of the Gram Panchayats.

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.

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

<sup>2</sup> East (32 TC), West (28 TC), North (22 TC), South (28 TC)

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

### ***1.1.1 Evolution of Local-Self Governance in Sikkim***

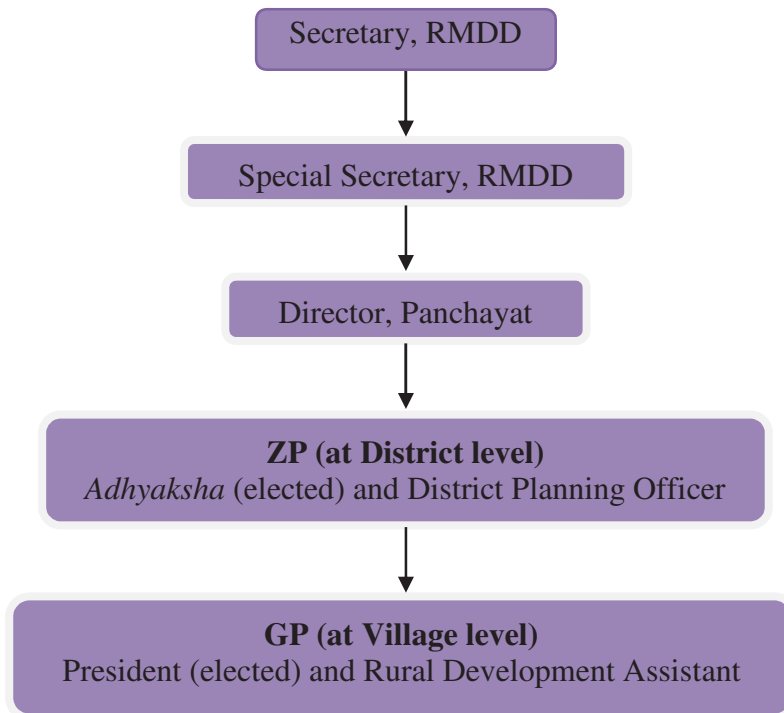
Though Government of Sikkim enacted Panchayati Raj Act in 1993 to conform to the 73<sup>rd</sup> Constitutional Amendment, the roots of Panchayati Raj in the State dates back to the time when Sikkim was a kingdom under the Namgyal Dynasty. During this period there were landlords or *Zamindars* known as *Kazi*. Under the *Kazis* there were *Mandals* and *Karbaris* to look after the workings in the field and collect taxes in the form of *Dhuri Khazana*. Immediately after the abolition of *Zamindari* in 1948, *Panchayats*, consisting of the landlord or his representative and four other members from the block, selected by the people in a meeting convened for the purpose were created. These *Panchayats* filled the gap created by the abolition of *Zamindari* and were essentially quasi-judicial or *Nyaya Panchayats*.

Formally, the Sikkim Panchayat Act, 1965 was enacted and made effective from December 1965. It was promulgated to consolidate and amend laws relating to Panchayats in Sikkim. The objective of establishing these Panchayats was to facilitate rural development and to enable participation by all communities at the village level. The term of such Panchayats was three years and each of these Panchayats was assigned 16 duties and functions. To fulfil these duties, the Panchayats had resources comprising of house tax, a proportion (10 *per cent*) of the land revenue of the block, matching grants by the *Darbar* for original work (for which public contribution was collected), sanitation cess and water cess. The Act of 1965, also provided reservations for minorities. This arrangement under the Sikkim Panchayat Act, 1965 continued till enactment of the Sikkim Panchayat Act, (SPA) 1993 in compliance to 73<sup>rd</sup> amendment of the Constitution.

## **1.2 Organisational structure of PRIs**

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

**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 there under, 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 and 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 operationalize 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 Schedule of the Constitution could be completed by March 2002. Article 243 G of the 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>3</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 for devolution of all the 29 subjects functions listed in the XI 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 2016 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 2016.

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 a number of activities such as soil conservation, rural health, forest

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<sup>3</sup> 'Activity Mapping 'is an exercise to devolve various functions to be discharged by the GPs and ZPs.



related activities for forest conservation, self-employment through small scale industries etc. mandated in the 73<sup>rd</sup> Constitutional Amendment.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the issue have been brought to the notice of the concerned line Department at several high level meetings and also to the State Government The concerned authorities have assured that the relevant statutes shall be complied with wherever applicable subject to availability of funds.

#### 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 functioning of various committees along with their assignments in respect of 88 test checked GPs is 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 simply certified the works executed by Gram Panchayats without exercising any checks. Adequate monitoring to ensure adherence to technically sanctioned estimate and quality of work as envisaged in the estimate was not ensured by the committee. Thus, the certificate issued by the Committee was a mere formality before releasing the payment against work bills preferred by the contractors

2	Disaster Management Committee (DMC)	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. The Committee was largely ineffective as they lacked adequate training from State Disaster Management Team to enable them to further impart training to Disaster Management Team at GP level. The Committee was not involved in procurement of Disaster Mitigation tools. As a result, victims could not be given immediate relief at the time of need.
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.	The Committee was largely non-functional due to absence of proper coordination among line departments, DPC and Block office. As a result, identification, scrutiny, implementation of schemes and proper monitoring of schemes for overall development of the GP and Block could not be 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. It did not carry out household surveys, failed to analyse health issues and health conditions of the villagers. Sanitation facilities to villages were not created adequately in absence of household surveys. Community toilets were not maintained in hygienic condition.
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>4</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.
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#### 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 Corporation in the District and preparing a draft development plan for the District as a whole.

Audit observed following deficiencies in functioning of DPC:

- 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 incorporation in 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 such as Agriculture, Health and Irrigation during preparation of the development plans to make the plans technically feasible and comprehensive.
- The DPC failed to consider matters of common interest between Panchayats and municipalities including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environmental conservation for incorporation in district plan.

<sup>4</sup> “Source to Mouth” means the water supply from its originating place (source) to the consumer point (mouth).

- The DPC had not initiated adequate steps towards providing overall leadership to the district planning process; preparation of Potential Linked Credit Plan (PLCP) for the district; etc. although mandated to do so through activity mapping.
- The DPC also failed to create awareness-building at the Gram Sabha level; capability-building of members of local government Standing Committees, elected leaders such as Adhyakshas, President of GPs, etc., local government officials through orientation on the concept of decentralisation and participative district planning.
- The DPC did not prepare Manual for Integrated District Planning for imparting training on timely preparation of plan and budget proposals; familiarisation with formats; improving the understanding of various government procedures; analysing socio-economic indicators to develop models for resource allocation proposals to be used by the District Planning Committee for plan aggregation.

## 1.5 Audit arrangement

### 1.5.1 Primary Auditor

DLFA is the primary auditor to conduct the audit of PRIs and ULBs of Sikkim. Director, Local Fund Audit (DLFA) was established (June 2012) in the State by enactment of ‘The Sikkim Local Fund Audit Act, 2012’. The Act provided for establishment of DLFA to regulate the audit of Local Fund.

The DLFA is headed by Principal Director, who is assisted by one Joint Director, one Accounts Officer and other supporting staff. The sanctioned strength vis-à-vis Person-in-position in the DLFA is given below:

Year	Sanctioned strength	Person-in-position	Vacancy
2012-13	Not defined	11	NA
2013-14	-do-	18	NA
2014-15	-do-	14	NA
2015-16	-do-	13	NA

The State Government had not delineated specific sanctioned strength for the DLFA despite expiry of four years, since the establishment of DLFA. The Person-in-position also decreased continuously from 18 in 2013-14 to 13 in 2015-16 indicating low importance attached to the DLFA by the State Government.

#### ➤ **Unit planned vis-à-vis audited:**

The year-wise position of units planned by DLFA for auditing 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	
	PRI	ULB	PRI	ULB	PRI	ULB
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
2015-16	176	7	14	7	14	7
<b>Total</b>	<b>483</b>	<b>17</b>	<b>81</b>	<b>13</b>	<b>81</b>	<b>13</b>

Source: Information furnished by DLFA, Government of Sikkim

Analysis revealed that the units planned for audit was never achieved in full during 2013-16. One of the reasons might be shortage of adequate manpower. The coverage reached only 11 *per cent* during 2014-16 whereas in 2013-14 the coverage was recorded nil. Thus, units planned for auditing by DLFA was unrealistic without any rationale.

The Director (Panchayat), Government of Sikkim informed (December 2016) that the observation of audit has been referred to the DLFA for appraisal to the concerned authority. However, no response has been received from DLFA.

➤ **Training:** Training plays an important role in enhancing the professional competencies of individuals. This provides an opportunity to bridge the gap between job requirement and present competency level of the employees. The officers and staff of DLFA had never been imparted with any training during 2012-16. This was despite the fact that majority of officers and staffs were posted from Finance Department who did not have previous exposure to audit related works in Local Bodies. Absence of mechanism for training constrained skill up gradation of DLFA personnel. TFC guidelines also stipulated for appropriate strengthening of Local Fund Audit Department through capacity buildings as well a personnel augmentation, which was not adhered to by State Government.

➤ **Posting and transfer:** The officers and staff of DLFA are posted by Finance Department. Policy for deployment, tenure, frequency of transfer, etc. was not followed by the State Government. During 2012-16, the Head of Office of DLFA was transferred four times, while Jt. Directors were transferred twice as given in *Appendix 1.5*. As a result, officers were not certain about the tenure.

The frequency of tenure was as short as 4 to 7 months. None of the DLFAs continued for at least two years during 2012-16. The absence of tenure based policy for deployment was bound to affect the functioning 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 2015 to March 2016, the accounts of 92 PRIs (4 ZPs and 88 GPs) were audited.

The year-wise position of units planned to be audited and those actually audited are given in table 1.3:

**Table 1.3**  
**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
2011-12	86	-	86	-	86	-
2012-13	83	4	83	4	83	4
2013-14	86	4	86	4	86	4
2014-15	92	4	92	4	92	4
2015-16	92	4	92	2	92	2
<b>Total</b>	439	16	439	14	439	14

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

The ATIRs of the years 2007-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 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 the Second Administrative Reform Commission.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the State Government has constituted (June 2016) a Committee to suggest amendment of the Sikkim Panchayat Act which inter-alia would include provisions for discussion of ATIR in the Legislative Assembly.

## 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 2016 are shown in Table 1.4

**Table 1.4**  
**Outstanding IRs and Paragraphs**

Year	No. of Inspection Reports	No. of outstanding paras	(₹ in lakh)
			Money value
Upto 2011-12	121	301	10.83
2012-13	15	22	0
2013-14	53	155	0
2014-15	82	186	52.44
2015-16	56	308	0
<b>Total</b>	<b>327</b>	<b>972</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 Director (Panchayat), Government of Sikkim stated (December 2016) that the PRIs have been instructed time and again to attend audit Inspection reports on priority within a given time frame, take corrective measures as to their findings and to submit compliance report to the office of the Accountant General, Sikkim. The position of outstanding paras, however, had not shown any improvement.

## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 1.7 Ombudsman

Government of India instructed (September 2009) to State Government to set up office of the Ombudsman in accordance with the instructions in the order *ibid*. The State Government appointed Ombudsman (May 2012). The responsibility of Ombudsman *inter-alia* included to receive complaints from MGNREGA workers and others and consider such complaints and facilitate their disposal in accordance with law; require the MGNREGA authority complained against to provide information or furnish certified copies of any document relating to the subject matter of the complaint which is or is alleged to be in his possession; issue direction for conducting spot investigation; lodge FIRs against the erring parties; initiate proceedings *suomotu* in the event of any circumstance arising within his jurisdiction that may cause any grievance; engage experts for facilitating the disposal of the complaint; direct redressal, disciplinary and punitive actions; report his findings to the Chief Secretary of the State and the Secretary, State Nodal Department for appropriate legal action against erring persons.

It was noticed that the Ombudsman was not adequately functional as cases/complaints were not lodged/transferred to the authority. This may be due to the fact that the existence of Ombudsman in the State to deal with MGNREGA related affairs was neither adequately advertised nor any public announcements made. As a result, provision of Prevention of Corruption Act, 1988 (Sec 268) was not adequately made use of towards disposal of irregularities in implementation MGNREGA in the State. This was disquieting considering a large number of issues (1,668) and recoverable amount (₹ 60.24 lakh) pointed out by Social Audit were lying unsettled for the year 2015-16 as of September 2016.

#### 1.8 Social Audit

Government of Sikkim initiated Social Audit in the year 2007-08 as envisaged in the 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 (DRIs) have also been designated in four districts. During 2015-16, a total of 176 GPs were covered under Social Audit with involvement of State Resource Persons<sup>5</sup>, District Resource Persons<sup>6</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.

Analysis revealed that although Social Audit was institutionalised as per the Audit of Scheme Rules, 2011 and audit of GPs were taken up; the follow-up mechanism was not adequate. As a result, out of 2,485 issues raised only 817 issues were redressed representing 33 *per cent* of the total issue raised during 2015-16 as of September 2016. Similarly, the recovery of amount pointed out in Social Audit was also negligible at 12 *per cent* (₹ 8.24 lakh out of ₹ 68.48 lakh) during 2015-16 as of September 2016. Unless urgent action is initiated by the State Government, the benefits envisaged in the Audit of Scheme Rules, 2011 towards institutionalising Social Audit would not be achieved in full.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the follow up mechanism shall be strengthened.

## 1.9 Lokayukta

The State Government had appointed (February 2014) *Lokayukta* in pursuance to section 1 of the Sikkim *Lokayukta* Act, 2014. The *Lokayukta* comprised of chairperson, one judicial functionary, one administrative and one *ad hoc* administrative member. The *Lokayukta* is empowered to investigate into administrative action taken by or with approval of a Minister or Secretary of Union or State Government either on receiving a written complaint by an aggrieved person or *suomotu*, relating to mal-administration, undue favour or corruption. However, functions of *Lokayukta* were not defined in the notification issued in February 2014. The report indicating number of cases disposed off by *Lokayukta* during 2015-16 was not made available by State Government to Audit.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the Department shall look into the observation of audit and do the needful in consultation with the Law Department.

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<sup>5</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>6</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 2012-16 as detailed in *Appendix 1.6*. The UCs were, however, submitted by PRIs for the entire amount of grant without actual utilisation of full fund. Thus, submission of UC for the entire amount of grant despite having closing balances was irregular and resulted in misreporting of expenditure to exhibit full utilisation of fund. The reporting of higher expenditure than actual was resorted to primarily in case of Centrally Sponsored Schemes such as Thirteenth Finance Commission, Backward Region Grant Fund, etc. This may be to obtain subsequent instalment of fund from Government of India.

The designated officers in the State Government such as Block Development Officer and Additional District Collectors (Development) charged with the responsibility of countersigning the UCs had also not exercised necessary checks to ensure that the UCs were against the actual fund utilisation and not for exaggerated expenditure.

The Director (Panchayat), Government of Sikkim while accepting the audit observation stated (December 2016) that the BACs/ADCs have been advised to strictly monitor and exercise necessary checks.

## **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-1.5**  
**Statement showing Internal Control System at the level of PRIs**

<b>Provision</b>	<b>Authority</b>	<b>Gist of the provision</b>	<b>Actual position</b>
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 2009-10.
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 year 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.
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The deficiencies as summarised in the preceding table indicated weak internal control mechanism in PRIs.

### ***1.11.3 Role of Block Administrative Centre (BAC)***

In the internal control system of PRIs, BAC plays an important role as BACs have been established to assist and support the Panchayat administration in GPUs. It also serves as a link between villagers and all the Government departments to make the delivery mechanism more effective to realise the objective of devolution of powers, functions and finances to the Panchayat for further strengthening of PRIs. The Block Development Officer (BDO) is directly in-charge of the GPUs falling under the jurisdiction where the BAC is set up. His responsibilities inter-alia included inspecting office as well as works of the Gram Panchayats (GPs), supervision and providing necessary guidance to GPs and functionaries of the Block; formulation of plans and programmes of various programmes/Schemes for consideration of Government and the Zilla Panchayat; resource mapping of all the villages falling within their jurisdiction; overseeing Information, Education and Communication (IEC) activity and functioning of the decentralisation of powers of the Panchayats; submit reports, returns and estimate of various works and programmes of GPUs falling under the jurisdiction of BAC; Strength, Weakness, Opportunity and Threats (SWOT) analysis of the villages so as to make the plan in the right prospective; etc.

It was, however, noticed that:

- The BACs had not initiated adequate action towards formulation of plans under various developmental schemes, had not adequately discharged the function of overseeing of IEC activity and functioning of the decentralization of powers of the Panchayats. The BACs although claimed that offices as well as works of GPs have been inspected, reports of inspection were not documented to support their claim. Follow-up, if any, taken by GPs was also not on record to substantiate the contention that inspection was carried out by BAC and improvements brought about in the functioning of GPs.

- Similarly, SWOT analysis and Resource mapping exercise was although carried out during the course of preparation of Village Development Action Plan (VDAP), the inputs had not been put to appropriate use, especially in implementation of developmental schemes such as National Rural Drinking Water Programme, Backward Region Grant Fund, etc.
- BDOs are empowered to issue letter of authority for drawal of fund by Panchayats. While issuing the same, the BDOs had not adhered to the established financial rule i.e. drawal of cheques in the name of third party i.e. suppliers; drawal of advance only after submission of detailed bills for earlier advances, etc. As a result, drawal of money in anticipation of requirement, drawal of money in the name of Panchayat President/Secretary and drawal of money without entering it into cash book continued unabated in the GPs during 2015-16.
- Line department officials posted in BACs were functioning under the administrative control of their respective departments and were not liable to report to BDO. As a result, supervision and technical expertise expected of the line department functionaries were not readily available with the BACs for effective planning and implementation of developmental projects in the GPs with close coordination with BACs.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the BACs have already been advised to invariably document the report of the inspection carried out to substantiate their visit, adhere to the financial principle for drawl of funds from GP funds and maintenance of Primary books of accounts.

## **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 2011-16 is given below:

**Table 1.6**  
**Budget of PRI *vis-a-vis* expenditure**

<i>(₹ in lakh)</i>				
Year	Budget	Expenditure	Excess (-)/Saving(+)	Percentage of Excess/Saving
2011-12	899.91	793.41	(+) 106.50	12
2012-13	974.68	974.67	(+) 0.01	0
2013-14	832.17	832.17	0.00	0
2014-15	1089.40	1087.89	(+) 1.51	0
2015-16	1893.01	1893.01	0	0

*(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. Analysis, however, revealed that the PRIs incurred the entire funds towards meeting expenditure relating to direction and administration of the PRIs, payment of honorarium and discretionary grants. Fund for developmental schemes were neither transferred to PRIs by RMDD nor did PRIs incur fund towards developmental works. Thus, the objective of decentralisation of power and functions as enshrined in XI schedule of the Constitution was not achieved in absence of adequate release of funds for development of PRIs during 2015-16.

➤ **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 deficiency in preparation of budget prescribed in 2015-16 was noticed despite assurance (December 2015) by State Government (RMDD) that the GPs and ZPs had been asked to prepare budget in sampled budget format. Further, since there was no budget earmarked for, the PRI convened *Gram Sabha*, on receipt of fund, for identification of works as per fund availability and not on the actual requirement based in need analysis and SWOT analysis as incorporated in VDAP for the GPs.

### 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) towards 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 1.7**

(₹ 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
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
2015-16	0	102.27	0	0	11.80	7.13	0	0	11.80	109.40
<b>Total</b>	<b>48.28</b>	<b>521.11</b>	<b>4.61</b>	<b>4.97</b>	<b>26.67</b>	<b>19.73</b>	<b>0</b>	<b>0</b>	<b>79.56</b>	<b>545.81</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 2011-12 to 2015-16 pertained to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Backward Region Grant Fund (BRGF), and Central Finance Commission as shown in table 1.8:

Table 1.8

(*₹ in crore*)

Year		2011-12	2012-13	2013-14	2014-15	2015-16	Total
MGNREGS	ZP	0	0	0	0	0	0
	GP	100.80	74.07	106.84	73.86	86.23	441.80
BRGF	ZP	1.12	19.51	2.60	3.77	0	27.00
	GP	2.61	0	6.07	7.70	0	16.38
Central Finance Commission Grants	ZP	8.02	3.49	4.44	5.33	0	21.28
	GP	18.71	8.14	9.96	10.08	16.04	62.93
<b>Total</b>		<b>131.26</b>	<b>105.21</b>	<b>129.91</b>	<b>100.74</b>	<b>102.27</b>	<b>569.39</b>

Source: Information furnished by the RMDD, Government of Sikkim

The decrease in grants during 2012-13, 2014-15 and 2015-16 were due to less release of funds under MGNREGS. Although, MGNREGS was one of the major source of receipts, the performance of the State in implementation of MGNREGS was not satisfactory. The average household employment ranged between 43 and 70 days during 2012-16. Against the stipulation to provide 100 days employment, 100 days employment was provided for 6 to 22 households during 2012-16.

Similarly, in case of BRGF, the State failed to draw full amount of fund from GOI due to non-completion of projects on time. As a result, balance works under the scheme had to be executed by diversion of funds from 13<sup>th</sup> Finance Commission grants.

**State Grant:** Audit noticed that prescribed stipulation in Fourth State Finance Commission (4<sup>th</sup> SFC) was not adhered to by State Government in releasing funds to PRIs. Against the 4<sup>th</sup> SFC (Para 7.30) stipulation to allocate fund of ₹ 9.98 crore to the PRIs, the actual allocation was ₹ 10 crore leading to additional grant of ₹ 2 lakh during 2015-16. However, prescribed ratio of 70:30 for GPs and ZPs was not adhered to by the State Government. As against the above prescription, the actual ratio of allocation worked out to 38 (₹ 3.80 crore) and 62 (₹ 6.20 crore) for GPs and ZPs respectively during 2015-16. This resulted in excess allocation of ₹ 3.20 crore to the ZP and less allocation of equal fund to the GPs.

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.

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

The RMDD could not furnish (September 2016) 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 2015-16. This was despite assurances (December 2015) given by the RMDD that financial status of the PRIs



would be provided once the Chartered Accountant engaged for preparation of accounts of PRIs complete their job. Audit accordingly requisitioned for relevant statistics directly from ZPs/GPs. However, only 35 GPs (out of 176) and all the four ZPs furnished information. Based on this, it was noticed that a total of ₹ 63.81crore was available with PRIs during 2015-16, of which ₹ 36.05 crore was spent, leaving a balance of ₹ 27.76 crore as shown in table 1.9:

**Table 1.9**

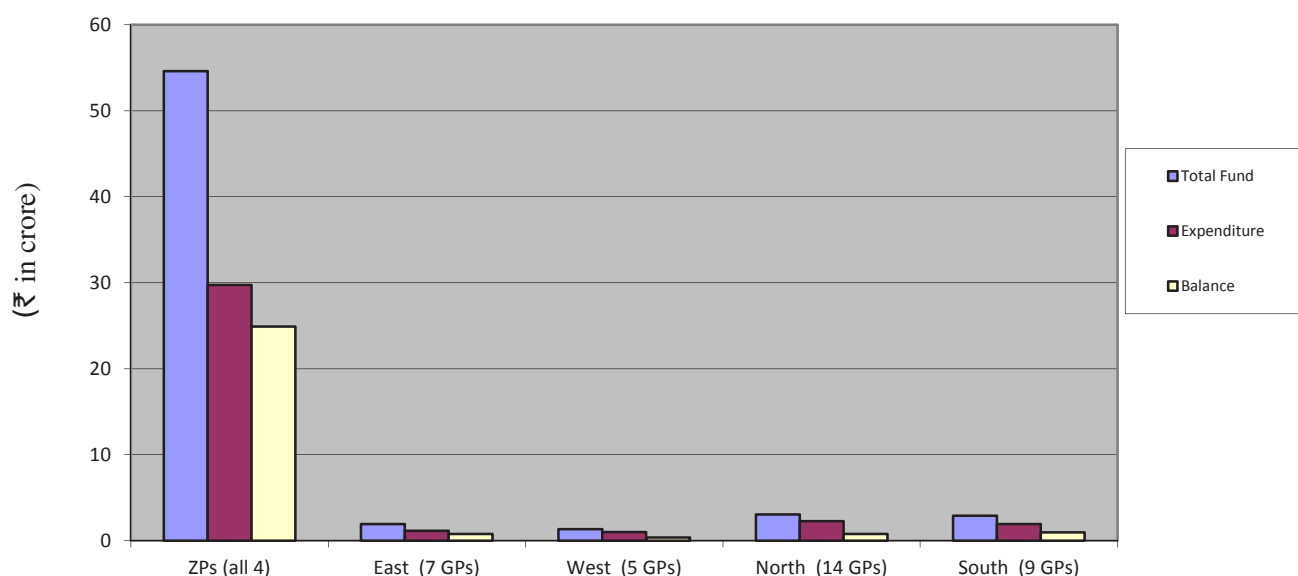
<i>(₹incrore)</i>			
<b>ZP / GP</b>	<b>Total fund available</b>	<b>Expenditure</b>	<b>Balance</b>
ZPs (All 4)	54.63	29.73	24.90
East Sikkim (7 GPs)	1.93	1.15	0.78
West Sikkim (5 GPs)	1.34	1.00	0.34
North Sikkim (14 GPs)	3.03	2.25	0.78
South Sikkim (9 GPs)	2.88	1.92	0.96
<b>Total</b>	<b>63.81</b>	<b>36.05</b>	<b>27.76</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**



Audit also noticed that the closing balances during 2015-16 were 46 and 31 per cent of the total funds available for the ZPs and GPs respectively which was high and indicative of inadequate absorption capacity of the PRIs for fund utilisation.

### ***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 Fourth State Finance Commission (FSFC) of the State of Sikkim recommended (May 2013) certain measures for improving the fiscal health of Panchayats and Municipalities. The recommendations were accepted by the State Government. However, their implementation left much to be desired as mentioned below:

- The FSFC worked out gap between administrative expenditure and own revenue of the PRIs (if the PRIs levied and collected all taxes as recommended by FSFC) and recommended the transfer of fund of ₹ 1,039 lakh for PRIs during 2015-16 {to be met from 2.50 per cent of net proceeds of revenue (after deducting cost of collection) collected by 6 Sectors mentioned in Table 1.10} for administrative expenses, which was accepted by the State Government. However, only ₹ 892.70 lakh was transferred to ZPs/GPs towards administrative expenditure from own revenue during 2015-16 indicating a shortfall of ₹ 146.30 lakh as depicted in the following table:

**Table 1.10**

**Actual transfer of funds to PRI during 2015-16 vis-à-vis FSFC recommendation**

(₹ in lakh)

Sl. No.	Major Head	Head	Tax receipt	Collection cost deduction (in per cent)	Net tax receipt	Funds to be transferred to Local Bodies (2.50 per cent of Net tax receipt)	Funds to be transferred to PRIs (80 per cent of Col. 7)	Tax Transferred to PRIs
1	2	3	4	5	6	7	8	9
1	0029	Land Revenue	184.76	25.00	138.57	3.46	2.77	
2	0030	Stamp & Registration	851.06	25.00	638.30	15.96	12.77	
3	0039	State Excise	14,208.07	6.32	13,310.12	332.75	266.20	

4	0040	Taxes on Sales, Trades etc.	32,572.03	3.10	31,562.30	789.06	631.24	892.70
5	0041	Taxes on vehicles	2,235.70	17.01	1,855.41	46.39	37.11	
6	0045	Other Taxes and Duties	5,927.50	25.00	4,445.63	111.14	88.91	
		<b>Total</b>					<b>1,039.00</b>	<b>892.70</b>

Source: Finance Accounts 2015-16, and information furnished by Rural Management & Development Department.

The position of devolution of appropriate funds has not shown adequate improvement during 2015-16 despite incorporation in ATIR 2015 about non allocation of fund for general and specific purposes as per the recommendations of Third State Finance Commission.

➤ **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.

Accordingly, the State Government vide notification (September 2010) fixed the taxes, rates and fees to be levied by the Gram Panchayat and entrusted the Nodal Department (RMDD) to actively involve in sensitizing panchayat representatives for raising own resources and also monitoring their efforts in this direction.

Audit called for information from all the 176 GPs. Only 35 (out of 176) GPs furnished information which revealed that 6 GPs (out of 35) 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, despite notification by the State Government (September 2010) and recommendations of the TSFC.

Had the PRIs initiated efforts and proper monitoring was done by RMDD, the PRIs would have generated a potential revenue of ₹ 391.81 lakh during 2012-16 as detailed in **Appendix 1.7**. These revenues could have been gainfully utilised by the PRIs towards meeting administrative expenditure, purchase of stationery, equipment, etc. In absence of requisite revenue realisation, the PRIs defrayed the above expenditure from scheme funds.

The position relating to non-levy of taxes by the PRIs to broaden their revenue base continued despite incorporation in the ATIR 2015 and assurances (December 2015) by the RMDD that effort would be initiated by PRIs to augment their own source of revenue.

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

The details of fund received from GOI towards 13<sup>th</sup>/14<sup>th</sup> FC and transferred to PRIs by State Government during 2010-16 are shown below:

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

<i>(₹ in lakh)</i>					
Sl. 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>		
6.	2015-16	2.7.2015	<b>802.00</b>	<b>11.7.2015</b>	-
		20.11.2015	<b>802.00</b>	<b>4.12.2015</b>	-
		<b>Total</b>	<b>1,604.00</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 on many occasions. The delay in release of TFC fund ranged between nine and 96 days. Second instalment of ₹ 3.43 crore was not released by Government of India during 2014-15. Performance Audit on “utilisation of TFC Grants by Local Bodies in Sikkim” was conducted (June-August 2016), results of which are included in chapter-II.

### 1.12.3 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 Immoveable 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.

This was despite circulation of Assets Register formats by RMDD.

#### ***1.12.4 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.

### ***1.12.5 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.

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

Panchayati Raj Accounting Software (PRIA Soft) designed and developed by the Ministry of Panchayati Raj (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**

## **PERFORMANCE AUDIT ON UTILISATION OF THIRTEENTH FINANCE COMMISSION GRANTS BY LOCAL BODIES IN SIKKIM**





## CHAPTER-II

### PERFORMANCE AUDIT ON UTILISATION OF THIRTEENTH FINANCE COMMISSION GRANTS BY LOCAL BODIES

*The Performance Audit of 'Utilisation of Thirteenth Finance Commission (TFC) Grants by Local Bodies in Sikkim' was conducted during July-August 2016. The Performance Audit revealed that the State Government had initiated a number of good practices such as preparation of Village development Action Plan (VDAP) for all the Gram Panchayats, submission of photographs of works sites before and after completion of works, appointment of Lokayukta and Ombudsman, setting up of service level bench mark for Urban Local Bodies, etc. to ensure proper implementation of TFC. The State was also adjudged 3<sup>rd</sup> Best State in Panchayati Raj in 2006-07 and 2010-11 and 2<sup>nd</sup> Best State in 2009-10. The State Government had also involved the beneficiaries in implementation of TFC.*

*Notwithstanding the above positives, the Performance Audit disclosed certain deficiencies relating to planning, financial management and programme implementation as detailed below. The planning required to be initiated beforehand to ensure maximum utilisation of TFC fund as per recommendation of TFC was lacking and resulting in curtailment of funds and delayed release of funds. The fund utilisation of 75 per cent compared unsatisfactorily with Nagaland (100 per cent), Manipur (100 per cent) and Mizoram (83 per cent). Financial management was characterised by irregular expenditure of TFC fund towards ongoing schemes of State Plan Schemes, diversion of funds towards salary and wages, etc. Similarly, analysis of programme execution disclosed delay in completion of projects, non-commencement of projects, avoidable and extra expenditure, etc. Monitoring mechanism was also found to be inadequate as State High Level Monitoring Committee convened only seven meetings against the requirement of 19 and rarely discussed the affairs of Local Bodies; while field monitoring report were not available, utilisation certificates were not submitted in time to GOI.*

#### **Highlights**

*The State failed to fulfil the conditions imposed by TFC in full resulting in short release of fund of ₹ 50.18 crore to PRIs and ₹ 0.79 crore to ULBs.*

*(Paragraph-2.7.2)*

*Fund of ₹ 2.39 crore was irregularly diverted towards funding ongoing works of State Government against the prescription of TFC guidelines.*

*(Paragraph 2.8.3 & 2.8.4)*

*The 15 projects were not completed even after recording a delay of 5 to 25 months. Non completion of projects led to postponement of intended benefits despite incurring ₹ 3.46 crore on these incomplete projects.*

*(Paragraph 2.9)*

*State High Level Monitoring Committee (SHLMC) convened only seven meeting (July 2010 to March 2016) to dwell upon the responsibilities against stipulation of 19 meetings and rarely discussed the affairs of LBs.*

*(Paragraph 2.10.1)*

## **2.1 Introduction**

The Thirteenth Finance Commission (TFC) was appointed (November 2007) by the President to make recommendations on (i) the measures of distribution of the net proceeds of taxes between the Union and the States; (ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution; and (iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State. The TFC submitted (December 2009) its report covering a period of five years (2010-15). TFC recommended a sum of ₹ 56,335.40 crore for Local Bodies towards General Basic grant and ₹ 29,826.10 crore as General Performance grant. The Government of Sikkim was in total allocated ₹ 186.97 crore towards General Basic grant (₹ 122.25 crore) and General Performance Grants (₹ 64.72 crore) for supplementing the resources of the Panchayati Raj Institutions during 2010-15. Total grant of ₹ 186.97 crore was to be apportioned between PRIs (₹ 184.39 crore) and the Urban Local Bodies (₹ 2.58 crore) for the period 2010-15.

*The summarised position of TFC recommendations relating to Local Bodies is given below:*

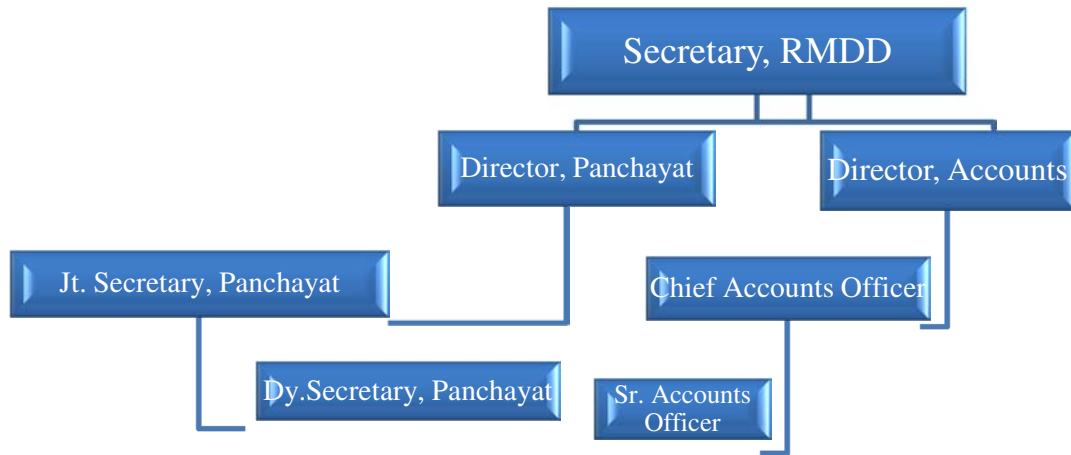
- The quantum of Local Body (LB) grants to be provided to the State Government as recommended by TFC towards General Basic grant, General Performance grant as well as the Special Areas Basic grant.
- State Governments will be eligible for the General Performance grant only if they comply with the stipulations in TFC recommendations.

- States may appropriately allocate a portion of their share of the General Basic grant and General Performance grant, to the ‘excluded areas’ in proportion to the population of these areas. This allocation will be in addition to the Special Area Basic grant and Special Area Performance grant recommended by TFC.
- State Governments should appropriately strengthen their local fund audit Departments through capacity building as well as personnel augmentation.
- The State Governments should incentivise revenue collection by LB through methods such as mandating some or all local taxes as obligatory at non-zero rates of levy; by deducting deemed own revenue collection from transfer entitlements of LB or through a system of matching grants.
- To buttress the accounting system, the finance accounts should include a separate statement indicating head-wise details of actual expenditure under the same heads as used in the budget for both PRIs and ULBs with effect from 31 March 2012.
- The Government of India and the State Governments should issue executive instructions that all their respective departments pay appropriate service charges to Local Bodies.
- A portion of income from royalty should be shared between State Government and Local Bodies in whose jurisdiction such income arises.
- State Governments should ensure that the recommendations of State Finance Commission (SFCs) are implemented without delay and that the Action Taken Report is promptly placed before the Legislature.
- Best Practices should be adopted by State Government.

## **2.2 Organisational set-up**

The responsibility of managing and incurring an expenditure of the TFC fund pertaining to PRIs rested with the Secretary, Rural Management & Development Department (RMDD) who was assisted by Director, Panchayat; Director (Accounts); and other officers as shown in the chart below:

### At State Level

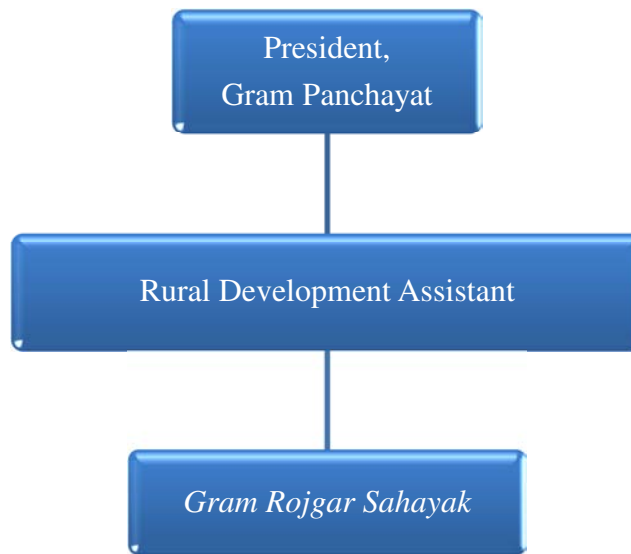


Besides, at the District level, *Adhyaksha*, Zilla Panchayat (ZP) was the head who was assisted by District Collector as *Sachiva*, District Planning Officer, Divisional Engineer and Jt. Director (Accounts). Similarly, at Gram Panchayat (GP) level, President was the head who was assisted by Rural Development Assistant and *Gram Rozgar Sahayak* as shown in the chart below:

### At District level



### At Gram Panchayat level



Similarly, responsibility for utilisation of TFC grant pertaining to Urban Local Bodies (ULBs) rested with the Secretary, Urban Development and Housing Department (UDHD), who was assisted by Municipal Commissioner and other Municipal Executive Officers (MEOs) at ULB level as shown below:



### 2.3 Scope of Audit

The scope of Audit included checking of release and utilisation of TFC grants relating to PRIs (ZPs and GPs) and ULBs for the period 2010-15. Records relating to two (out of four) ZPs and 25 per cent of the GPs (98 nos.) within the selected districts were examined. Similarly, three (out of seven) ULBs were test checked. The samples were selected through Simple Random Sampling without Replacement (SRSWR) after risk

analysis of activities undertaken through TFC funding, materiality and significance of TFC funding and likely impact of the audit findings. Audit covered 25 *per cent* units of the selected PRIs and ULBs and 25 *per cent* of expenditure thereof. The details of sampled PRIs and ULBs are given in *Appendix – 2.1*.

#### **2.4 Audit Objectives**

The Performance Audit was conducted with the objectives to assess whether:

- TFC grants relating to PRIs and ULBs were released timely by the Central and State Government;
- TFC grants were utilised in planned manner by PRIs and ULBs in Sikkim duly adhering to the guidelines of TFC and other related norms and conditions;
- Works and activities funded from TFC grants were carried out economically, efficiently and effectively; and
- Monitoring mechanism for ensuring proper utilisation of TFC grants were adequately prescribed and effectively executed.

#### **2.5 Audit criteria**

The Performance of the Local Bodies in Sikkim in relation to utilisation of TFC Grants was evaluated based on the following criteria:

- Guidelines prescribed by Thirteenth Finance Commission;
- Notification and circulars issued by Government of India relating to utilisation of TFC grants by Local Bodies;
- Circular/Notification issued by Government of Sikkim for utilisation of TFC grants by Local Bodies;
- Sikkim Financial Rules, Sikkim Public Works Code and Manual; and
- Monitoring mechanism prescribed by the State Government and TFC Report.

#### **2.6 Audit methodology**

The Performance Audit commenced with an Entry Conference (19 May 2016) with Secretary, nodal department of the Local Bodies. The minutes of the meeting is placed in *Appendix-2.2*. This was followed by issue of questionnaires, test check of records in sampled ZPs/GPs/ULBs, gathering of evidences in support of audit observations, etc. Physical verification of 20 (out of 35) assets/works (*Appendix-2.3*) were also carried out by Audit in association with PRI/ULB functionaries. The Performance Audit was

concluded with Exit conference (6 December 2016) with the State Government. The report was finalised after taking into consideration the replies/ views of the State Government.

### **Audit Findings**

The audit findings are given below:

### **2.7 Allocation and release of TFC grants**

#### **Audit Objective-1:**

#### **Whether TFC Grants relating to PRIs and ULBs were released timely by the Central and State Government**

As noted in preceding paragraph, the Commission had recommended (₹ 186.97 crore) General Basic grant and General Performance grant for Local Bodies in Sikkim. The position of allocation and release of funds by Government of India during 2010-15 is given below:

**Table-2.1**  
Allocation and Release of 13<sup>th</sup> FC Grants by GOI

(₹ in lakh)

Year	Total Grants Allocated				Total Grants released (by GOI)				Short release (by GOI)			
	Basic Grant		Performance Grant		Basic Grant		Performance Grant		Basic Grant		Performance Grant	
	PRI	ULB	PRI	ULB	PRI	ULB	PRI	ULB	PRI	ULB	PRI	ULB
10-11	1,716.77	24.07	0	0	1,696.00	12.03	0	0	20.77 (1)	12.04 (50)	0	0
11-12	1,990.88	27.91	680.71	9.54	1,834.53	11.77	0	0	156.35 (8)	16.14 (58)	680.71 (100)	9.54 (100)
12-13	2,326.91	32.62	1,596.83	22.38	1,501.86	15.00	106.00	1.66	825.05 (35)	17.62 (54)	1,490.83 (93)	20.72 (93)
13-14	2,756.96	38.65	1,883.54	26.40	2,721.77	15.00	0	3.12	35.19 (1)	23.65 (61)	1,883.54 (100)	23.28 (88)
14-15	3,264.25	45.76	2,221.73	31.15	2,920.79	17.14	1,259.16	5.17	343.46 (11)	28.62 (63)	962.57 (29)	25.98 (83)
<b>Total</b>	12,055.77	169.01	6,382.81	89.47	10,674.95	70.94	1,365.16	9.95	1,380.82	98.07	5,017.65	79.52

Source: Information furnished by State Government and cross checked by Audit with reference to Bank statements; Cash Books, etc.

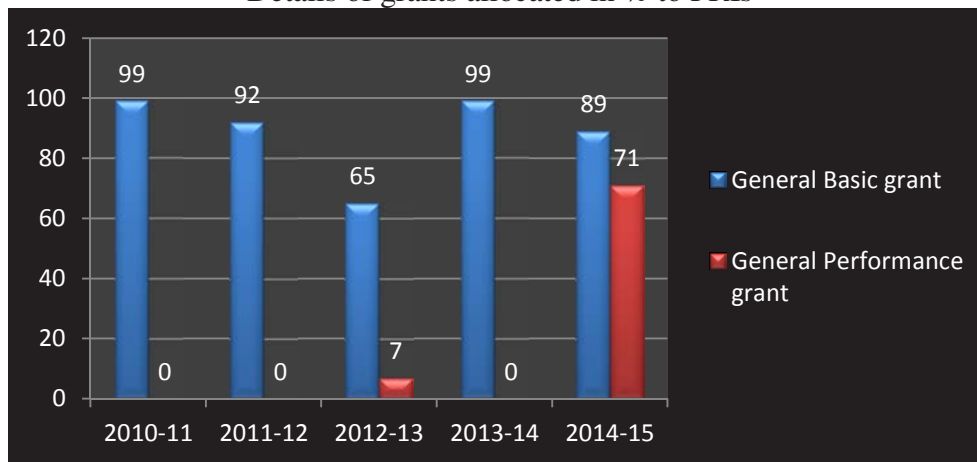
As would be seen, out of total allocation of ₹ 186.97 crore, ₹ 121.21 crore was released by GOI during 2010-15 leading to short release of ₹ 65.76 crore (35%). The short release

was more towards General Performance grants (₹ 50.97 crore) and General Basic grants (₹ 14.79 crore) indicating 77 and 23 per cent respectively. A further segregation between PRI and ULB revealed that shortage was more towards PRI in case of General Performance Grants (98%) and General Basic Grants (63%).

Audit analysis of grants released vis-à-vis grants allocated revealed that there was no release of General Performance Grants during 2011-12 and 2013-14 to PRIs and during 2011-12 to ULBs. The release of grants ranged between 0 and 99 per cent during 2010-15 as shown in graph below:

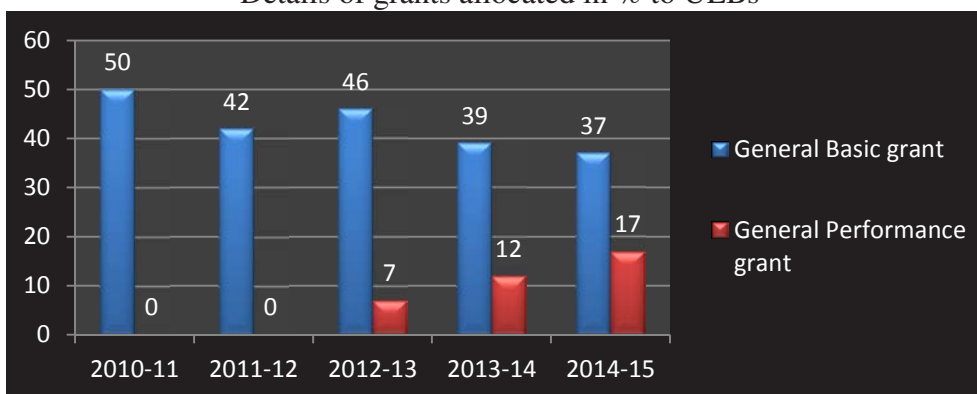
**Chart-2.1**

Details of grants allocated in % to PRIs



**Chart-2.2**

Details of grants allocated in % to ULBs



The General Performance Grant was not released in full to the State due to deficiency in fulfilment of conditions such as (i) Budget, Finance and Accounts, (ii) Transfer of TFC Funds within 10 days, (iii) Levy of Property Tax imposed by TFC for release of General



Performance grants in case of PRIs. Similarly, the General Basic grant was not released in full by GOI due to non-submission of Utilisation Certificates (UC) in time. Details are mentioned in *Appendix-2.4*.

Thus, release of funds to ULBs was at the lowest during 2014-15 (37%), followed by 2013-14 (39%), 2012-13 (46%) for General Basic grants. Similarly, release was nil during 2011-12 in case of General Performance grants. The situation although improved for General Basic grants, the position was far from satisfactory level for General Performance grants. This led to low availability of funds at the State level for onward release to PRIs and ULBs.

**Table-2.2**

*Comparison between various NE States with Sikkim for short release of fund*

Name of State	Total allocation		Total released		Short release	
	General Basic Grant	General Performance Grant	General Basic Grant	General Performance Grant	General Basic Grant	General Performance Grant
<b>Assam</b>	1197.20	633.80	950.15	506.55	247.05(21)	127.25(20)
<b>Mizoram</b>	193.30	102.30	69.05	18.83	124.25(64)	83.47(82)
<b>Meghalaya</b>	257.20	136.10	NA	NA	NA	NA
<b>Tripura</b>	228.20	120.80	201.24	NA	26.96(12)	NA
<b>Nagaland</b>	249.70	132.20	46.03	7.44	203.67(82)	124.76(94)
<b>Arunachal Pradesh</b>	199.90	105.80	89.76	NA	110.14(55)	NA
<b>Sikkim</b>	122.25	64.72	107.46	13.75	14.79(12)	50.97(79)

*Source: Information obtained from State Accountants General of respective State  
Figures in parentheses indicates percentage.*

The details of short releases are mentioned in succeeding paragraphs:

### **2.7.1 Short release of General Basic Grant by GOI**

Against the total allocation of ₹ 122.25 crore, ₹ 107.46 crore was released to Government of Sikkim by GOI during 2010-15 towards General Basic grants as detailed below:

**Table-2.3****Short release of fund to State Government****(₹ in lakh)**

Year	Allocation		Release		Short release		Total short release
	PRI	ULB	PRI	ULB	PRI	ULB	
<b>2010-11</b>	1,716.77	24.07	1,696.00	12.03	20.77	12.04	32.81 (2)
<b>2011-12</b>	1,990.88	27.91	1,834.53	11.77	156.35	16.14	172.49 (9)
<b>2012-13</b>	2,326.91	32.62	1,501.86	15.00	825.05	17.62	842.67 (36)
<b>2013-14</b>	2,756.96	38.65	2,721.77	15.00	35.19	23.65	58.84 (2)
<b>2014-15</b>	3,264.25	45.76	2,920.79	17.14	343.46	28.62	372.08 (11)
<b>Total</b>	<b>12,055.77</b>	<b>169.01</b>	<b>10,674.95</b>	<b>70.94</b>	<b>1,380.82</b>	<b>98.07</b>	<b>1478.89</b> <b>(12)</b>

Source: Information furnished by State Government (RMDD and UDHD)

The short release ranged between 2 and 36 *per cent* between 2010-11 and 2014-15 and aggregated to ₹ 14.79 crore by 2010-15.

Audit scrutiny revealed that short release by GOI was mainly due to failure of the State Government to submit Utilisation Certificates on time to GOI. Details are shown in Table-2.12.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the short release was not because of failure of the State Government to submit Utilization Certificates on time to GOI as observed by audit. The release was reduced by ₹ 14.79 crore without assigning any reason by the Ministry of Panchayati Raj, GOI.

The reply is not acceptable as the UC was not submitted in time which was one of the criteria for release of funds by GOI.

### **2.7.2 Short release of General Performance grants by GOI**

As mentioned in preceding paragraph (2.7) the release of General Performance grant to PRIs and ULBs ranged between 0 and 71 *per cent*. Audit noticed that General Performance grant of ₹ 64.72 crore to PRI (₹ 63.83 crore) and to ULBs (₹ 0.89 crore) were allocated by GOI on the condition that State would fulfil six conditions in case of PRIs and nine conditions in case of ULBs as detailed in *paragraph 2.8.1*. It was noticed that State failed to comply with three out of six conditions for PRIs and three out of nine

for ULBs in time. This resulted in short release of fund of ₹ 50.18 crore to PRIs and ₹ 0.79 crore to ULBs as detailed below:

**Table-2.4**  
**Short release of fund to State Government**

Year	Allocation		Release		Short release		Total short release
	PRI	ULB	PRI	ULB	PRI	ULB	
2011-12	680.71	9.54	0	0	680.71	9.54	690.25 (100)
2012-13	1,596.83	22.38	106.00	1.66	1,490.83	20.72	1511.55 (93)
2013-14	1,883.54	26.40	0	3.12	1,883.54	23.28	1906.82 (99)
2014-15	2,221.73	31.15	1,259.16	5.17	962.57	25.98	988.55 (44)
<b>Total</b>	<b>6,382.81</b>	<b>89.47</b>	<b>1,365.16</b>	<b>9.95</b>	<b>5,017.65</b>	<b>79.52</b>	<b>5097.17</b> <b>(79)</b>

Source: Information furnished by State Government (RMDD and UDHD)

Audit analysis revealed that short release was primarily due to non-fulfillment of three conditions (out of 6) relating to (i) enabling of LBs to levy property tax (including tax for all types of residential and commercial properties) and removal of hindrances, if any, (ii) Constituting Property Tax Board by State Governments at state level to assist all ULBs for assessing property tax in an independent and transparent manner; and (iii) to put in place standards for delivery of all essential services provided by all the local bodies; etc.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the State Government complied with almost all the conditions except for Ombudsmen to look into complaint of corruption and mal administration during the initial years of the award period. The Ombudsman was appointed during February 2014.

Despite the efforts, the State could only receive the General Performance Grant of ₹ 1,365.16 lakh against the recommended amount of ₹ 6,382.81 lakh.

The reply is not acceptable as Property Tax Board was not constituted and Service Level benchmark was provided only for one ULB (Gangtok Municipal Corporation) that too for solid waste management alone.

### 2.7.3 Delay in release of funds by GOI

According to TFC recommendation (Para-10.157) the Local Bodies grants are released in two instalments every year- in July and January. It was noticed that there were delays in release of General Basic Grants to PRIs by GOI ranging between 14 and 425 days as detailed below:

**Table-2.5**  
**TFC basic grants received by RMDD from GOI**

**(₹ in lakh)**

Year	Installments	Amount	Due date of receipt of funds	Date of receipt of Fund from GOI	Delay (in days)
2010-11	1 <sup>st</sup>	858.00	1.7.2010	15.7.2010	14
	2 <sup>nd</sup>	838.00	1.1.2011	10.8.2011	221
2011-12	1 <sup>st</sup>	1,075.00	1.7.2011	21.9.2011	82
	2 <sup>nd</sup>	1,098.00	1.1.2012	1.3.2012	59
2012-13	1 <sup>st</sup>	1,163.38	1.7.2012	27.9.2012	88
	2 <sup>nd</sup>	1,281.18	1.1.2013	6.9.2013	226
2013-14	1 <sup>st</sup>	1,440.59	1.7.2013	20.12.2013	172
	2 <sup>nd</sup>	1,379.56	1.1.2014	2.3.2015	425
2014-15	1 <sup>st</sup>	1,541.23	1.7.2014	25.3.2015	267
<b>Total</b>		<b>10,674.95</b>			

Source: Information furnished by State Government (RMDD letter No. 485/RMDD/P dated 24.2.2016)

Similarly, there was delay in release of Basic Grants to ULBs by GOI ranging between 14 and 265 days as shown below:

**Table-2.6**  
**TFC basic grants received by UDHD from GOI**

**(₹ in lakh)**

Year	Instalments	Amount	Due date of receipt of funds	Date of receipt of Fund from GOI	Delay (in days)
2010-11	1 <sup>st</sup>	12.03	1.7.2010	15.7.2010	14
2011-12	1 <sup>st</sup>	11.77	1.7.2011	22.3.2012	265
2012-13	1 <sup>st</sup>	15.00	1.7.2012	21.8.2012	51
	2 <sup>nd</sup>	1.66	1.1.2013	31.3.2012	--
2013-14	1 <sup>st</sup>	15.00	1.7.2013	12.3.2014	255
	2 <sup>nd</sup>	3.12	1.1.2014	24.4.2013	--
2014-15	1 <sup>st</sup>	17.14	1.7.2014	19.3.2015	262
	2 <sup>nd</sup>	5.17	1.1.2015	24.3.2015	82
<b>Total</b>		<b>80.89</b>			

Source: Information furnished by State Government (UDHD letter No. 112/Accts/UDHD dated 15.2.2016)

This was primarily due to non- submission of Utilisation Certificates (UC) by State Government in time as State Government failed to release fund to Local Bodies.

As would be noticed that in respect of release of grants to ULBs there were delays in almost all cases barring two occasions in 2012-13 (2<sup>nd</sup> instalment) and 2013-14 (2<sup>nd</sup> instalment). The delay in release by GOI was due to non-submission of UC on time by the State Government as the Department released the fund to PRIs and ULBs belatedly. The UCs were submitted by State Government belatedly ranging between 16 and 171 days as detailed in para 2.10.3. In respect of release of grants to PRIs the delay

was noticed in all occasion without exception during 2010-15, involving a fund release of ₹ 106.75 crore.

#### 2.7.4 Delay in release of funds by State Government

According to TFC recommendation (Para-10.157), the grants should be transferred to Local Bodies within 15 days of receipt of fund by the State Government failing which interest at Bank rate (RBI) would be payable to Local Bodies by the State Government. It was noticed that grants were not released within stipulated time by State Government on many occasions. Detailed analysis is given in succeeding paragraphs.

##### ➤ Delay in release by RMDD

The Rural Management and Development Department (RMDD) is the custodian of TFC funds of PRIs and responsible for transfer within stipulated time frame. It was noticed that the grants were released belatedly by RMDD to PRIs. The delay ranged from four to 98 days as shown below:

**Table-2.7**  
**General Basic grants released by RMDD to PRIs**

(₹ in lakh)

Year	Amount	Date of receipt of Fund from GOI	Date of release of fund to ZP/GP	Delay (in days)	Interest paid by State Government (RMDD)	Remarks (Interest not paid by State Government)
2010-11	858.00	15.7.2010	16.8.2010	17		3.50
	838.00	10.8.2011	12.8.2011	--		
2011-12	1075.00	21.9.2011	1.10.2011	--		
	1098.00	1.3.2012	31.3.2012	15	7.07 dt. 14.8.2012	
2012-13	1163.38	27.9.2012	18.1.2013	98		27.33
	1281.18	6.9.2013	13.9.2013	--		
2013-14	1440.59	20.12.2013	9.1.2014	4	3.11 dt. 20.5.14	
	1379.56	2.3.2015	11.3.2015	--		
2014-15	1541.23	25.3.2015	31.3.2015	--		
<b>Total</b>	<b>10,674.94</b>					

Source: Information furnished by State Government (RMDD)

As would be noticed that fund amounting to ₹ 106.75 crore were released belatedly (4 to 98 days) by RMDD to PRIs during 2010-15. Audit analysis of reason for delay in release of grants to PRIs revealed that RMDD, which is Nodal Department for TFC funds of PRIs, had not initiated action on time to place the proposal of fund transfer to High Level Monitoring Committee and also to State Cabinet. Delayed release by State Government also led to avoidable interest payment of ₹ 41 lakh to PRIs, of which ₹ 10.17 lakh was paid and ₹ 30.83 lakh for the year 2010-11 (17 days) and 2012-13 (98 days) were yet to be paid.

➤ **Delay in release of funds by UDHD**

Similarly, Urban Development and Housing Department (UDHD) was the custodian of TFC funds of ULBs. Audit noticed that UDHD also released funds to ULBs belatedly. The delay ranged between four and 52 days as shown below:

**Table-2.8**  
*General Basic grants released by UDHD to ULBs*

(₹ in lakh)

Year	Amount	Date of receipt of fund from GOI	Date of release of fund to ZP/GP	Delay (in days)	Interest paid by State Government (UDHD)
2010-11	12.03	15.7.2010	21.9.2010	52	(14,996)
2011-12	11.77	22.3.2012	31.3.2012	--	--
2012-13	15.00	21.8.2012	12.9.2012	8	5,064 (12 days) dt. 26.2.14
	1.66	31.3.2012	30.4.2012	15	Paid by FRED
2013-14	15.00	12.3.2014	31.3.2014	4	3,596 (10 days) 10.3.2015
	3.12	24.4.2013	2.5.2013	--	--
2014-15	17.14	19.3.2015	31.3.2015	--	--
	5.17	24.3.2015	2.5.2015	24	(2,975)
<b>Total</b>	<b>80.89</b>				

Source: Information furnished by State Government (UDHD)

As would be noticed that fund amounting to ₹ 48.86 lakh was released belatedly during 2010-15, leading to avoidable interest liability of ₹ 26,631 of which ₹ 8,660 was paid and ₹ 17,971 for the year 2010-11 and 2014-15 were yet to be paid.

➤ **Comparison with North-eastern States**

A comparison of status of delay in release of funds with other NE States was attempted and the position is given in table below:

**Table-2.9**

*Statement showing delay in release of funds by NE states to PRIs and ULBs*

(₹ in crore)

Year	Assam	Arunachal	Mizoram	Nagaland	Sikkim
2010-11	125.97	25.20 (88 days)	9.39 (146 days)	15.82 (111 days)	8.58 (17 days)
2011-12	213.58	32.20 (188 days)	11.88 (25 days)	17.97 (276 days)	10.98 (15 days)
2012-13	306.01	32.28 (35 days)	13.37 (63 days)	NA	11.63 (98 days)
2013-14	341.81	NA	4.59 (18 days)	NA	14.41 (4 days)
2014-15	469.34	NA	NA	NA	No delay

Source: Information obtained from State Accountants General of respective State

While the delay for Assam was not readily available, delay in case of Arunachal Pradesh ranged between 35 and 188 days, in case of Mizoram it ranged between 18 and 146 days and in case of Nagaland it ranged between 111 to 276 days.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the standard operating procedure for release of funds required obtaining of approval from State High Level Monitoring Committee, release of resources by State Finance Department and clearance of bills by the Treasuries. Fulfilment of above requirement was time consuming, leading to some delay in release of funds, which could not be avoided.

### 2.7.5 Utilisation of funds

Consolidated position of total expenditure by the PRIs and ULBs was not available with the State Government. Accordingly, Audit attempted to consolidate the figure by obtaining information/records directly from ZPs, GPs and ULBs. One ZP (out of 4), 96 GPs (out of 176) furnished information in response to Audit requisition which was compiled to arrive at overall position as detailed below:

**Table-2.10**

*Receipt and Expenditure of 13<sup>th</sup> FC Grants by Government of Sikkim*

*(₹ in lakh)*

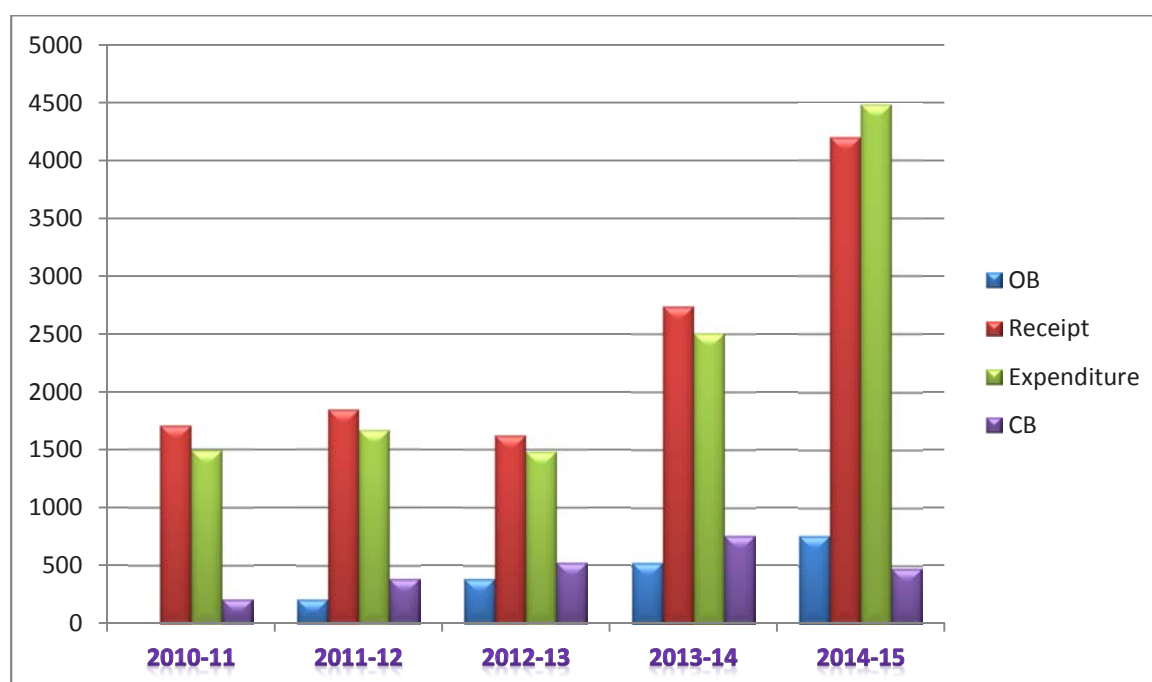
Year	OB	Receipt	Total	Expenditure	CB
2010-11	0	1,708.03	1,708.03	1,494.45	213.58
2011-12	213.58	1,846.30	2,059.88	1,668.60	391.28
2012-13	391.28	1,624.52	2,015.80	1,483.97	531.83
2013-14	531.83	2,739.89	3,271.72	2,508.11	763.61
2014-15	763.61	4,202.26	4,965.87	4,485.13	480.74
<b>Total</b>	0	12,121.00	14,021.30	13,540.56	480.74

*Source: Information collected from cash book of GPs and ZPs and cross checked by Audit with reference to Bank statements; Cash Books, etc.*

*OB: Opening Balance, CB: closing Balance*

Analysis revealed that the Local Bodies could not utilise the allocated funds and the closing balances ranged between ₹ 2.14 crore (2010-11) to ₹ 7.64 crore (2013-14) as shown in the graph below:

**Chart -2.3**



A further analysis revealed that the absorption capacity of ZP ranged between 45 and 60 per cent, and GPs 55 and 70 per cent and that of ULBs 75 and 88 per cent indicating that LBs in Sikkim had not initiated adequate measures beforehand to utilise TFC funding to the maximum. These inadequacies were compared with other North Eastern States where fund utilisation was 100 per cent (Nagaland and Manipur) and 83 per cent (Mizoram) as shown below:

**Table-2.11**

*Statement showing absorption capacity of various States*

(₹ in lakh)

State	Fund released	Fund utilised	% utilised
Mizoram	91.48	76.29	83
Nagaland	58.13	58.13	100
Manipur	102.81	102.81	100
Tripura	201.24	109.96	55
Sikkim	121.21	90.91	75

Source: Information obtained from State Accountants General of respective States

### **2.7.6 Utilisation certificates not submitted by State Government in time**

Government of India vide Notification (September 2010) stipulated that release of instalment for grants under TFC would be subject to submission of Utilisation Certificates for previous instalment drawn (Para 6.2). It was noticed that the State Government had not submitted utilisation certificates in time as detailed below:



**Table-2.12**  
**Statement of Financial position of TFC with submission of Utilisation Certificate**  
**(₹ in lakh)**

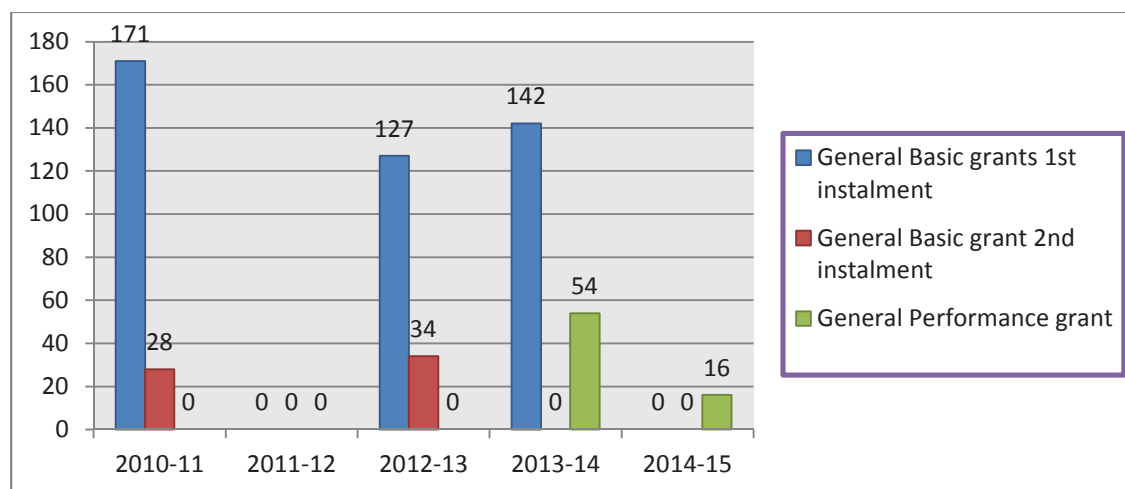
Year	Inst. No.	Amount released	Date of release by GOI		Date of release by State Government		Date of submission of UC to GOI	
			Due	Actual	Due	Actual	Due	Actual
2010-11	Basic Grant I	858.00	1.7.10	15.7.10	30.7.10	16.8.10	21.8.10	10.2.11(171)
	Basic Grant II	838.00	1.1.11	9.8.11	24.8.11	10.8.11	15.8.11	13.9.11(28)
2011-12	Basic Grant I	1075.00	1.7.11	30.9.11	15.10.11	NA	NA	NA
	Basic Grant II	1098.00	1.1.12	1.3.12	15.3.12	31.3.12	NA	NA
2012-13	Basic Grant I	1163.38	1.7.12	27.9.12	12.10.12	25.1.13	30.1.13	7.6.13(127)
	Basic Grant II	1281.18	1.1.13	6.9.13	21.9.13	28.9.13	3.10.13	6.11.13(34)
	Performance Grant	106.00	NA	NA	NA	NA	NA	NA
2013-14	Basic Grant I	1440.59	1.7.13	20.12.13	5.1.14	9.1.14	14.1.14	6.6.14(142)
	Basic Grant II	1379.56	1.1.14	2.3.14	17.3.14	11.3.14	16.3.14	12.3.14 (NA)
	Performance Grant	344.16	1.7.13	31.3.14	15.4.14	7.4.14	12.4.14	6.6.14(54)
2014-15	Basic Grant I	1541.23	1.7.14	25.3.15	9.4.15	8.4.15	13.5.15	6.4.15 (NA)
	Basic Grant II							
	Performance Grant	915.00	1.7.14	31.3.15	15.4.15	2.5.15	7.5.15	26.5.15(16)
<b>Total</b>	<b>Basic Grant</b>	<b>10,674.94</b>						
	<b>Performance Grant</b>	<b>1,365.16</b>						

Source: Information collected from files/records of RMDD and UDHD, Government of Sikkim

Figure in parenthesis indicate delay in number of days

The delay in submission of UCs ranged between 16 and 171 days. The delay was most pronounced in case of General Basic grants for the year 2010-11 (171 days), followed by 2013-14 (142 days) as shown in graph below:

**Chart -2.4**



This not only resulted in delayed release of funds ranging between 14 to 425 days but also short release of General Basic grants of ₹ 13.81 crore during 2010-15.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the submission of UCs by the RMDD is subject to receipt of UCs along with the Statement of Expenditure by all the PRIs including those in the far flung remote areas of the State. Submission of UCs was delayed as the PRIs had to wait for completion of work and incurring of expenditure against the work.

The reply is not acceptable as the UCs were required to be submitted to GOI for the amounts which have been utilised without waiting for utilisation of entire available funds.

## 2.8 Utilisation of TFC Grants

### Audit Objective-2:

**Whether TFC Grants were utilised in planned manner by Local Bodies duly adhering to the provisions of TFC and other related norms and conditions**

#### 2.8.1 Planning

The State Government was required to initiate suitable steps before hand to utilise the TFC fund to the maximum and in the right spirit of the TFC guidelines. Important among them were to be prepared for being eligible for drawing the TFC General Performance grant, appropriate strengthening of Local Fund Audit Department, incentivise revenue collection by Local Bodies, etc. Position in this respect in the State is given below:

**Table-2.13**

<b>Sl.</b>	<b>Activities in the TFC guidelines</b>	<b>Action taken by State Government</b>
<b>1</b>	State Government will be eligible for the General Performance grant only if they comply with the stipulations in TFC recommendations.	The State Government failed to comply with the criteria laid down by GOI. Only six (out of 9) conditions were fulfilled. As a result, General Performance grant was not released in full as detailed in <b>Appendix-2.4</b> .
<b>2</b>	State Government should appropriately strengthen their Local Fund Audit Department through capacity building as well as personnel augmentation.	The office of the Director, Local Fund Audit (DLFA) was created by the State Government as late as June 2012. Strengthening of the DLFA was not attempted as desired as augmentation in sanctioned strength and men in position had not taken place since the formation of the DLFA. While sanctioned strength was not delineated, men-in-position of DLFA was reduced from 18 (2013-14) to 13 (2015-16). As a result, only 94 (out of 500) units were audited during 2013-16. Similarly, capacity building of the DLFA staff was also not accorded due importance as none of the staff had been trained in auditing.
<b>3</b>	The State Government should incentivise revenue collection by Local Bodies through methods such as mandating some or all local taxes as obligatory at non-zero rates of levy; by deducting deemed own revenue collection from transfer entitlements of Local Bodies or through a system of matching grants.	The State Government had neither taken adequate steps to incentivise revenue collection by Local Bodies nor reduced its own revenue collection from transfer entitlements of Local Bodies or through a system of matching grants. This compared poorly with Mizoram which had initiated steps to incentivise revenue collection of LBs.

<i>Sl.</i>	<i>Activities in the TFC guidelines</i>	<i>Action taken by State Government</i>
4	To buttress the accounting system, the Finance Accounts should include a separate statement indicating head-wise details of actual expenditure under the same heads as used in the budget for both PRIs and ULBs from 2011-12.	A separate statement including head-wise details of actual expenditure under the same heads as used in the budget for both PRIs and ULBs was created in the Finance Accounts with effect from 2012-13 as Statement no. 43 and 46.
5	The Government of India and the State Governments should issue executive instructions that all their respective Departments pay appropriate service charges to Local Bodies.	State Government did not issue instructions to their respective Departments to pay appropriate service charges relating to work executed by PRIs on behalf of respective Departments to Local Bodies as of March 2016. The works such as construction of Community Recreation Centres, Gram Prasasan Kendras, Bridges, Water supply etc. were constructed by ZP on behalf of line Departments of State Government without any service charges. The contingent charges for unforeseen items pertaining to works were also not released by Departments to meet incidental charges of works by ZPs.
6	A portion of income from royalty should be shared between State Government and Local Bodies in whose jurisdiction such income arises.	No effort was taken by the State Government to share 'Royalty' between State Government and Local Bodies in whose jurisdiction such income arises as of March 2016. This is despite the fact that a number of forest quarry are functioning in the panchayat areas and power projects were also coming up in the vicinity of panchayat areas. The State Government collected forest royalty of ₹ 11.45 crore during 2010-15 from quarries situated in GPs.
7	State Governments should ensure that the recommendations of State Finance Commissions are implemented without delay and that the Action Taken Report is promptly placed before the legislature.	The recommendations of SFCs were not implemented in a number of cases such as adequate release of grants to ZP/GPs by line Departments despite acceptance (November 2011) by the State Government. As a result, release of grants to PRIs aggregated to ₹ 2.09 crore instead of mandatory ₹ 5.86 crore during 2010-15. Only few GPs had commenced steps to collect their own revenues despite empowered to do so. Had all the GPs initiated steps to collect own revenue, generation of ₹ 5.86 crore could have been achieved.

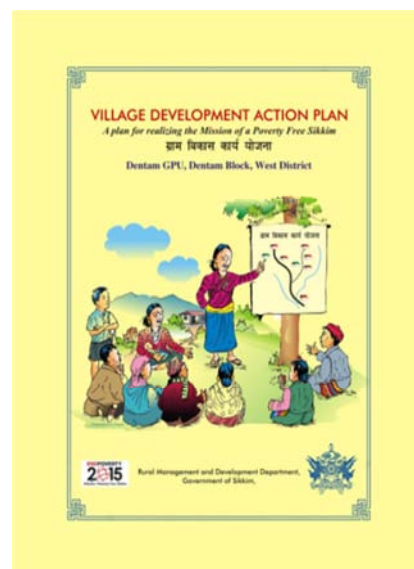
The above instances indicated that the State Government did not initiate suitable measures in adequate terms to be prepared for making full use of TFC funding. Not only the General Basic grant and General Performance grant was not released in full and in time, suitable strengthening of Local Bodies had also not taken place as of March 2016.

### **2.8.2 Village Development Action Plan (VDAP) not made use of**

As mentioned in preceding paragraph (2.1), Government of Sikkim was allocated ₹ 122.25 crore and ₹ 64.72 crore from TFC towards General Basic grant and General Performance grant respectively for supplementing the resources of the PRIs during 2010-15. The fund was to be utilised towards provisioning of basic services such as sanitation, water supply, power, etc.

The State Government released fund to PRIs during 2010-11 to meet the cost of preparation of VDAP partially. VDAP helps to ensure estimation of available resources within the GPs and spend fund according to VDAP in most economic, efficient and effective manner for providing basic services.

Audit noticed that the GPs had prepared VDAP by incurring ₹ 17.80 lakh released by State Government under State Plan and initiated planning for execution of works as per VDAP. Also the State Government while transferring TFC fund of ₹ 20.46 crore during 2010-11 to 2014-15 to GPs intimated that the fund was to be utilised towards development works including implementation of VDAP (details in **Appendix-2.5**). However, the Additional District Collector (Development) of respective districts, to whom the funds were released by State Government for onward release to GPs, directed (2011-13) the GPs to utilise TFC funds of ₹ 20.46 crore towards maintenance of civic amenities (₹ 10.43 crore) and salary of Panchayat Accounts Assistants etc. (₹ 3.17 crore) out of above fund.



As a result, the GPs could not utilise the TFC fund towards the thrust areas such as water supply, rural connectivity, sewerage etc. noted in respective VDAP. Instead, fund was utilised towards meeting salary of Panchayat Account Assistants (PAA), Barefoot Engineers, repair and construction of infrastructure, etc. It was also noticed that fund release order was accompanied by list of works to be executed as directed by Additional District Collector (Development) who were in charge of monitoring works of PRIs including TFC funding. Analysis revealed that the works assigned to GPs by ADC were

different from what was passed by the respective Gram Sabhas in line with VDAP of the GPs concerned.

Thus, the works enshrined in the VDAP and approved plan could not be executed leading to unfruitful expenditure of ₹ 17.80 lakh on preparation of VDAP to a large extent. Besides, the TFC fund was not meant for these programmes but for basic services such as water supply, sewerage, and electricity etc. which was rightly envisaged in the plans prepared by the GPs.

### **2.8.3 TFC fund incurred towards meeting ongoing schemes of State Government**

State Government took up construction of seven (7) Gram Prasaran Kendras (GPKs) between 2003-04 to 2007-08 under various debitible head such as Tribal Sub Plan (TSP), *Swarnajayanti Gramin Rojgar Yojana* (SGRY) and award money was released by GOI towards *nirmal puraskar* for sanitation. The construction works were tendered between April 2003 and March 2008 and awarded to the contractors with stipulation to complete (between April 2004 and March 2009) within one year from the date of work order. Details are shown in **Appendix-2.6**. The works were not completed within stipulated time. As on March 2010, the progress ranged between 27 and 60 *per cent* after incurring expenditure of ₹ 52.07 lakh from original source of funding *i.e.* TSP, SGRY and award money. Adequate actions were not initiated by the nodal department (RMDD) to ensure completion of works within the stipulated time.

After receipt of TFC grant, the expenditure of GPK was met from TFC fund with effect from April 2012. A total of ₹ 1.18 crore was incurred towards above works as of March 2016 from TFC funding. The change of source of funding of ongoing scheme to TFC was not permissible under TFC guidelines and hence the expenditure of ₹ 1.18 crore was irregular. This not only resulted in diversion of TFC fund of ₹ 1.18 crore to meet expenditure on the works executed from other schemes but also led to a loss of potential fund from GOI on account of original source of funding *i.e.* TSP, SGRY, etc.

Action of the State Government to utilise TFC funding towards ongoing scheme led to curtailment of works relating to improvement in basic services such as water supply and sanitation as envisaged in TFC guidelines. As a result, GPs trailed in providing basic services of water supply, sanitation, etc. as coverage ranged between 26 and 29 *per cent* of population for water supply and that of sanitation fell from 98 *per cent* (2010-11) to 87 *per cent* (2012-13).

The Director (Panchayat), Government of Sikkim stated (December 2016) that Gram Panchayat Infrastructure such as repairs of Gram Prasasan Kendra had been taken up by the PRIs to ensure judicious use of the TFC fund which cannot be classified as diversion of fund.

The reply is not acceptable as the funding of ongoing schemes is not permissible under TFC guidelines (Para-10.172).

#### **2.8.4 TFC fund allocated towards BRGF**

The Backward Regions Grant Fund was launched (2006-07) by GOI to bridge critical gaps in local infrastructure and other development requirements; strengthen Panchayat and Municipality level governance with more appropriate capacity building; provide professional support to local bodies for planning, implementation and monitoring their plans; and improve the performance and delivery of critical functions assigned to Panchayats.

During 2014-15, fund of ₹ 11.47 crore was sanctioned by GOI against the projection of ₹ 15.05 crore by the State Government. The GPs and ZPs accordingly invited (June 2014) tender for 406 works relating to construction of crematorium shed, repair of school building, etc. The work orders were issued (June 2014) to contractors with stipulation to complete the works within six months (between June 2014 and February 2015). The works were not completed within the stipulated period. The physical progress ranged between 40 and 55 *per cent* as on March 2015. Construction works were stopped between March 2015 and March 2016 for want of fund. The ZPs and GPs did not take any action as stipulated in the agreement against the contractor to get the work completed in time. Thereafter, on receipt of TFC funding (March 2016), balance expenditure of 406 works amounting to ₹ 3.58 crore was partially met (April-May 2016) from TFC funding of ₹ 1.21 crore.

Audit analysis revealed that the GPs and ZPs instead of curtailing the execution of number of works to sanctioned amount (₹ 11.47 crore), issued work order for 406 works aggregating to entire projected requirement (₹ 15.05 crore). As a result, there was shortage of fund to the tune of ₹ 3.58 crore. The ZPs and GPs without ensuring the source of meeting this shortage of fund, issued work order for entire projected amount, indicating unplanned implementation. This also led to works remaining incomplete even after expiry of 21 months of scheduled date of completion as of September 2016.

Thus, action of the ZPs and GPs not only led to irregular utilisation of TFC funding of ₹ 1.21 crore but also incomplete works despite incurring substantial fund of ₹ 12.68

crore. The TFC fund of ₹ 1.21 crore could have been utilised towards improving basic services of the Gram Panchayat.

### **2.8.5 Diversion of TFC fund towards salary and wages by ULBs**

The State Government released TFC fund of ₹ 80.89 lakh to ULBs during 2010-16. According to TFC recommendation (Para-10.141 to 10.143), the TFC fund was to be utilised by Local Bodies towards provisioning of core services such as solid waste management and street lights to an acceptable level of service. The LBs were expected to initiate suitable steps for utilisation of TFC funding to avoid diluting the quality of services for want of resources (Para-10.160-viii).

Audit noticed that the ULBs had not prepared any plan to utilise the TFC fund towards basic services such as sanitation, water supply, power, etc. Entire fund of ₹ 80.89 lakh was incurred towards meeting salary and wages of the employee of the respective ULBs. The utilisation of TFC fund towards salary and wages was irregular and in contravention to scheme guidelines which led to compromise in providing basic services to residents of ULBs.

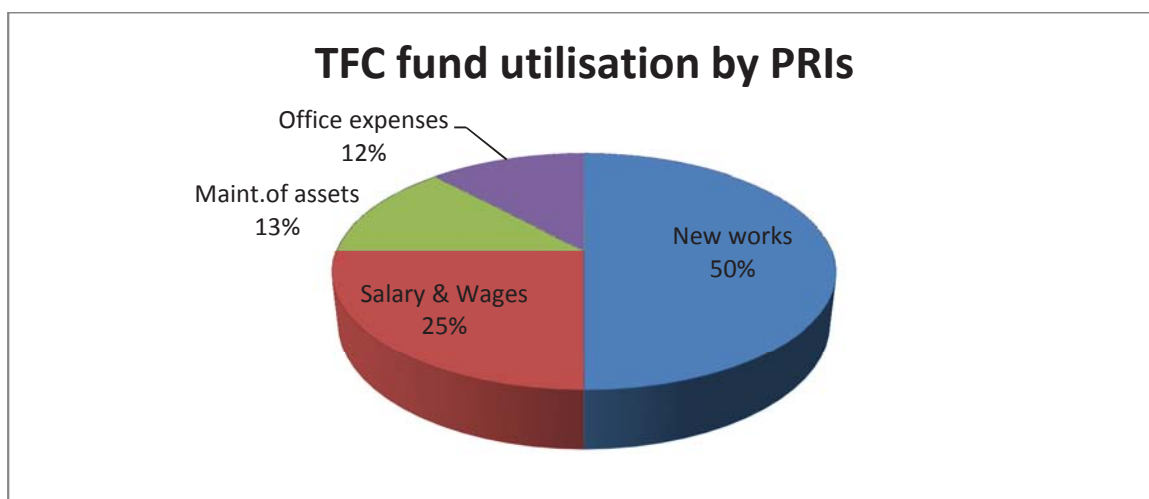
## **2.9 Programme Execution**

### **Audit Objective-3:**

#### **Whether Works and activities funded from TFC grants were carried out economically, efficiently and effectively**

Out of total fund availability of ₹ 121.21 crore, ₹ 120.40 crore was allocated to PRI (ZP ₹ 36.12 crore and GP ₹ 84.28 crore) and ₹ 0.81 crore to ULBs for execution of various works (78 no.). Out of the above fund, the sample (2 ZPs, 45 GPs and 3 ULBs) test checked in Audit incurred ₹ 30.15 crore during 2010-15. Analysis of above expenditure, separately for PRIs and ULBs, revealed that while ULBs had incurred major percentage of expenditure (74%) towards salary and wages, as mentioned in preceding paragraph (2.8.5); the PRIs had incurred 50% towards new work, 25% towards salary and wages, 13% towards maintenance of assets and 12 % on office expenses as shown in pie chart below:

*Chart-2.5*



As would be seen, major percentage (50%) of expenditure was towards construction of GPKs and CRCs. 36 works (out of 78 works) relating to construction of GPKs (29) and CRCs (7) of estimated cost of ₹ 14.75 crore was test checked in audit. The results are given below:

### ***2.9.1 Works completed belatedly***

The SPWD Manual (Para-22.2) and terms of contract (Para-14) enjoin upon the contractor to complete the work as agreed upon. Failure to complete the work within valid time extension attracts penalty on per day basis for unfinished portion of work. It was seen that most of the works of construction of GPKs, CRCs were not completed in time.

A total of 36 works relating to construction of GPKs (29) and CRCs (7) were taken up between 2010-11 to 2014-15 involving an estimated cost of ₹ 14.75 crore. The works were to be completed between November 2011 and November 2016. However, it was noticed that only 13 works were completed and 15 works were under progress (Physical progress ranging between 5 to 95%) as of March 2016. Remaining 8 works had not even commenced as of March 2016 owing to non- finalisation of land as detailed in ***Appendix-2.7.***

Audit analysis revealed that 13 works valuing ₹ 3.90 crore which were completed, also recorded a delay in completion ranging between 5 and 25 months from the scheduled date of completion. This was primarily due to late start and slow pace of work by contractors. Examples of such works are shown in photograph below:



	<p>Name of work: <i>Construction of Rolep Lamaten GPK</i>  Estimated cost: ₹ 30 lakh  Expenditure: ₹30 lakh  Date of commencement: 01.01.2013  Due date of completion: 30.06.2014  Actual date of completion: 31.08.2015  Delay: 14 months  Reason for delay: <i>Delay on part of contractor due to slow progress of work.</i></p>
	<p>Name of work: <i>Construction of GPK Rateypani</i>  Estimated cost: ₹ 30 lakh  Expenditure: ₹ 29.95 lakh  Date of commencement: 13.05.2013  Due date of completion: 12.01.2014  Actual date of completion: 31.03.2015  Delay: 13 months  Reason for delay: <i>Delay on part of contractor due to slow progress of work.</i></p>
	<p>Name of work: <i>Construction of GPK Turuk Mamring</i>  Estimated cost: ₹ 30 lakh  Expenditure: ₹ 29.95 lakh  Date of commencement: 06.01.2012  Due date of completion: 05.10.2012  Actual date of completion: 04.09.2013  Delay: 9 months  Reason for delay: <i>Delay in finalisation of land</i></p>
	<p>Name of work: <i>Construction of GPK Perving Dovang</i>  Estimated cost: ₹ 30 lakh  Expenditure: ₹ 29.95 lakh  Date of commencement: 06.01.2012  Due date of completion: 05.10.2012  Actual date of completion: 04.09.2013  Delay: 9 months  Reason for delay: <i>Delay on part of contractor due to slow progress of work.</i></p>

However, neither any action was initiated by ZP authorities against the contractors for late start and slow pace of works nor penalty of ₹ 11.75 lakh<sup>7</sup> was levied on contractors for delay in execution of works. Delay in completion of works led to postponement of intended benefit of providing a common place to villagers for recreation such as playing games, organizing cultural activities, etc.

### 2.9.2 Incomplete works

The SPWD Manual (Para-22.2) and terms of contract (Para-14) enjoin upon the contractor to complete the work as agreed upon. Failure to complete the work within valid time extension attract penalty on per day basis for unfinished portion of work. However, 23 works taken up under TFC funding remained incomplete as of March 2016, of which eight works valuing ₹ 3.01 crore had not started due to non-finalisation of land, tendering, etc. As a result, TFC fund amounting to ₹ 3.46 crore incurred in partial execution of 15 works did not yield value for money. Some of the instances are shown below:

	<p>Name of work: <i>Construction of Community Recreation Centre, Pabuik</i>  Estimated cost: ₹ 97.26 lakh  Expenditure: ₹ 37.68 lakh  Date of commencement: 19.08.2013  Due date of completion: 18.05.2014  Physical progress as of March 2016: 95 %  Reason for delay: <i>Land finalised belatedly.</i></p>
	<p>Name of work: <i>Construction of CRC Subithang</i>  Estimated cost: ₹98.60 lakh  Expenditure: ₹ 31.13 lakh  Date of commencement: 19.08.2013  Due date of completion: 18.05.2014  Physical progress as of March 2016: 95%  Reason for delay: <i>Land finalised belatedly and slow progress of works by contractor.</i></p>

<sup>7</sup> Penalty of 1% of the work value of ₹ 11.75 crore = ₹ 11.75 lakh.

	<p>Name of work: <i>Construction of CRC Central Pendam</i>  Estimated cost: ₹ 95.14 lakh  Expenditure: ₹ 56.95 lakh  Date of commencement: 05.09.2013  Due date of completion: 04.06.2014  Physical progress as on March 2016: 95%  Reason for delay: <i>Delay on part of contractor due to slow progress of work.</i></p>
	<p>Name of work: <i>Construction of CRC Bermoik Berthang</i>  Estimated cost: ₹ 97.44 lakh  Expenditure: ₹ 35.57 lakh  Date of commencement: 21.11.2013  Due date of completion: 26.01.2015  Physical progress as of March 2016: 45%  Reason for delay: <i>Delay on part of contractor due to slow progress of work.</i></p>

Out of 15 works in progress, 10 works (₹ 8.59 crore) were to be completed by June 2016 and 5 works (₹ 1.50 crore) by November 2016. Against this, the progress was 25 to 95 % and 5 to 50% respectively as of March 2016. Thus, the works in progress were not completed even after recording a delay of 18 to 48 months from the scheduled date of completion despite incurring an expenditure of ₹ 3.46 crore. Non completion of works led to non-accrual of intended benefits of having a recreation centre and fully functional GPKs. The ZP had neither initiated suitable action to ensure completion of work on time by the contractor nor levied penalty to the contractors for delayed execution despite provision in the contract agreement (clause 14).

### **2.9.3 Work not started**

Construction of 8 works valuing ₹ 3.01 crore had not started due to non-finalisation of land, tendering, etc indicating lack of preparedness by the ZP as detailed in **Appendix-2.7**.

### **2.9.4 Extra expenditure**

SPWD Manual (Para-60) envisaged upon the implementing Department to tender the work based on estimated cost prepared on the basis of applicable Schedule of Rates. It

was however, noticed during the audit that the ZPs issued tender invitation notice in case of construction of ten Panchayat Ghar at various places in East and South Sikkim at the estimated cost of ₹ 25.49 lakh each aggregating to ₹ 2.55 crore which had an inbuilt component of cost escalation of ₹ 4.29 lakh each. The lowest tenderer in case of all ten works quoted *at par* the estimated cost and accordingly the agreement was drawn. The works were completed and payment of ₹ 30 lakh (including of escalation portion of ₹ 4.29 lakh) each aggregating to ₹ 3 crore was released to the contractors between October 2013 and March 2016 leading to aggregated extra expenditure of ₹ 42.90 lakh in ten works. Audit point was borne out of the fact that in all other works, the cost escalation portion, although factored in while preparing the estimate, was neither included while floating the tender nor allowed to the contractors for payment.

Thus, casual approach of the ZP official in failing to segregate the actual estimated cost with that of the probable estimated cost duly factoring in the cost escalation based on the tender bid led to loss of ₹ 42.90 lakh in case of ten works to the Government and undue favour of equivalent amount to the contractors.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the estimate of GPKs was prepared based on SOR 2006 during 2011-12. Although the tender was floated for ₹ 25.49 lakh and work was awarded to the contractors *at par*, cost escalation component of ₹ 4.29 lakh was released to the contractors based on their request as they could not complete the work at the approved cost (₹ 25.49 lakh).

The reply is not acceptable as the contractors were bound by the agreement to execute the work at the contract price of ₹ 25.49 lakh.

### **2.9.5 Avoidable expenditure**

Government of India released TFC fund (September 2010 to March 2015) to State Government as General Performance grant and General Basic grant. Audit scrutiny revealed that ₹ 2 crore was utilised towards purchase of bookshelf and chair between November 2010 and March 2015. Audit scrutiny of records revealed that the Gram Panchayats (GPs) did not utilise the fund towards providing minimum level of services in water supply, sewerage, storm water drainage and solid waste management sectors and instead purchased furniture (2 book-shelves, one table and one executive chair) for Gram Prasaran Kendras (GPKs).



Physical verification by Audit in presence of GP functionaries revealed (July 2016) that there was no space for keeping this furniture in the GPKs as shown in picture. Books were not even in circulation.

Thus, the action of the GPs to utilise TFC fund of ₹ 2 crore towards purchase of Library books and furniture was largely unfruitful and against the provision of TFC.

The Director (Panchayat), Government of Sikkim stated (December 2016) that based on the policy decision of the State Government to have a library in each Gram Panchayat, the PRIs had chosen to purchase relevant library books. He further assured that although almost all the GPs have infrastructure in place to store these items, RMDD shall look into the observation and explore possibilities of addressing the issue.

#### **2.9.6 Estimate of works were enhanced**

The ZPs took up (June 2011) construction of seven Community Recreation Centres (CRCs) across the State involving a cost of ₹ 3.70 crore based on SOR 2006. The agreement for execution of works was at par the estimated cost without any cost escalation. The construction was to commence from 2010-11 and 2011-12 and stipulated to be completed between 2011-12 and 2012-13. However, during the currency of execution, the ZPs allowed (June 2013) cost escalation of CRCs, raising it to ₹ 6.72 crore. This not only led to cost escalation of ₹ 3.02 crore but also deprived the execution of other basic services such water supply, sanitation and garbage disposal to this extent. Audit analysis revealed that the basic rate was changed from SOR-2006 to SOR-2012 on the direction of RMDD leading to cost escalation of ₹ 3.02 crore. The action of the ZP was irregular as rates were finalized and agreements drawn. The action was incongruent to para 10 of *Sikkim Public Works Department (SPWD) Manual* as rates once entered into cannot be changed. This led to extra avoidable expenditure of ₹ 3.02 crore and undue benefits to contractors.

The Director (Panchayat), Government of Sikkim stated (December 2016) that the estimate had to be revised based on the actual site condition to include provisions for protective works, site levelling, etc.

The reply is not acceptable as the cost escalation was primarily owing to change of base rate from SOR-2006 to SOR-2012 and not due to change in scope of works as contended by the State Government.

## **2.10 Monitoring and evaluation**

### **Audit Objective-4:**

***Whether Monitoring mechanism for ensuring proper utilisation of TFC grants were adequately prescribed and effectively executed***

#### **2.10.1 Monitoring by State High Level Monitoring Committee (SHLMC)**

Government of India (September 2010) directed State Governments to form SHLMC headed by the Chief Secretary and Finance Secretary and Secretaries of the concerned Departments as members. SHLMC shall be responsible for ensuring adherence to the specific conditions in respect of each category of grant, wherever applicable.

The SHLMC shall meet on quarterly basis and minutes of SHLMC meetings shall be forwarded to Government of India (Ministry of Finance) and to the Department of Justice (Para 9.2).

➤ SHLMC was constituted (2010) by State Government. The SHLMC convened only seven meeting<sup>8</sup> (July 2010 to March 2016) to dwell upon the responsibilities as against 19 meetings, thus recording a shortfall of 12 meeting. The matter relating to LBs was rarely discussed. It mostly dealt with common issues such as submission of UC on time. No monitoring therefore as stipulated by SHLMC was forthcoming in the State. SHLMC did not evaluate proper utilisation of fund by LBs. As a result, deficiencies in utilisation of TFC grants such as diversion of TFC fund, non-completion of works in time, non-adherence of criteria fixed by GOI to release General Performance Grant and non-utilisation of TFC fund in timely manner by LBs was allowed to persist. States had also not prepared a perspective plan for 2010-15 and an action plan for each financial year for all the components with the approval of SHLMC.

#### **2.10.2 Field monitoring reports not available**

The District Development Officer (DDO) was re-designated (February 2011) as Additional District Collector (Development) {ADC (Dev)} by State Government and were assigned the field monitoring work. Although ADC (Dev) claimed to have visited the field to monitor the works done by PRIs/ULBs, records of monitoring and action taken report on the inspection reports, to initiate corrective action, if any, was not available on records for verification. The SHLMC had also not test checked the monitoring works done by ADC (Dev) to ensure proper monitoring.

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<sup>8</sup> Date of SHLMC meeting: 2.7.2010, 17.11.2010, 27.7.2011, 10.2.2012, 20.9.2013, 22.1.2015 and 6.2.2015

### ***2.10.3 Utilisation certificates not submitted by State Government in time***

Government of India stipulated (September 2010) that release of instalment for grants under TFC would be subject to submission of UC for previous instalment drawn (Para 6.2). It was noticed that the State Government had not submitted utilisation certificates in time. This not only resulted in delayed release of funds but also short release of general basic grants. It was noticed that 7 UCs (out of 13) for which records were made available to Audit were submitted belatedly recording a delay ranging from 16 to 171 days.

Audit analysis of reasons for delayed submission of UC revealed that the State Government had adopted the procedure to transfer funds to executing departments and LBs only after discussion and approval in the SHLMC and after obtaining Cabinet approval. It was seen that the meeting of SHMLC was not convened in time as required (Para 7 of Guidelines). This led to delayed submission to Cabinet and consequent delay in transfer of funds to LBs. The UCs were to be submitted to GOI only after transfer of funds to LBs. Since transfer of funds to LBs were delayed (as detailed in Para 2.7.5), the submission of UC was also delayed. The delayed submission of UC in turn led to delay in release of funds by GOI.

### ***2.11 Beneficiary survey***

A survey was undertaken by Audit to assess the awareness level and level of satisfaction of beneficiaries and Panchayat functionaries relating to implementation of TFC. The survey revealed (July-August 2016) that:

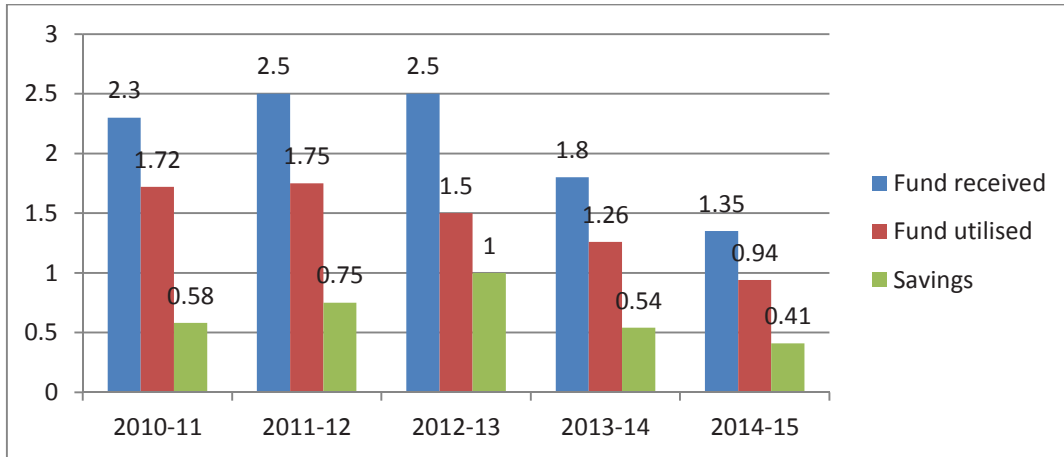
- 121 (out of 250) beneficiaries/villagers possessed awareness about implementation of TFC in their respective villages, had participated in the Gram Sabha for discussion relating to planning for utilisation of TFC funds and were generally satisfied with implementation of TFC. People in general were aware of potential revenue generating areas. However, it could not be tapped owing to inadequate initiatives from Panchayat functionaries. The beneficiaries were not paying tax for availing basic services provided by GPs in contravention of the TFC guidelines.
- Similarly, the survey of Panchayat functionaries revealed that out of 25 GPs only one GP (Mellidara Paiyong) had prepared Five year plan and Annual plan based on Gram Sabha for onward submission to District Planning Committee (DPC); gaps prevailing in basic services were not identified and executed by any of the GPs (except Mellidara Paiyong) so as to provide minimum standard of basic services as well as earn revenue on account of services rendered.

- GPs were allocated ₹ 10.45 crore during 2010-11 to 2014-15, by RMDD from TFC fund for utilisation as per VDAP. Survey revealed that 60 to 75 per cent of fund was utilised by GPs, resulting in saving ranging between 25 to 40 per cent as shown in graph below:

**Chart-2.6**

Chart showing year wise fund received, utilised and savings with GPs

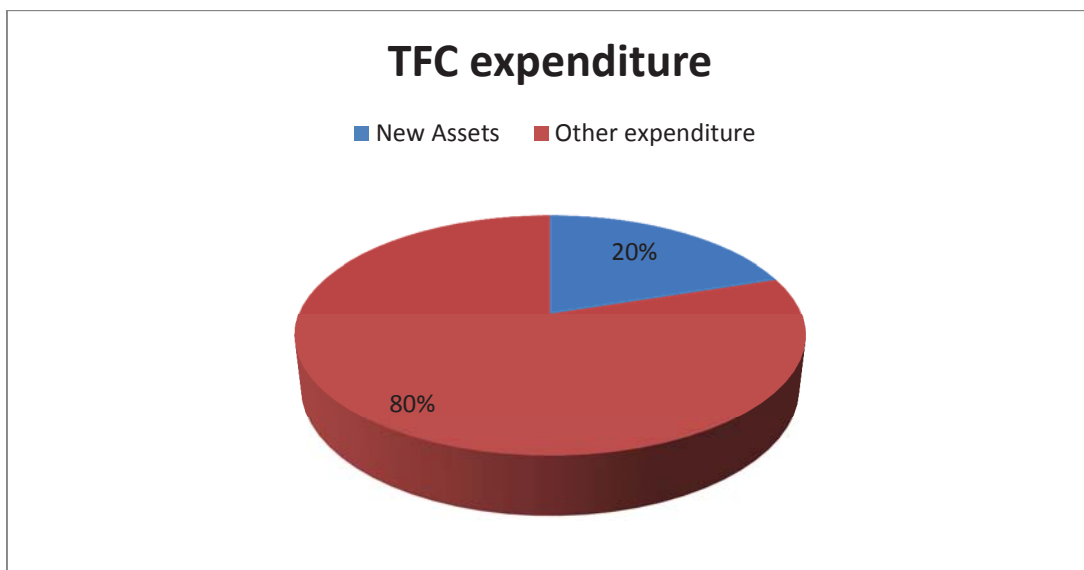
(₹ in crore)



- Out of total fund availability of ₹ 121.21 crore, ₹ 10.45 crore was allocated to GPs for Development fund including implementation of VDAP. Survey revealed that GPs spent fund for construction of assets (20%), maintenance of assets (45%), Office expenses (20%) and salary of PAA, Barefoot engineers etc. (15%) as shown below:

**Chart-2.7**

Chart showing per cent of TFC expenditure by GPs on various components





As depicted from chart only 20 *per cent* of TFC fund was utilised for creation of new assets and rest 80 *per cent* of fund was utilised for maintenance of assets such as GPK, water supply (45 *per cent*) and establishment expenditure (35 *per cent*). The GPs failed to utilise fund towards creating assets with potential of revenue generation to augment their revenue base.

### **2.12 Good Practices**

Audit attempted to ascertain good practices followed by Sikkim in implementation of TFC. A comparison with other North-eastern States revealed that Assam adopted some good practices which included adoption and implementation of Municipal Accounting Manual, appointment of Lokayukta, and setting up of service level delivery benchmark.

It was noticed that Sikkim had also appointed Lokayukta and set-up service level delivery benchmark for Gangtok Municipal Corporation. Municipal Accounting Manual although prepared by UDHD had not been approved by the Government for adoption. Besides, Sikkim had introduced some other good practices such as preparation of VDAC, submission of photographs of works sites before and after completion of works, etc.

### **2.13 Conclusion**

*Maximum utilisation of CFC fund was not ensured by appropriate planning beforehand leading to curtailment of funds and delayed release of funds. The works were not completed within stipulated time. As a result out of 36 works taken up under TFC funding, 13 works were completed and 23 works remained incomplete. Out of 23 works, 8 works valuing ₹ 3.01 crore had not commenced and remaining 15 works were completed recording a delay. Local Bodies should take suitable steps to ensure that works were taken up and completed expeditiously to reap intended benefit of the projects. Monitoring by SHLMC was also required to be strengthened to ensure proper implementation of Central Finance Commission Grants.*

### **2.14 Recommendations**

- *The State Government may initiate suitable steps to utilise the Central Finance Commission (CFC) grants.*
- *Utilisation certificates should be submitted in time by Local Bodies to avoid delayed release of funds and short release of grants.*

- *Financial management should be strengthened to avoid diversion of fund, extra and avoidable expenditure.*
- *The programme execution should be strengthened to ensure completion of all works within stipulated time to avoid time and cost overrun to reap the intended benefit.*
- *Dedicated and effective monitoring system for Local Bodies should be established to facilitate timely corrective actions for effective programme implementation.*

# **CHAPTER-III**

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



## CHAPTER-III

### AUDIT ON TRANSACTIONS OF PANCHAYAT RAJ INSTITUTIONS

#### ***3.1 Avoidable expenditure on augmentation of Rural Water Supply Scheme (RWSS) at Maniram Bhanjyang***

***The ZP (South) executed the project augmentation of RWSS at Maniram Bhanjyang during 2013-15 despite the fact that all the households of Gram Panchayat (GP) were fully covered with water supply leading to unwarranted execution and avoidable expenditure of ₹ 1.07 crore.***

Based on the recommendation (April 2013) of Village Water and Sanitation Committee and District Water Sanitation Committee, Rural Management and Development Department (RMDD) prepared (April 2013) a project for 'Augmentation of water supply at Maniram Bhanjyang' under Maniram Phalidara by way of installation of new pipe/augmentation/repair at an estimated cost of ₹ 1.07 crore.

The estimate was vetted by State Technical Agency (STA) and recommended (September 2013) for approval, subject to re-verification of adequacy and quality and preparation of detailed working drawings before actual execution by implementing agency (IA).

The work was tendered (October 2013) by ZP (South) and awarded (November 2013) to contractor (Mr. Tashi Namgyal Sherpa) *at par* the estimated cost (₹ 1.07 crore) with stipulation to complete within 12 months (October 2014). The work was physically completed to 70 *per cent* and ₹ 31.02 lakh was released to the contractor as of March 2016.

Scrutiny of records revealed that the households of Maniram Bhanjyang Gram Panchayat were already declared as fully covered during 2009-10. The Village Development Action Plan (VDAP) also recorded (2011) that all households of Maniram Bhanjyang GP is connected with water supply from various water sources such as Chawrey, Gurungkhola, Manpurkhola, Ranrang, Dharakhola and Long Khola. VDAP also noted that the water supply was sufficient and the discharge was not declining even during winter season except for one source (Ranrang) which catered water requirement to Lower Phalidara. Accordingly, Rural water Supply Scheme (RWSS) drawn from Gurungkhola at Lower Phalidara was executed (2011-12) at a cost of ₹ 30.72 lakh to cater water requirement to remaining households of Lower Phalidara.

Physical verification by Audit in presence of Gram Panchayat functionaries confirmed (September 2016) that the households of Maniram Bhanjyang were fully covered with water supply and the existing arrangement was adequate. Physical verification also revealed that works relating to 'Augmentation of water supply at Maniram Bhanjyang was completed to the extent of 70 per cent only.

Thus, despite full coverage of households, execution of augmentation of RWSS at Maniram Bhanjyang at a cost of ₹ 1.07 crore during 2013-15 was unwarranted and led to avoidable expenditure of ₹ 1.07 crore.

### ***3.2 Avoidable expenditure towards carriage charges for non-stock materials***

***The ZP (South) released payment towards carriage of non-stock materials without insisting on compliance of terms of contract for submission of Permits issued by Forest Department, leading to avoidable expenditure of ₹ 21.08 lakh and undue benefit of equal amount to contractors as no carriage was involved.***

Government of Sikkim sanctioned 16 works relating to 'Construction of Suspension Foot Bridges (SFB) in South District' at an estimated cost of ₹ 664.76 lakh to be funded by Ministry of Development of North Eastern Region, Government of India during 2009-10. The works were put to tender (July 2010) and awarded (July 2011) to contractors by Zilla Panchayats (ZP), South with stipulation to complete the works between June 2012 and March 2013. The contractors accordingly commenced the works and completed 10 works between April 2014 and March 2015 and 6 works were in progress as of September 2016. The physical progress of six works-in-progress ranged between 40 and 65 per cent as of September 2016.

Scrutiny of records revealed that the estimate included carriage of non-stock materials from a distance of 20-30 km and additional head load of 1,000 meter for stone. The terms of contract also stipulated that the carriage bills for non-stock materials should be supported by permits issued by Forest Department to indicate the distance of quarry from construction sites and also the volume of materials actually brought in by the contractors for use in works.

It was, however noticed in Audit that the ZP did not insist for submission of permits issued by Forest Department to indicate the quarries from where non-stock materials were brought, distance of quarries from work-sites and volume of non-stock materials actually brought in for utilisation in works before release of payment to contractors on account of carriage of non-stock materials.

Physical verification (4 out of 16) of work sites by Audit team along with the Panchayat functionaries revealed that the contractors had utilised the stone available at site and claimed full amount of carriage charges applicable for carriage of stone from a distance of 20-30 kms as per the estimate. The ZP also, without verifying the fact and not insisting on compliance of terms of contract for submission of proof of distance, released the bills. This led to avoidable expenditure of ₹ 21.08 lakh and undue benefit to contractors as no carriage was involved towards utilisation of non-stock materials in works.

### ***3.3 Irregular expenditure on Suspension Foot Bridge at Lower Borong, Phamtam***

***Execution of work ‘Suspension Foot Bridge at Lower Borong, Phamtam’ was characterised by extra expenditure on account of acceptance of higher tender premium (₹ 7.20 lakh); allowing of self-purchase of stock material of lower grade leading to undue benefit to contractor (₹ 3.50 lakh) besides the risk of sub-standard works; and excess expenditure on purchase of bridge materials (₹ 22.69 lakh).***

The work relating to “Construction of 140 meter span Suspension Foot Bridge (SFB) over Rangit khola at lower Borong, Phamtam” was sanctioned (May 2010) by Rural Management and Development Department (RMDD) to ease over the problem of crossing the river by local inhabitant during rainy season.

Zilla Panchayat (ZP), South took up (May 2010) execution of work. Accordingly, an estimate of ₹ 92.93 lakh was framed by ZP (South) and awarded (July 2010) to the lowest bidder at 15 *per cent* above the estimated cost with stipulation to complete the work by September 2011. The work was completed in January 2015 at a cost of ₹ 121.15 lakh after recording a delay of 50 months.

Scrutiny of records revealed (February 2016) that execution of work was characterised by extra expenditure on account of acceptance of higher tender premium (₹ 7.20 lakh); allowing self-purchase of stock material of lower grade leading to undue benefit to contractor (₹ 3.50 lakh) besides the risk of sub-standard works and excess expenditure (₹ 22.69 lakh) on account of purchase of bridge materials as detailed below:

- The ZP (South) accepted the rate of 15 *per cent* above the estimated cost quoted by contractor which was not justified as all works of similar nature implemented in ZP (South) in previous occasions were executed by contractors *at par* the estimated cost. This entailed extra expenditure of ₹ 7.20 lakh on tender premium.

- The contractor was allowed (October 2010) self- purchase of stock materials with stipulation to purchase Jaypee /Lafarge/Birla/ Ultratech /ACC brand (Priced between ₹ 340 and ₹ 360 per bag) having grade OPC 43. As against this, the contractor purchased and utilised Bhutan Pendent cement at ₹ 215 per bag FOR destination. This led to undue benefit of ₹ 3.50 lakh to the contractor as the price of Bhutan cement was less by ₹ 125 per bag as compared to the approved brand.
- The utilisation of Bhutan cement was fraught with execution of sub-standard work as the quality of Bhutan cement is lower than the approved brand. The Government also sustained a loss of ₹ 96,320 on account of 16 *per cent* Excise duty on Bhutan cement which would have been levied, had the contractor purchased approved brand of cement manufactured in the country.
- The RMDD, Store Division, Jorethang issued (November 2010) bridge materials for utilisation in the work and effected recovery in two bills (i.e. August 2011 and February 2015). While recovering cost of stock materials in 2<sup>nd</sup> and final bill (February 2015), the store division enhanced (January 2015) the cost of material by ₹ 22.69 lakh from original value of ₹ 43.24 lakh to ₹ 65.94 lakh which was released by ZP (South) for onward release to the supplier. This was irregular as the rates prevailing at the time of supply should be treated final. The subsequent upward revision of rates led to excess expenditure of ₹ 22.69 lakh.

### ***3.4 Irregular payment on inferior work execution***

***The ZP (East) instead of penalising the contractors for poor workmanship of less underground burying and forceful bending of pipes instead of use of fittings released full amount to the contractor. This led to sub-standard work and irregular payment of ₹14.47 lakh to contractor towards burying.***

Under National Rural Drinking Water Programme (NRWDP), Government of Sikkim executed various water supply works through Rural Management & Development Department (RMDD). The work was executed in the name of Village Water Supply and Sanitation Committee (VWSC) through Zilla Panchayats in four districts. The works were implemented through Block offices.



A total of 132 works amounting to ₹ 26.13 crore were taken up (2013-14) for execution by ZP (East). The works were tendered and awarded (October 2013) to contractors with stipulation to complete within 10 to 12 months from the date of work orders. 65 works (out of 132) were completed and 67 were in progress as of March 2016. The incomplete works had attained a physical progress ranging between 0 and 80 *per cent* as of March 2016. ₹ 12.15 crore was released towards the works as of March 2016.

Scrutiny of records and physical verification of various works in three blocks of ZP (East) revealed the following:

(i) Technically sanctioned estimate and the drawings for the works stipulated use of fittings such as tee, bend, etc. for changing the direction of water flow without affecting the velocity and also without deforming the shape of pipes. Physical verification of projects by Audit team along with Panchayat functionaries and concerned Engineering personnel revealed (July 2016) that in 20 (out of 43) cases pipes were bent as per terrain to change the flow instead of using fittings such as tee, bend etc. The bending of pipes affected the velocity of water supply downstream, besides enhancing the chances of water leakages. This depicted poor workmanship and warranted penalty from contractors for the poor work. Instead of penalising the contractor for such poor work, the ZP (East) released full payment of ₹ 234.15 lakh towards laying of pipes to the contractors.

(ii) Similarly, technically sanctioned estimate and the drawings for the works stipulated bury of pipes under the soil upto to 0.50 metre by digging trench of dimension of length of pipes x 0.50 metre x 0.30 metre to protect pipes from oxidation which causes rusting and reduces the longevity of pipe. However, against this stipulation, the contractors buried pipes 10 to 15 cm underground thereby compromising the execution of works by 70 *per cent*. The ZP (East), instead of penalising the contractor for this lapse, released full amount to the contractors without effecting deduction for less burying. Thus, less underground burying of pipes were not only against the technically sanctioned estimate drawings but also fraught with the risk of oxidation and thereby reduction of age of pipe due to rusting. This also led to irregular payment of ₹ 14.47 lakh to the contractor.

### 3.5 Extra expenditure on purchase of sand and cement

*The GPs of Daramdin Block procured sand and cement at the rates higher than the approved rates which led to excess expenditure of ₹34.53 lakh.*

Sikkim Financial Rules (Para-122 read with 127) envisaged upon the Indenting officers to procure materials at the most competitive rates after reasonable market survey.

GPs executed various works under MGNREG schemes. The works were executed with the help of job card holders of the GPs and materials for the works were procured from the suppliers empanelled by State Government for supplying materials for MGNREGS.

Scrutiny of records of GPs of Daramadin block revealed (August 2015) that cement and sand for the construction work was procured at different rate from same or different suppliers. The rate of cement per bag ranged from ₹ 332 to ₹ 460 and the rate of sand per cubic feet ranged from ₹ 18 to ₹ 42. Whereas the approved rates for cement and sand were ₹ 332 per bag and ₹ 18 for cft respectively. Thus cement and sand were purchased at higher rate of ₹ 128 to ₹ 40 per bag and sand ₹ 24 to ₹ 5 without any valid reason leading to extra expenditure of ₹ 34.53 lakh as detailed in *Appendix-3.1*. Had the GPs purchased cement and sand after analysing rates, the GP could have saved ₹ 34.53 lakh on procurement of cement (19,790 bags) and sand (98,640 cft).

**PART – B**  
**URBAN LOCAL BODIES**



# **CHAPTER-IV**

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



## CHAPTER-IV

### 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

#### 4.1 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. Though the Sikkim Municipalities Act was enacted in March 2007, the Urban Local Bodies (ULBs) having three tier structure (viz. Municipal Corporation, Municipal Council and Nagar Panchayats) were formed only in 2010-11.

The category-wise ULBs in the State as of March 2016 are shown in table 4.1:

**Table 4.1**  
**Category-wise ULBs in Sikkim**

Sl. No.	ULBs	Number of ULBs
1	Municipal Corporation	1
2	Municipal Council	3
3	Nagar Panchayats	3
	<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.

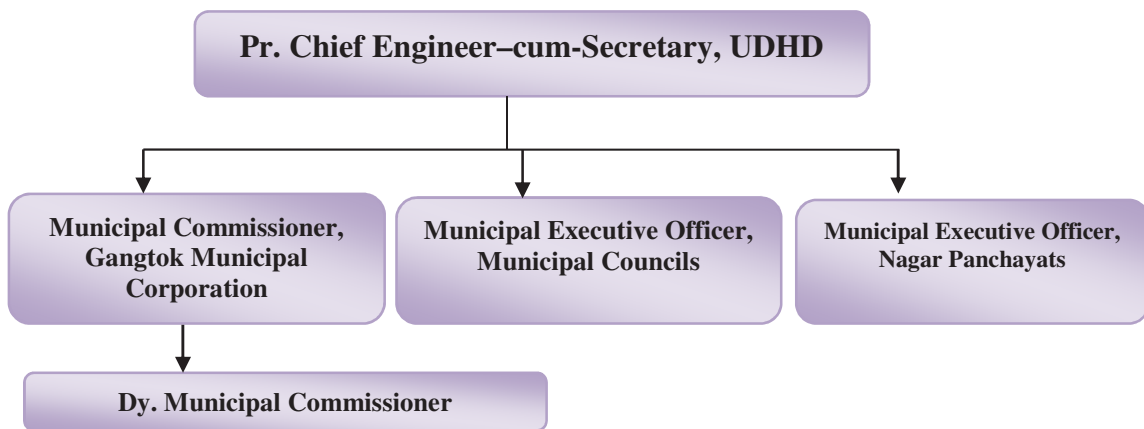
Important statistics relating to urban population, sex ratio, literacy etc. is given in

#### *Appendix-4.1*

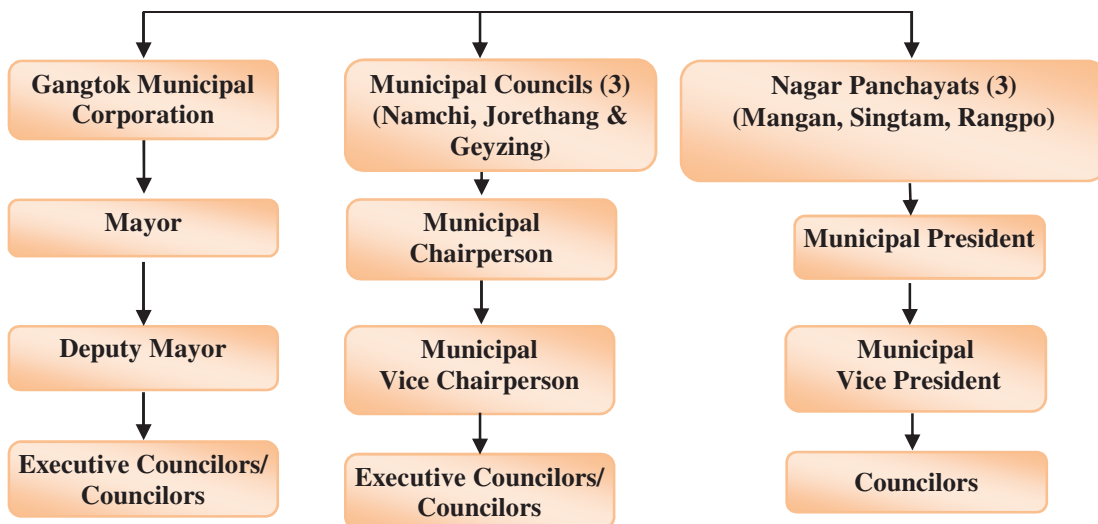
#### 4.2 Organisational set up

The Pr. Chief Engineer-cum-Secretary, Urban Development & Housing Department (UDHD) is the overall in charge of ULBs 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.



### 4.3 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-4.2*) had been partially transferred by the State Government to the ULBs as of March 2016.

### 4.4 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 and the Nagar Panchayats had not constituted any committees as of March 2016. As a result, inputs and specialised knowledge expected from Subject Committee were not forthcoming to deal with the issues like water supply, drainage and sewerage, solid-waste management, urban environment management and slum services.

### 4.5 Audit arrangement

#### 4.5.1 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.

Audit of accounts for the year ended March 2016 was neither completed by DLFA nor by the Chartered Accountant as of September 2016 as required under the Act. Further, no report along with the results of test check of accounts by C&AG was sent to Chief Municipal Officer.

#### **4.5.2 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. During 2015-16, a total of two units (out of seven) were audited and 2 IRs involving 13 paras were issued to the ULBs.

#### **4.5.3 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 2016.

### **4.6 Response to Audit Observations**

The Audit of ULBs commenced in the State from the financial year 2012-13. Total number of 7 Inspection Reports (IRs) and 53 paras were issued to ULBs during the period 2013-16, of which 2 IRs and 26 paras were settled, leaving 5 IRs and 27 paras having a money value of ₹ 27.33 lakh outstanding as of September 2016 for want of corrective action/reply on the part of ULBs. Position of outstanding Inspection Reports and paras are given in the following table:

**Table 4.3**  
**Outstanding IRs and Paragraphs**

Year	No. of Inspection Reports	No. of outstanding paras	(₹ in lakh)
			Money value
2014-15	3	14	2.45
2015-16	2	13	24.88
<b>Total</b>	<b>5</b>	<b>27</b>	<b>27.33</b>

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

## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 4.7 Ombudsman

Government of India instructed (September 2009) to State Government to set up office of the Ombudsman there in accordance with the instructions in the order *ibid*. The State Government appointed Ombudsman. The responsibility of Ombudsman *inter-alia* included to receive complaints from MGNREGA workers and others and consider such complaints and facilitate their disposal in accordance with law; require the MGNREGA authority complained against to provide information or furnish certified copies of any document relating to the subject matter of the complaint which is or is alleged to be in his possession; issue direction for conducting spot investigation; lodge FIRs against the erring parties; initiate proceedings *suomotu* in the event of any circumstance arising within his jurisdiction that may cause any grievance; engage experts for facilitating the disposal of the complaint; direct redressal, disciplinary and punitive actions; report his findings to the Chief Secretary of the State and the Secretary, State Nodal Department for appropriate legal action against erring persons.

It was noticed that the Ombudsman was not adequately functional as cases/complaints were not lodged/transferred to the authority. This may be due to the fact that the existence of Ombudsman in the State to deal with MGNREGA related affairs was not very well known to the public in absence of adequate advertisement and public announcement. As a result, provision of Prevention of Corruption Act, 1988 (Sec 268) was not adequately made use of towards disposal of irregularities in implementation MGNREGA in the State. This was very disquieting considering a large number of issues (847) and recoverable amount (₹ 64.23 lakh) pointed out by Social Audit were lying unsettled for a period of 1 to 3 years.

#### 4.8 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 2016 except for Backward Region Grant Fund (BRGF). Social Audit of utilisation of BRGF was assigned by State Government to Social Audit Unit of Sikkim. Accordingly, Social Audit of BRGF was conducted by SAU of Sikkim. Action taken report to demonstrate compliance of Social Audit Report was not submitted by ULBs to SAU/State Government. Copies of the

report of the Social Audit of BRGF was also not made available to Accountant General office either by SAU or by State Government.

#### **4.9 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. The report indicating number of cases disposed off by *Lokayukta* during 2015-16 was not made available by State Government to Audit.

#### **4.10 Property Tax Board**

Thirteenth Finance Commission recommended for setting up of Property Tax Board. The responsibility of Property Tax Board included levy of Property tax on lands and buildings; surcharge on transfer of lands and buildings; tax on deficits in parking spaces in any non-residential building or bazaar; water tax; tax on advertisements, other than advertisements published in newspapers; surcharge on entertainment tax; tax on congregations; tax on pilgrims and tourists, etc.

However, Property Tax Board was not set-up in Sikkim as of March 2016. This was despite enabling provision in Sikkim Municipal Act, 2007 and recommendations of Thirteenth Finance Commission. Had the Property Tax Board set up by the State Government and made functional, revenue could have been realised and utilised to augment own source of revenue of ULBs.

#### **4.11 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 -4.3**

Subsequently, Service level benchmark was set up (April 2016) for all the ULBs in Sikkim as per the recommendation of 14<sup>th</sup> Finance Commission. The details are shown in **Appendix- 4.4**.

The service level benchmark for solid waste management was devised for the period 2016-21 for all the seven ULBs as against the earlier period of 2011-21 for GMC. Although, the service level benchmarks for GMC was set up in 2013-14, no assessment was carried out upto 2015-16 to ascertain the extent of achievement. However, a comparison of service level benchmark announced in September 2013 for GMC with that

of April 2016 was attempted by Audit. The comparison revealed that there were downward trend in service level in all category. The coverage was reduced from 100 to 75, extent of segregation for 80 to 55, extent of recovery for 75 to 65 and cost recovery from 80 to 60 *per cent*. This indicated that benchmark announced in September 2013 was neither based on sound rationale nor adequate steps were taken by GMC to achieve the targeted level of service benchmark as of March 2016.

#### 4.12 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 4.4**

Year	Name of the Scheme	Amount (₹ in lakh)	Due date of submission of U.C	Actual date of submission of U.C	Delay (in months)
2012-13	TFC	16.66	April 2013	January 2014	(9)
	State Fund	275.08	October 2013	October 2014	(12)
2013-14	TFC	18.12	April 2014	March 2015	(12)
	State Fund	330.60	October 2014	October 2014	--
2014-15	TFC	17.14	April 2015	Not submitted	--
	State Fund	375.32	October 2015	-do-	--
2015-16	TFC	5.17	March 2016	March 2016	--
	14 <sup>th</sup> FC	239.50	March 2016	December 2015-January 2016	--
	Swachh Bharat Mission (SBM)	136.43	March 2016	March 2016	--
	Swachh Bharat Mission (State fund)	34.28	March 2016	U.C. not submitted as of June 2016	(4)
	4 <sup>th</sup> SFC	223.18	March 2016	March 2016	--

The delay in submission of UCs ranged from nine to 12 months for the period 2012-13 to 2014-15 primarily due to lack of monitoring by UDHD. The position, however, has improved in 2015-16 as the UCs were submitted in time except for SBM (State Fund).

Audit scrutiny of UCs submitted by two Nagar Panchayats (NPs) viz. Singtam Nagar Panchayat and Rangpo Nagar Panchayat revealed that both the NPs had furnished the utilisation certificate of 14<sup>th</sup> Finance Commission Grants to State Government without incurring the expenditure in full. Details are given below:

**Table 4.5***(₹ in lakh)*

Sl. No.	ULBs	Total Fund received under 14 <sup>th</sup> FC Grants during 2015-16	Fund Utilised as on 31.3.2016	Amount for which U.C. submitted	Difference
1	Singtam Nagar Panchayat	10.65	2.51	10.65	8.14
2	Rangpo Nagar Panchayat	21.06	3.83	21.06	17.23
	<b>Total</b>	<b>31.71</b>	<b>6.34</b>	<b>31.71</b>	<b>25.37</b>

Thus, the utilisation certificates submitted by two Nagar Panchayats were exaggerated by ₹ 25.37 lakh indicating misreporting of expenditure to Government for availing subsequent instalment without imposing any cut by GOI. This also indicated weak internal control mechanism in ULBs and absence of proper monitoring by UDHD to ensure submission of appropriate UCs.

#### **4.13 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 2014-15.

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, DLFA conducted audit of all the seven ULBs during 2015-16 and recorded observation relating to variation in accounts figures, excess payments, non-remittance of deductions, wasteful expenditure, violation of rules etc. However, adequate corrective actions had not been initiated by ULBs as of September 2016.

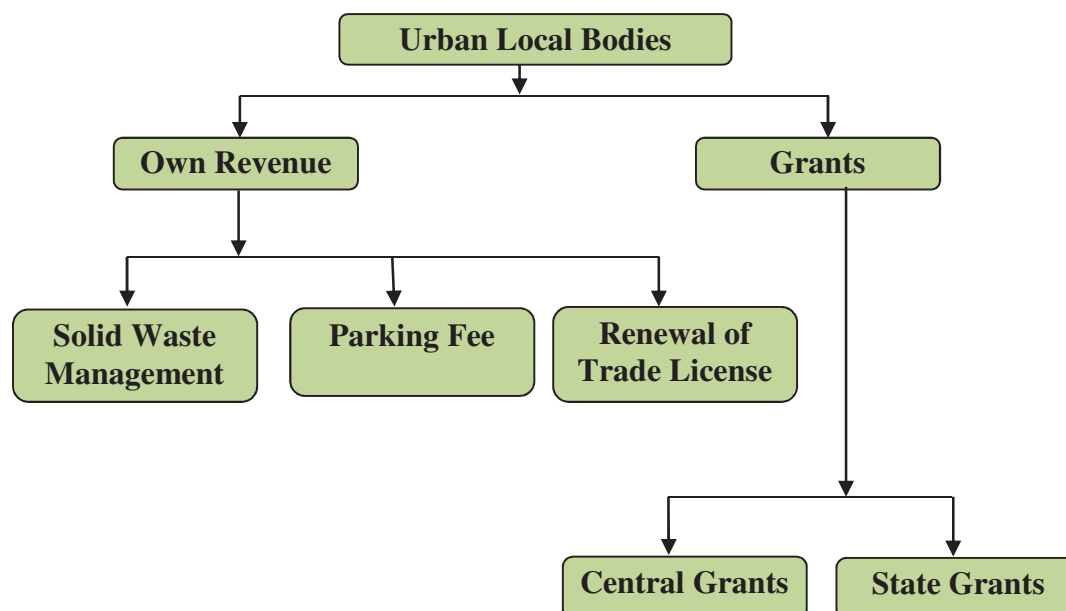
#### **4.14 Financial Reporting Issues**

##### **4.14.1 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 Mayor/Chairperson/President.

➤ *Position of funds of ULBs*

The detailed position of funds of ULBs for the period from 2011-12 to 2015-16 are shown in the following table :

**Table 4.6**

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

*(₹ in lakh)*

ULBs	GMC				Councils / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
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
2015-16	188.07	345.20	429.29	962.56	178.24	519.20	261.44	958.88

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 five years is shown in table 4.7:

**Table 4.7**  
**Statement showing collection of own revenue of seven ULBs**

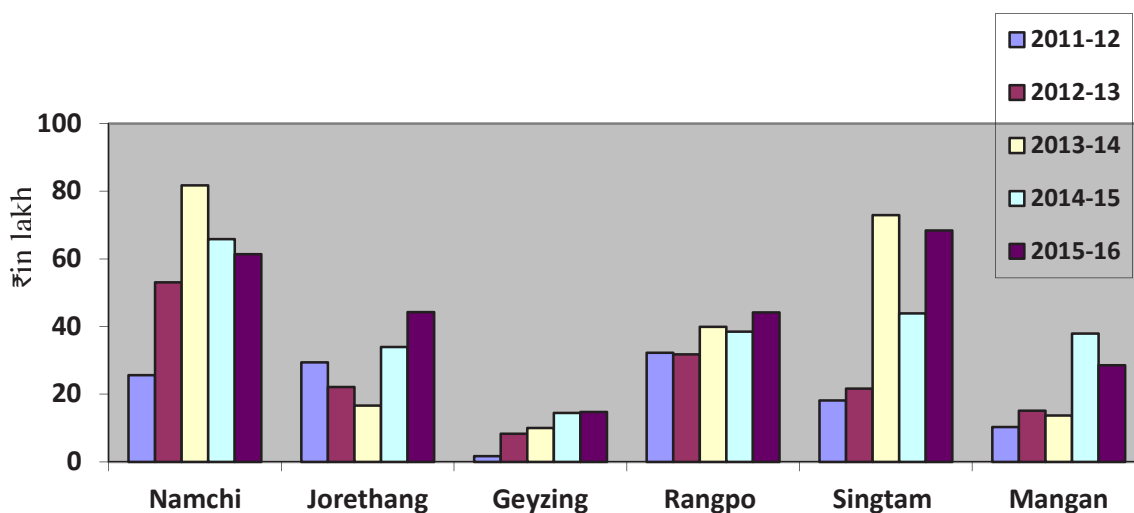
Sl. No.	Name of the ULB	2011-12	2012-13	2013-14	2014-15	2015-16
1	Gangtok Municipal Corporation	277.47	554.15	391.27	378.06	429.29
2.	Namchi Municipal Council	25.60	53.05	81.76	65.84	61.35
3.	Jorethang Municipal Council	29.42	22.13	16.65	33.92	44.22
4.	Geyzing Municipal Council	1.62	8.27	9.96	14.41	14.71
5.	Rangpo Nagar Panchayat	32.28	31.73	39.92	38.49	44.20
6.	Singtam Nagar Panchayat	18.11	21.65	72.98	43.87	68.43
7.	Mangan Nagar Panchayat	10.24	15.06	13.69	27.92	28.53
	<b>Total</b>	<b>394.74</b>	<b>706.04</b>	<b>626.23</b>	<b>602.51</b>	<b>690.73</b>

Source: Information furnished by the ULBs

The above table indicates that the revenue collection recorded an increase during 2015-16 over previous year (2014-15) in case of Gangtok Municipal Corporation, two Municipal Councils (Jorethang and Geyzing), three Nagar Panchayats (Rangpo, Singtam and Mangan) and decrease in case of Namchi Municipal Council.

The trend of own revenue collection by GMC, Municipal Councils and NPs are shown in the following bar graphs:

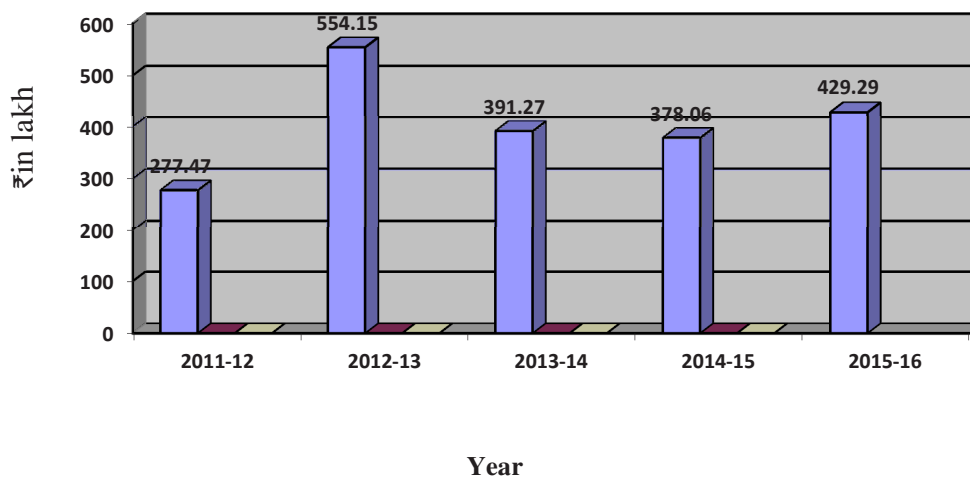
**Chart – 4.1**  
**Trend of own Revenue realisation for Municipal Council and Nagar Panchayats**





In case of GMC, the own revenue collection increased from ₹ 378.06 lakh to ₹ 429.29 lakh during the period 2015-16 as compared to 2014-15 as shown in the following bar graph:

**Chart 4.2**  
**Own Revenue of GMC**



➤ **Grants received and expenditure therefrom**

Receipts and expenditure by the GMC, three Municipal Councils and three NPs during the year 2015-16 are shown in table 4.8:

**Table 4.8**  
**Statement showing grants received and expenditure there from of ULBs during 2015-16**

(₹ in lakh)

Type of ULBs	Grants received (Central and State)	Expenditure	Balance
Gangtok Municipal Corporation	533.27	321.61	211.66
3 Municipal Councils	415.69	319.27	96.42
3 Nagar Panchayats	281.75	184.61	97.14
<b>Total</b>	<b>1230.71</b>	<b>825.49</b>	<b>405.22</b>

Source: Information furnished by ULBs

From the above, it is seen that GMC could not utilise the funds in full received during 2015-16. Analysis of closing balances revealed that unutilised funds of Special Assistance Fund and Swacha Bharat Abhiyan Fund were kept in various Banks without being utilised. Analysis of closing balances of Municipal Councils/Nagar Panchayats revealed that unutilised fund of 14<sup>th</sup> FC fund, Solid Waste Management fund, State funds 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 2012-13 to 2015-16 are given in table 4.9:

**Table 4.9**  
**Statement showing receipts and expenditure of major schemes**

*(₹ in lakh)*

Name of the Scheme	2012-13		2013-14		2014-15		2015-16		Total	
	Receipts	Exp.	Receipt	Exp.	Receipt	Exp.	Receipts	Exp.	Receipt	Exp.
SJSRY	13.09	31.92* (243.85)	4.27	9.48* (222.01)	0.60	3.00* (500)	0	0	17.96	44.40 (247.21)
BRGF	172.36	78.40 (45.49)	65.30	68.20 (104.44)	85.72	87.52* (102.09)	0.34	25.40 (7,470.58)	323.72	259.52 (80.16)
CFC (13 <sup>th</sup> F.C/ 14 <sup>th</sup> FC)	9.49	3.46 (36.46)	6.18	3.54 (57.28)	4.57	4.21* (92.12)	263.86	232.82 (88.23)	284.10	244.03 (85.89)
NRHM	0	0	0	0	9.48	9.48 (100)	0	0	9.48	9.48 (100)
Swachh Bharat Mission	0	0	0	0	0	0	102.07	22.57 (22.11)	102.07	22.57 (22.11)
<b>Total</b>	<b>194.94</b>	<b>113.78</b> <b>(58.37)</b>	<b>75.75</b>	<b>81.22</b> <b>(107.22)</b>	<b>100.37</b>	<b>104.21</b> <b>(103.82)</b>	<b>366.27</b>	<b>280.79</b> <b>(76.66)</b>	<b>737.33</b>	<b>580.00</b> <b>(78.66)</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.

SJSRY: Swarna Jayanti Sahari Rojgar Yojana, BRGF: Backward Region Grant Fund, CFC: Central Finance Commission, NRHM: National Rural Health Mission

Out of ₹ 17.96 lakh available for SJSRY, ₹ 44.40 lakh was utilised indicating 247.21 per cent utilisation. Similarly, ₹ 259.52 lakh and ₹ 244.03 lakh were utilised for BRGF and CFC as against the availability of ₹ 323.72 lakh and ₹ 284.10 lakh respectively. The expenditure of BRGF and CFC was 80.16 per cent and 85.89 per cent respectively. The utilisation of fund of ₹ 22.57 crore (out of ₹ 102.07 crore) was lowest at 22 per cent in case of Swachha Bharat Mission (SBM), which is one of the important flagship scheme of Government of India. Reasons for low utilisation of funds were neither reflected in records nor furnished to Audit.

**4.14.2 Recommendation of State Finance Commission (SFC)**

State Finance Commission (SFC) had been set up to recommend:

➤ The distribution between the State and the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under Part IX and IX A of the Constitution of India, and the allocation between the Zilla Panchayats, Gram Panchayats and Urban Local Bodies at all levels of their respective shares of such proceeds,

➤ The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats, and

➤ The grants-in-aid to the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats from the Consolidated Fund of the State.

Accordingly, the Fourth State Finance Commission (4<sup>th</sup> SFC) of the State of Sikkim recommended (May 2013) certain measures for improving the fiscal health of Panchayats and Municipalities. The recommendations were accepted by the State Government. However, it was not adhered to in the following cases:

➤ The 4<sup>th</sup> SFC recommended (Para-7.26 and Table 7.16) for transfer of ₹ 267.75 lakh for seven ULBs during 2015-16 (2.5 per cent of the divisible pool of taxes (Net Tax Revenue based on actual) for vertical sharing to the Local Bodies (PRIs– 80 per cent & ULBs – 20 per cent)) which was approved by the State Government. As against this, only ₹ 223.18 lakh was transferred to ULBs leading to short release of ₹ 44.57 lakh. Details are given below:

**Table 4.10**

**Actual transfer of funds to ULBs during 2015-16 vis-à-vis 4<sup>th</sup> SFC recommendation**

(₹ in lakh)

Sl	Major Head	Head	Tax receipt	Collection cost deduction (in per cent)	Net tax receipt	Funds to be transferred to Local Bodies (2.50 per cent of Net tax receipt)	Funds to be transferred to ULBs (20 per cent of Col. 7)	Tax Transferred to ULBs
1	2	3	4	5	6	7	8	9
1	0029	Land Revenue	184.76	25	138.57	3.46	0.69	2.58
2	0030	Stamp & Registration	851.06	25	638.30	15.96	3.19	2.87
3	0039	State Excise	1,42,08.07	6	1,33,10.12	332.75	66.55	63.24
4	0040	Taxes on Sales, Trades etc.	3,25,72.03	3	3,15,62.30	789.06	157.81	145.35
5	0041	Taxes on vehicles	22,35.70	17	18,55.41	46.39	9.28	8.74
6	0045	Other Taxes and Duties	59,27.50	25	44,45.63	111.14	22.23	0.40
		<b>Total</b>					<b>267.75</b>	<b>223.18</b>

Source: Finance Accounts 2015-16 and information furnished by Urban Development & Housing Department.

➤ In addition to above tax transfer, the 4<sup>th</sup> SFC recommended (Para-7.30 and Table 7.17) for transfer of ₹ 195.92 lakh towards Grants-in-aid to seven ULBs during 2015-16. However, no fund towards Grants-in-aid during 2015-16 was transferred to ULBs. As a result, developmental activities relating to three transferred subject could not be taken up adequately by ULBs to provide better civic amenities to citizen of urban areas.

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

The details of fund received from GOI towards 13<sup>th</sup>/14<sup>th</sup> FC and transferred to ULBs by State Government during 2010-16 is shown below:

**Table-4.11**  
Statement showing utilisation of CFC fund

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
2015-16	239.50	3.9.2015	18.9.2015	1
<b>Total</b>	<b>320.39</b>			

Source: Information furnished by State Government (UDHD)

As would be noticed from the above table, fund amounting to ₹ 288.36 lakh was released belatedly (delay ranging from 1 to 52 days) during 2010-16 which is in contravention to CFC recommendations to release funds to ULBs within 15 days of receipt of funds from Government of India.

The other deficiencies relating to utilisation of 13<sup>th</sup> Finance Commission Grants have been incorporated in Chapter – II of this report.

#### 4.14.4 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 (SULBAM) based on the NMAM. The Manual was not approved by the Government as of March 2016. Reason for abnormal delay in approval of SULBAM was neither reflected in records nor furnished by UDHD, the administrative department for ULBs in the State. The accounts of ULBs, however, continued to be maintained under cash based Double Entry System. Also, certification of accounts was not done, for any year, by the Primary auditor (DLFA) since its formation in June 2012.

#### ***4.14.5 Maintenance of records***

According to the Sikkim Municipality Act, 2007 (Section 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.



# **CHAPTER-V**

## **COMPLIANCE AUDIT OF TRANSACTION OF URBAN LOCAL BODIES**





## CHAPTER-V

### AUDIT ON TRANSACTIONS OF URBAN LOCAL BODIES

#### 5.1 Unfruitful expenditure and loss of interest

*Injudicious and hasty decision of Gangtok Municipal Corporation to acquire Star Cinema Hall Building without ensuring its utilisation, cost-benefit ratio and its subsequent failure to get possession of the Building for intended use or obtain refund of ₹ 4.06 crore, even after expiry of two years of release of fund, led to unfruitful expenditure and loss of interest of ₹32.48 lakh towards idle fund.*

The Urban Development & Housing Department (UDHD) decided (June 2008) to acquire the Star Cinema Hall Building at ₹ 5.27 crore, assessed by Land Revenue & Disaster Management Department (LRDMD). ₹ 1 crore was transferred (May 2009) to LRDMD for acquisition. The property was handed over (March 2011) to LRDMD on as is where is basis. The UDHD, however, could not pay the balance amount of ₹ 4.27 crore due to inadequate fund allocation. Meanwhile, the Co-owners of the property filed (November 2014) a petition in the Lok Adalat Forum and sought interest @ 8.75 per cent on the balance amount (₹ 4.27 crore) as compensation. Since the UDHD did not have the required fund to pay the balance amount, UDHD requested (16 October 2014) GMC to transfer ₹ 4.06 crore to Co-owner of Star Cinema Hall Building on the plea that the property would be transferred to GMC. The GMC, accordingly transferred (November 2014) ₹ 4.06 crore to UDHD.

Audit scrutiny revealed that the fund was transferred (November 2014) to UDHD by GMC under the order of Mayor on the condition that Star Cinema Hall Building including land (15,00,127.5 sq. feet) would be transferred to GMC in vacant position. However, the property was not transferred to GMC even after expiry of two years since the date of release of ₹ 4.06 crore by GMC. The GMC although reminded UDHD for refund of money or transfer the property from time to time, latest being September 2015, neither the fund was refunded by UDHD nor the property was transferred to GMC as of September 2016.

Audit analysis revealed (July 2016) that the GMC had acted in haste to acquire the Star Cinema Hall Building including land without proper analysis. The GMC had not deliberated on the issue of acquisition of Star Cinema Hall Building adequately in any of their meetings before releasing payment for acquisition as to the manner of utilisation of the property, cost benefit ratio, etc. On requisition from Audit, the GMC informed (September 2016) that the Corporation was planning to construct a shopping mall with parking facility to let out to branded companies. However, volume of probable rent was never assessed to ensure adequate returns from the investment (₹ 4.06 crore). The GMC had not even conceded the fact that the property would be retained with UDHD and would not be transferred to GMC any more as conveyed (July 2015) by UDHD. Audit also noticed that the property was occupied by a number of tenants of erstwhile owners who continued to stay in the building as of September 2016.

Thus, injudicious and hasty decision of GMC to acquire Star Cinema Hall Building without ensuring its utilisation, cost-benefit ratio coupled with its subsequent failure to get possession of the Building for intended use or obtain refund, even after expiry of two years of release of fund, led to unfruitful expenditure of ₹ 4.06 crore and loss of interest of ₹ 32.48 lakh towards idling of fund.

## **5.2 Diversion of fund**

*State Government released unsolicited fund of ₹ 5 crore to ULBs, originally meant for 'Self-reliant Scheme' which was not even utilised and kept idle in fixed deposit (₹ 3.30 crore) by four ULBs. Provisioning of fund to ULBs by diverting earmarked fund was also against the intent of the Legislature.*

Based on the direction (November 2015) of the Chief Minister of Sikkim, fund of ₹ 5 crore was provided (December 2015) to SIDICO for onward release to Urban Local Bodies (ULBs) on the plea of overcoming financial crunch faced by the ULBs. Accordingly, SIDICO released (January 2016) ₹ 5 crore to the ULBs. The details of fund received by ULBs and expenditure there against as of September 2016 is given below:

(₹ in lakh)

Sl. No.	Name of ULBs	Fund received	Expenditure	Closing Balance	Item of expenditure
1	Gangtok Municipal Corporation	200.00	Nil	200.00	
2	Namchi Municipal Council	50.00	50.00	Nil	Salary to employee, MR salary, honorarium of Chairman and Councillors, etc.
3	Jorethang-Naya Bazar Municipal Council	50.00	49.42	0.58	
4	Geyzing Municipal Council	50.00	36.41	13.59	
5	Mangan Nagar Panchayat	50.00	18.27	31.73	
6	Singtam Nagar Panchayat	50.00	Nil	50.00	
7	Rangpo Nagar Panchayat	50.00	Nil	50.00	

It was noticed that out of seven ULBs, only two ULBs (i.e. Namchi Municipal Council and Jorethang-Naya Bazar Municipal Council) had incurred the entire fund (₹ 50 lakh each) between January and July 2016, primarily on salary, office establishment and other miscellaneous expenditure. Of the remaining five ULBs, two ULBs (Mangan Nagar Panchayat and Geyzing Municipal Council) had partially utilised the fund. While Mangan Nagar Panchayat had utilised ₹ 18.27 lakh and parked (January 2016) the balance fund of ₹ 30 lakh in fixed deposit; Geyzing Municipal Council had utilised ₹ 36.41 lakh and retained the balance fund in savings account. Other three ULBs (Gangtok Municipal Corporation, Singtam Nagar Panchayat and Rangpo Nagar Panchayat) had not utilised the fund (₹ 3 crore) at all as of September 2016.


Audit analysis revealed that majority of ULBs did not face financial crunch and had not even requested for additional fund. As a result, the unsolicited funds, released by SIDICO was kept as fixed deposit in full by three ULBs (out of seven) and partially by one ULB (₹ 30 lakh). Analysis revealed that the fund was originally meant for 'Self-Reliant Scheme' to be utilised towards disbursement of loans from ₹ 0.50 lakh to ₹ 1 lakh to local Sikkimese. The loan was to be repaid by loanee on equated monthly instalment (EMI) basis in five years after a moratorium of 2 years at interest of 6 per cent per annum.

Release of fund to ULBs by SIDICO was not only ab-initio against the prescription in the scheme guidelines but also was unsolicited as no request for additional fund (except one

ULB i.e. Mangan) was made by any of the ULBs. Further, detail guidelines indicating manner of utilisation of above fund by ULBs and monitoring mechanism to ensure proper utilisation of fund by ULBs, were also not devolved by either the granting authority i.e. SIDICO or by the administrative department i.e. UDHD.

Thus, decision on the part of State Government to release unsolicited fund of ₹ 5 crore to ULBs, originally meant for 'Self-reliant Scheme', was not utilised and kept idle in fixed deposit by four ULBs. Provisioning of fund to ULBs by diverting from earmarked fund was also against the intent of the Legislature and loss to the Government as the fund would have been recouped with interest had it been utilised towards self-reliant scheme.

**Gangtok**  
**The**

  
**(Rina Akoijam)**  
**Accountant General (Audit), Sikkim**

# APPENDICES



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

Indicator	Unit	State value	National value
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: 3)

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
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 & 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.	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.
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 unbiased 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>9</sup> ; support for control of forest fire, prevention & control; awareness and	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

<sup>9</sup> “*Smriti Van*” is a piece of land where medicinal plants have been planted through community participation.

	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.	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 units including credit support; organizing entrepreneurial development programmes; providing marketing facilities for cottage and village products; and identifying locations for specific industrial & commercial activity.	Identification of beneficiaries for training; distribution of raw 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; implementation of National Family Benefit Scheme; promotion of eco-tourism; maintaining tourist's infra-structure and amenities at the district level; identification of	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 infrastructure and amenities at the village level; regulating the use of <i>haat</i> sheds at the Sub- Divisional level markets not falling under the jurisdiction of ULBs; collection of data for the State Govt. and reporting to the District Administration of the Law & Order situation including potential dangers and disturbances.

	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 & order and Information, Education and Communication (IEC) activities.	
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: 4)

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 (B) Through Artificial Insemination.	Approval of requirement placed by GP and release of Maintenance allowance as per the Report of GP. Implementation of programme through concerned field Functionaries.	Identification of farmers for keeping the breeding animals. -

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.
4.	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: 4)

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 frequent transfer of Officers of DLFA**  
(Reference: Paragraph-1.5.1 Page:9)

Post	Person-in-position		
	Name	Designation	Period
Principal Director/Director	Sri LB Rai	Director	February 2012 to September 2013
	Sri Kuber Bhandari	Director	September 2013 to December 2013
	Sri DN Sharma	Pr. Director	January 2014 to October 2015
	Sri LB Rai	Director	November 2015 to June 2016
	Sri SB Subba	Pr. Director	June 2016 till date
Jt. Director	Sri Patrick Rai	Jt. Director	November 2013 to October 2014
	Sri CN Sherpa	Jt. Director	April 2015 till date
Sr. Accounts Officer /Accounts Officer	Sri JB Karki	Sr.AO	October 2013 to August 2014
	Sri Ashok Sharma	AO	September 2012 to September 2014
	TN Sapkota	AO	October 2014 to till date

Source: DLFA, Government of Sikkim

**Appendix 1.6**  
**Statement showing utilisation certificates submitted by PRIs**  
(Reference: Paragraph- 1.10 Utilisation Certificates; Page 14)

(₹ in lakh)

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
2015-16	14 <sup>th</sup> FC	1604.00	31.3.2016	31.3.2016
	SFC	892.70	31.3.2016	31.3.2016

Source: Information furnished by State Government



**Appendix 1.7**  
**Statement showing arrears of revenue**  
*(Reference: Paragraph-1.12.1; page 23)*

<b>Sl. no.</b>	<b>Type of Tax</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
1	Household Tax	55,97,280	55,97,280	55,97,280	55,97,280	55,97,280
2	Water and Sanitation Tax	11,19,456	11,19,456	11,19,456	11,19,456	11,19,456
3	Village Road and Environment	11,19,456	11,19,456	11,19,456	11,19,456	11,19,456
<b>4</b>	<b>Total</b>	<b>78,36,192</b>	<b>78,36,192</b>	<b>78,36,192</b>	<b>78,36,192</b>	<b>78,36,192</b>

### **Appendix-2.1**

*Statement showing Sample Selection  
(Ref: Paragraph 2.3 Scope of Audit, page 32)*

Total Number of districts 4 (East, West, North and South) out of which 2 selected.

#### **Selection from PRIs**

<b>Sl.no.</b>	<b>Auditee Unit</b>
1	ZP, East
2	ZP, South

**In East district 15 GPs were selected out of 52 GPs**

<b>Sl.no.</b>	<b>Auditee Unit</b>
1	Dung DungThasa
2	Khamdong
3	Amba
4	Pachey Samsing
5	Aho Yangtam
6	Luing Perbing
7	Rey Mindu
8	West Pandam
9	Thekabong Parkha
10	Taaza
11	Simik Lingzey
12	BhusukNaitam
13	Assam Lingzey
14	Lingtam Phadamchen
15	Chujachen

**In South district 10 GPs were selected out of 46 GPs**

<b>Sl.no.</b>	<b>Auditee Unit</b>
1	Sorok Shyampani
2	Kitam Manpur
3	Sadam Suntalay
4	Mellidara Paiyong
5	Nagi Karek
6	Tanzi Bikmat
7	Lingi Sokpey
8	Borong Phamtam
9	Legship Hingdam
10	Berfung Zarong

#### **From ULBs**

**In East and South districts 3 ULBs out of 5 ULBs were selected based on population.**

<b>Sl.no.</b>	<b>Audittee Unit</b>
1	Gangtok Municipal Corporation
2	Singtam Nagar Panchayat
4	Namchi Municipal Council

## Appendix-2.2

Minutes of meeting of entry conference  
(Ref: Paragraph 2.6.Audit methodology, page-32)

### MINUTES OF ENTRY CONFERENCE

#### Performance Audit on 'Utilisation of 13<sup>th</sup> Finance Commission Grants by Local Bodies'

An Entry Conference on the Performance Audit of "Utilisation of 13<sup>th</sup> Finance Commission Grants by Local Bodies" was held on 19 May 2016 at the Conference Hall of the Office of the Accountant General (Audit), Sikkim. The State Government was represented by the Secretary to the Government of Sikkim, Rural Management and Development Department (RM & DD) and his team of officers. The Audit side was headed by the Accountant General (AG) and his team of Officers including Deputy Accountant General. A list of participants is enclosed vide **Appendix – I**.

While initiating the meeting, Accountant General Sikkim extended warm welcome to the Secretary, RM & DD and his team of Officers. The Accountant General also gave a brief outline for convening the entry conference and apprised that the report of Performance Audit (PA) would be incorporated in Annual Technical Inspection Report (ATIR), Government of Sikkim. After formal introduction of the officers present in the meeting, Power Point presentation was made by Deputy Accountant General (Audit) Sikkim.

Sl. No.	Audited entity			Audit	
	Name and Designation	Deptt.	Signature	Name and Designation	Signature
1.	Shri. D. B. Nepal, Secretary RM & DD Govt. of Sikkim	RM & DD		Shri. Vimal Chumanga, IARAS Accountant General	
2.	Smt. C. P. Ladenga, Joint Secretary Panchayat Govt. of Sikkim	RM & DD		Shri. Vivek Saubharya, IARAS Deputy Accountant General	
3.	Shri. D. K. Chettri, Deputy Director Panchayat Govt. of Sikkim	RM & DD		Shri. Bijoy Kumar Jos, Sr. Audit Officer,	
4.				Shri. Vini Prakash Gupta, Asst. Audit Officer,	
5.					
6.					

Before initiating the meeting, the Deputy Accountant General (DAG) also extended warm welcome to everyone. He also discussed in brief the importance of Thirteenth Finance Commission (TFC). During the course of presentation, he *inter alia* dealt with scope of PA, objective of PA, criteria for PA to frame audit observation, etc.

*The important points of discussions are given below:*

- **3Es:** DAG informed that PA would lay emphasis on 3 Es (Economy, Efficiency and Effectiveness) and towards adequacy and effectiveness of Monitoring mechanism.
- **Criteria:** About criteria, DAG specifically requested the Secretary and his teams to confirm the criteria noted in Power point and suggest any addition, deletion or modification as these will form the benchmark for evaluation of the performance of

the scheme. The Secretary informed that the criteria noted by Audit appeared to be appropriate.

- **Sampling:** Sampling process was also explained to the Secretary and his team. It was apprised that 25 per cent of units as well as the expenditure would be covered. The Accountant General asked for early finalization of sample, so that the same can be shared with the State Government Departments to enable them to keep the units informed well in time.
- **Audit methodology:** Audit methodology was also explained which *inter-alia* would also include a joint physical verification. The DAG also requested for nominating suitable officers for carrying out joint physical verification during the PA. The Secretary readily agreed and assured to nominate suitable officers from State Government.
- **Nodal Officer:** The DAG requested the Secretary to nominate Nodal Officer for smooth conduct of PA. The Secretary informed that all the eight Additional District Collectors (Development) would be intimated to act as Nodal Officer for the PA. List would be furnished to Audit shortly, he assured.
- **Good practices:** The DAG informed that Good practices, if any, may be shared with Audit for appropriate reflection in the Report to give a balanced picture. The Secretary assured to intimate such good practices. He cited that PRIs are very vibrant and active in Sikkim. Government of India, in recognition of the services of the PRIs, has accorded a number of National Award to the Gram Panchayats in various categories. The list would be submitted to Audit.

The meeting ended with vote of thanks by the Accountant General to the Secretary and his team of Officers for sparing their valuable time for the meeting. The Secretary also, in the same ethos, expressed his happiness and stated that ATIR/ Audit Report have helped in improving the system to a great extent. He appreciated the role of AG office in streamlining the system and thanked Accountant General for continued guidance and support.

Sd/-

Deputy Accountant General

### Appendix-2.3

Statement showing Assets physically verified by Audit in presence of Panchayat functionaries.

(Ref: Paragraph 2.6 Audit methodology, page 32)

(₹ in lakh)

Sl.	Name of district	Details of assets created	Amount
1	East	Construction of Pacheykhani GPK	25.69
2		Construction of Chujachen GPK	25.69
3		Construction of Tathenchen Syari GPK	25.69 (30.00 Revised)
4		Construction of Lingtam Phadamchen GPK	25.69
5		Construction of Rolep Lamaten GPK	25.69 (30.00 Revised)
6		Construction of Amba GPK	25.69 (30.00 Revised)
7		Construction of Ranka GPK	25.69 (30.00 Revised)
8		Construction of Martam Nazitam GPK	25.69
9		Construction of Lingdong Namphang GPK	25.69 (30.00 Revised)
10		Construction of CRC Pabuik	52.83 (97.26 Revised)
11		Construction of CRC Subithang	52.83 (98.60 Revised)
12		Construction of CRC Central Pendam	52.83 (95.14 Revised)
13		Construction of Taza GPK	30.00
14		Construction of Riwa Machong GPK	30.00
15		Construction of Sirwani Tsalamthang GPK	30.00
16		Construction of Kopibari GPK	30.00
17		Construction of Tumin GPK	30.00
18	South	Construction of Damthang GPK	25.69 (revised 30.00)
19		Construction of Sorok Shyampani GPK	25.69
20		Construction of Maniram Singithag GPK	25.69
21		Construction of Namley Kamrang GPK	25.69
22		Construction of Turung Mamring GPK	25.69
23		Construction of Perbing Dovang GPK	25.25
24		Construction of Lamaten Tingmoo GPK	25.25
25		Construction of Chuba Phong GPK	25.25
26		Construction of Rameng Chuba GPK	25.25
27		Construction of Lamaten Tinkitam GPK	25.25
28		Construction of CRC at Ben Namprick	96.35
29		Construction of CRC at Sadam Suntaley	93.60
30		Construction of CRC at Pabong	95.61

#### **Appendix-2.4**

### **Statement showing conditions to be fulfilled by State Government vis-à-vis conditions fulfilled.**

*(Ref: Paragraph 2.7 Allocation and release of TFC grants, page 35 & 2.8.1 planning)*

Sl.	Condition	Latest position
1	(a) The State Government must put in place a supplement to the budget documents separately for PRIs and ULBs, furnishing details (other than those relating to Finance Accounts) as under: (i) the details of plan and non-plan wise classification of transfers separately for all tiers of PRIs and for all categories of ULBs, from major head to object head, which have been depicted in the main budget under the minor heads 196, 197 and 198; and 191, 192 and 193 respectively (para 10.110); (ii) details of funds transferred directly to the local bodies outside the State Government's budget; and (iii) details of spatial distribution of transfers at least upto district level.	i) Not done as per guidelines  ii) Not done  iii) Not done
	(b) States must adopt an accounting system for maintenance of accounts by PRIs and a codification pattern consistent with the Model Accounting System for Panchayats.	Done partially
	(c) States will allot specific codes to each Zila Parishad, block panchayat and gram panchayat. An eight digit data base format prescribed by the Comptroller and Auditor General of India (C&AG) for local should be adopted for compilation. Arrangements are to be put into place for consolidation of accounts at the national level.	Done
	(d) States should implement in all ULBs an accounting framework consistent with accounting format and codification pattern suggested in the National Municipal Accounts Manual.	Done
	(e) States will compile the eight data base formats prescribed by C&AG for panchayats.	Done
2	The State Government must put in place an audit system for all tiers of PRIs and for all categories of ULBS. C&AG must be asked for Technical Guidance and Supervision (TG&S) over the audit of all the rural local bodies in a state at every tier and his Annual Technical Inspection Report as well as the Annual Report of the Director of Local Fund Audit must be placed before the state legislature. Certification from the C&AG will demonstrate compliance with this condition [(para 10.161(ii))].	Done
3	The State Government must put in place a system of independent local body ombudsmen who will look into complaints of corruption and mal-administration against the functionaries of local bodies, both elected members and officials, and recommend suitable action. All elected functionaries and officials in all Zila Parishads and in all municipal corporations and municipalities at least should come under the purview of ombudsman. The passage of relevant legislation and its notification will demonstrate compliance with this condition.	Done
4	The State Governments must put in place a system of transfer of funds as in para 4.2 above. Self-certification by the State Governments, with a description of the arrangements in place, will demonstrate compliance with this condition.	Done
5	The State Governments must prescribe through an Act the qualifications of persons eligible for appointment as members of the State Finance Commissions (SFCs) consistent with Article 243I(2) of the Constitution. The passage of relevant legislation and its notification will demonstrate compliance with this condition.	Not done
6	All local bodies must be fully enabled to levy property tax (including tax for all types of residential and commercial properties) and any hindrance in this regard must be removed. Self-certification by the State Government will demonstrate compliance with this condition.	Not done

7	State Governments must put in place a state level Property Tax Board, which will assist all Municipalities and Municipal Corporations in the state to put in place an independent and transparent procedure for assessing property tax.	Property Tax Board not constituted.
8	State Governments must gradually put in place standards for delivery of all essential services provided by local bodies. For a start, State Governments must notify or cause all the Municipal Corporations and Municipalities to notify by the end of a fiscal year (31 March) the service standards for four service sectors: water supply, sewerage, storm water drainage, and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year. This could be in the form of a declaration of a minimum level of service for the indicators mentioned against each of these four service sectors in the 'Handbook on Service level Benchmarks' published by the Ministry of Urban Development	ULBs set standard of delivery of bench mark for solid waste management services only.
9	All Municipal Corporations with a population of more than 1 million (2001 census) must put in place a fire hazard response and mitigation plan for their respective jurisdictions. Publication of these plans in the respective State Government Gazettes will demonstrate compliance with this condition.	Not required as this applicable for Corporation having population more than 1 million.

**Appendix-2.5**

**Statement showing year wise fund release by State Government for various purposes**  
(Ref: Paragraph 2.8.2 Village Development Action Plan, page 46)

**Year 2011-12**

Sl	Sectoral allocation	Amount	Transferred to
1	Construction of 20 GPK	2,57,00,000	Sachiv, East/West/North/South
2	Development fund including implementing Village Development Action Plan	50,00,000 ZP 4,95,00,000 GP	Sachiv, East/West/North/South ADC(Dev), East/West/North/South
3	Disaster Management Tools	1,65,00,000	Sachiv, East
4	Strengthening E-PRI	20,00,000	Sachiv, East
5	Promotion Village Libraries	50,00,000	Project Director, SRDA
6	IEC	30,00,000	-do-
	<b>Total</b>	<b>10,75,00,000</b>	

**Year 2011-12 2<sup>nd</sup> instalment**

Sl	Sectoral allocation	Amount	Transferred to
1	Construction of 20 GPK	2,56,80,000	Sachiv, East/West/North/South
2	Development fund including implementing Village Development Action Plan	50,00,000 ZP 4,95,00,000 GP	Sachiv, East/West/North/South ADC(Dev) East/West/North/South
3	Strengthening E-PRI	1,07,00,000	Project Director, SRDA
4	Audit & Accountability	8,20,000	-do-
	<b>Total</b>	<b>9,17,00,000</b>	

**Year 2012-13**

Sl	Sectoral allocation	Amount	Transferred to
1	Grant to Zilla	50,00,000	Sachiv, East/West/North/South
2	Development fund including implementing Village Development Action Plan	10,56,00,000	ADC(Dev) East/West/North/South
3	Purchase of building for ThekabongParkha GPK	25,00,000	To seller of building
4	Sanitation maintainance & administrative modules GP	9,41,00,000	ADC(Dev) East/West/North/South
5	Audit and preparation of statement	10,00,000	PD, SRDA
6	IEC	1,80,00,000	
7	Promotion Village Libraries	75,00,000	Sachiv, East
	<b>Total</b>	<b>23,37,00,000</b>	

**Year 2013-14**

Sl	Particular	Amount	Transferred to
1	Grant to ZP	50,00,000	Sachiv, East/West/North/South
2	Grant to GP	5,28,00,000	ADC(Dev) East/West/North/South
3	Construction of 17 CRC	8,50,00,000	Sachiv, East/West/North/South
4	Construction of Playground	12,59,000	Sachiv, West
	<b>Total</b>	<b>14,40,59,000</b>	



**Year 2013-14 2<sup>nd</sup> instalment**

Sl	Particular	Amount	Transferred to
1	Grant to ZP	50,00,000	Sachiv, East/West/North/South
2	Grant to GP	5,33,50,400	ADC(Dev) East/West/North/South
3	Construction of 17 CRC	7,76,50,000	Sachiv, East/West/North/South
4	Construction of Playground	19,55,600	Sachiv, West
	<b>Total</b>	<b>13,79,56,000</b>	

**Year 2014-15 1st instalment**

Sl	Particular	Amount	Transferred to
1	Grant to ZP	50,00,000	Sachiv, East/West/North/South
2	Grant to GP	5,28,00,000	ADC(Dev) East/West/North/South
3	Construction of 16 GPK	4,80,00,000	Sachiv, East/West/North/South
4	Printing of ATIR	12,17,615	Sachiv, East
5	RWSS	4,71,05,385/-	Sachiv, East/West/North/South
	<b>Total</b>	<b>15,71,05,385</b>	

**Year 2014-15 Performance grant**

Sl	Particular	Amount	Transferred to
1	Strengthening of Gram Sabha	1,80,30,000	ADC(DEV) East/West/North/South
2	Capacity building and Exposure visit	1,30,00,000	Sachiv, East/West/North/South
3	State Panchayat Resource Centre	3,00,00,000	ADC(DEV) South/North
4	Printing of ATIR	4,18,020	ADC(Dev) East
5	State level meeting	50,00,000	ADC(Dev) East
6	Village Library	75,00,000	Sachiv, East
7	Completion of incomplete work ZP	76,60,600	Sachiv, East/West/North/South
8	Completion of incomplete work GP	43,91,380	ADC(Dev) West/North/South
9	Furniture for newly constructed GPK	20,00,000	ADC(Dev) East/West/North/South
10	Strengthening of Panchayat Directorate	35,00,000	ADC(Dev) East/West/North/South
	<b>Total</b>	<b>9,15,00,000</b>	

**Appendix-2.6**

**Statement showing diversion of TFC fund**

*(Ref: Paragraph 2.8.3 Utilisation of TFC fund to meet works of other schemes, page 47)*

**Diversion of TFC fund**

**(₹ in lakh)**

Sl	Name of work	Year of sanction	Sanctioned cost	Source of fund	Expenditure from original source of fund	Physical progress (%)	Expenditure from TFC fund	Physical progress (%)
1	Const. of Karzi GPK	2007-08	29.00	TSP	12.58	43	16.42	100
2	Const. of Tashiding GPK	-do-	29.00	TSP	9.4	32	19.56	100
3	Const. of Luing GPK	-do-	29.00	TSP	7.81	27	21.19	100
4	Const. of Assangthang GPK	-do-	15.00	Award	Nil	0	15.00	100
5	Const. of Okhrey GPK	-do-	29.00	TSP	Nil	0	29.00	100
6	Const. of Langang GPK	2006-07	26.26	SGRY	17.23	66	9.03	100
7	Const. of Mabong GPK	2003-04	12.80	-	5.05	39	7.74	100
	<b>Total</b>				<b>52.07</b>		<b>117.94</b>	

**Appendix-2.7**

**Statement showing Delay in execution of works**

*(Ref: Paragraph 2.9.1 Works completed belatedly, page 50 & Paragraph 2.9.3 work not started page 53)*

**East District**

*(₹ in lakh)*

Sl	Name of work	Amount	Date of commencement	Due date of completion	Physical progress	Financial progress	Actual date of completion	
1	Construction of Pacheykhani GPK	25.69	21.05.2011	20.11.2011	100%	30.00	28.12.2013	
2	Construction of Chujachen GPK	25.69	Not yet started					
3	Construction of Tathenchen Syari GPK	25.69 (30.00 Revised)	06.01.2012	05.10.2012	100%	30.00	04.09.2013	
4	Construction of Lingtam Phadamchen GPK	25.69	06.01.2012	05.10.2012	100%	30.00	18.03.2013	
5	Construction of Rolep Lamaten GPK	25.69 (30.00 Revised)	01.10.2013	30.06.2014	100%	30.00	31.08.2015	
6	Construction of Amba GPK	25.69 (30.00 Revised)	20.11.2015	22.08.2016	50%	15.00	Not yet completed	
7	Construction of Ranka GPK	25.69 (30.00 Revised)	01.03.2013	30.11.2013	50%	15.00	Not yet completed	
8	Construction of Martam Nazitam GPK	25.69	13.05.2013	12.01.2014	100%	30.00	31.3.2015	
9	Construction of Lingdong Namphang GPK	25.69 (30.00 Revised)	02.07.2012	01.03.2013	100%	30.00	31.12.2013	
10	Construction of CRC Pabuik	52.83 (97.26 Revised)	19.08.2013	18.05.2014	95%	37.68	Not yet completed	
11	Construction of CRC Subithang	52.83 (98.60 Revised)	19.08.2013	18.05.2014	95%	31.13	Not yet completed	
12	Construction of CRC Central Pendum	52.83 (95.14 Revised)	05.09.2013	04.06.2014	95%	56.59	Not yet completed	
13	Construction of Taza GPK	30.00	18.01.2016	15.10.2016	50%	15.00	Under progress	
14	Construction of Riwa Machong GPK	30.00	11.02.2016	10.11.2016	5%	-	Under progress	
15	Construction of Sirwani Tsalamthang GPK	30.00	Not yet started due non availability of fund					
16	Construction of Kopibari GPK	30.00	01.03.2016	30.11.2016	30%	8.00	Under progress	
17	Construction of Tumin GPK	30.00	18.02.2016	17.11.2016	15%	-	Under progress	

South District

Sl	Name of work	Amount	Date of commencement	Due date of completion	Physical progress	Financial progress	Actual date of completion
1	Construction of Damthang GPK	25.69 (revised 30.00)	24.01.2013	23.01.2014	93%	16.35	In progress
2	Construction of Sorok Shyampani GPK	25.69	31.10.2013	30.10.2014	100%	30.00	30.10.2015
3	Construction of Maniram Singithag GPK	25.69	04.02.2013	03.02.2014	100%	29.30	18.12.2014
4	Construction of Namley Kamrang GPK	25.69	20.07.2012	21.05.2013	100%	29.30	15.01.2014
5	Construction of Turung Mamring GPK	25.69	04.02.2013	03.02.2014	100%	30.00	20.03.2014
6	Construction of PerbingDovang GPK	25.25	01.09.2011	01.09.2012	100%	29.30	20.12.2013
7	Construction of Lamaten Tingmoo GPK	25.25	24.08.2011	20.8.2012	100%	29.30	9.9.2014
8	Construction of Chuba Phong GPK	25.25	01.09.2011	31.08.2012	100%	29.30	22.03.2014
9	Construction of Rameng Chuba GPK	25.25	28.08.2011	15.8.2012	25%	-	In progress
10	Construction of Lamaten Tinkitam GPK	25.25	24.08.2011	15.8.2012	60%	-	In progress
11	Construction of CRC at Ben Namprick	96.35	4.9.2013	1.9.2014	93%	69.17	In progress
12	Construction of CRC at Sadam Suntaley	93.60	16.09.2013	15.9.2014	91%	43.26	In progress
13	Construction of CRC at Pabong	95.61	20.09.2013	15.9.2014	94%	38.36	In progress
14	Construction of Keteng Pamphok GPK	30.00	Not tendered				
15	Construction of Ralong Construction of Namlung GPK	30.00	Not tendered				
16	Construction of Borong Phatam GPK	30.00	Not tendered				
17	Construction of Tarku GPK	30.00	Not tendered				
18	Construction of Lingi GPK	30.00	Not tendered				
19	Construction of CRC at Dorop Salghari	95.07	Not tendered				

### Appendix – 3.1

#### Statement showing extra expenditure

(Ref: Paragraph 3.5, extra expenditure on purchase of sand and cement, page 66)

#### Lungchok Salyandang GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
JTW at PMGSY road to Devithang	DK Thapa	Cement 1020 bag Sand 4600 cft	460 40	332 18	128 22	1,30,560 1,01,200
JTW at Goyeee Kholsa	Akash Ganga DK Thapa	Cement 250 bag Sand 1600 cft Cement 400 bag Sand 1500 cft	332 18 460 40	332 18 332 18	0 0 128 22	0 0 51,200 33,000
CCFP from Piplee Bote to Lungchok School	Akash Ganga DK Thapa	Cement 300 bag Sand 2100 cft Cement 600 bag Sand 3100 cft	420 42 460 40	332 18 332 18	88 24 128 22	26,400 50,400 76,800 68,200
CCFP from Lungyam School via Linkhim Kholsa	DK Thapa	Cement 350 bag Sand 1650 cft	460 40	332 18	128 22	44,800 36,300
Const of EFF from Upper Lungchok to Menchu Kholsa	DK Thapa	Cement 550 bag Sand 2950 cft	460 40	332 18	128 22	70,400 64,900
Const of EFF from Lungyam to Sarkidara	DK Thapa	Cement 350 bag Sand 1250 cft	460 40	332 18	128 22	44,800 27,500
Const of EFF from Nalbogaon to PMGSY Road to Daragaon	DK Thapa	Cement 350 bag Sand 1300 cft	460 40	332 18	128 22	44,800 28,600
MIC from Simalboteykulo to MenchuKhola to Chyandara	DK Thapa	Cement 400 bag Sand 1415 cft	385 23	332 18	53 5	21,200 7,075
EFF from Choktey Gaon to Nalbogaon MB Subba House	M/s Rumbuk RCCS DK Thapa	Cement 100 bag Sand 900 cft Cement 250 bag Sand 1200 cft	460 30 460 40	332 18 332 18	128 12 128 22	12,800 10,800 32,000 26,400
Construction of EFF from Bishnual kholsa to SPWD road near JP house	Rumbuk RCCS DK Thapa	Cement 420 bag Sand 2280 cft Cement 100 bag Sand 450 cft	460 30 460 40	332 18 332 18	128 12 128 22	53,760 27,360 12,800 9,900
EFF from Gairygaon Sarkidara to Salangdang Dairy	DK Thapa	Cement 350 bag Cement 50 bag Sand 1500 cft Sand 300 cft	385 460 23 40	332 332 18 18	53 128 5 22	18,550 6,400 7,500 6,600
<b>Total</b>		<b>Cement 5840 bags Sand 28095 cft</b>				<b>6,47,270 5,05,735</b>

## Upper Fambong GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Const of EFF with Dhuddu from Sombaria Bazar to Sumphu Goan	DK Thapa	Cement 280 bag	385	332	53	14,840
Construction of EFF from Ganesh Subba house to Kumari Bhutia house	DK Thapa	Cement 280 bag	385	332	53	14,840
Const of EFF from BS Subba House to Kumar Subba	DK Thapa	Cement 250 bag	385	332	53	13,250
Const of EFF from Sombaria Sr Sec School to Siktam Road	DK Thapa	Cement 300 bag	385	332	53	15,900
Const of RCR from Hattaban to Sapreynagi	DK Thapa	Cement 230 bag	460	332	128	29,440
Const of EFF from Anden Gumpa to Chyandara	DK Thapa	Cement 250 bag	385	332	53	13,250
	M/s DH Limboo	Cement 200 bag	460	332	128	25,600
Const of EFF from SPWD road to Soreng via Baidar Goan to Alina Sherpa house	DK Thapa	Cement 320 bag	385	332	53	16,960
	M/s DH Limboo	Cement 250 bag	460	332	128	32,000
Const of EFF from Kumari Bhutia house to Deepak Subba house	M/s DH Limboo	Cement 450 bag	460	332	128	57,600
Const of EFF from Sailigolai via Sumphu Gaon to SPWD road Soreng	M/s DH Limboo	Cement 200 bag	460	332	128	25,600
<b>Total</b>		<b>Cement 3010 bag</b>				<b>2,59,280</b>

## Lower Fambong GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Const of MIC from Devithan to Chepletey	DK Thapa	Sand 2550 cft	23	18	5	12,750
Construction of MIC at DewanKulo	DK Thapa	Sand 3100 cft	23	18	5	15,500
Const of RCR from Son Bdr House to Ring Road		Sand 2100 cft	23	18	5	10,500
Const of RCR from KB Thegim house to Ring Road Jhundiney		Sand 2950 cft	23	18	5	14,750
Const MIC from Linkhim Khola to SPWD Road	DK Thapa	Sand 4600 cft	40	18	22	1,01,200
Const of MIC from Khushbir Khola to PWD Road	RCCSL Rumbuk	Sand 450 cft	30	18	12	5,400
	DK Thapa	Sand 1500 cft	40	18	22	33,000
Const of RCR from Power office to Chandra Singh house	DK Thapa	Sand 1500 cft	23	18	5	7,500
	RCCSL Rumbuk	Sand 600 cft	30	18	12	7,200
Const of MIC Sabir Kulo from Lower Thambong to Middle Daramdin	RCCSL Rumbuk	Sand 3000 cft	30	18	12	36,000
Const of MIC from Golai Chyandara to Gangoteni	DK Thapa	Sand 2100 cft	35	18	17	35,700
Const of MIC from Barpipaldara to Bastasay	DK Thapa	Sand 2000 cft	35	18	17	34,000
<b>Total</b>		<b>Sand 26450 cft</b>				<b>3,13,500</b>

## Siktam Tikpur GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Const of EFF from Cheelem Dairy to Chyandara	DK Thapa	Cement 350 bag	385	332	53	18550
		Sand 1650 cft	23	18	5	8250
Construction of EFF from PWD road to Salangdang Tripai	DK Thapa	Cement 100 bag	385	332	53	5300
		Sand 300 cft	23	18	5	1500
	Rumbuk RCCS	Cement 150 bag	460	332	128	19200
		Sand 675 cft	30	18	12	8100
Const of JTW from Raman khola to School	DK Thapa	Cement 250 bag	460	332	128	32,000
		Sand 1450 cft	40	18	22	31,900
	Rumbuk RCCS	Cement 150 bag	460	332	128	19,200
		Sand 750 cft	30	18	12	900
Const of EFF from ICDS centre to Dairy	DK Thapa	Cement 200 bag	385	332	53	10,600
		Sand 1050 cft	23	18	5	5,250
	Rumbuk RCCS	Cement 200 bag	460	332	128	25,600
		Sand 900 cft	30	18	12	10,800
Const of EFF from PWD road to Devithang to Pradhan Gaon	DK Thapa	Cement 300 bag	385	332	53	15,900
		Sand 1100 cft	23	18	5	5,500
	Rumbuk RCCS	Cement 160 bag	460	332	128	20,480
		Sand 700 cft	30	18	12	8,400
Const of EFF from Takey Gaon to Upper Beyong	DK Thapa	Cement 180 bag	385	332	53	9,540
		Sand 800 cft	23	18	5	4,000
	Rumbuk RCCS	Cement 100 bag	460	332	128	12,800
		Sand 600 cft	30	18	12	7,200
Const of EFF from Tikpur Dairy ML Rai home to Durga Prasad home	DK Thapa	Cement 250 bag	385	332	53	13,250
		Sand 1200 cft	23	18	5	6,000
	Rumbuk RCCS	Cement 100 bag	460	332	128	12,800
		Sand 600 cft	30	18	12	7,200
Const of EFF from Sapreynagi School to Passang Sherpa home	DK Thapa	Cement 270 bag	385	332	53	14,310
		Sand 1000 cft	23	18	5	5,000
	Rumbuk RCCS	Cement 300 bag	460	332	128	38,400
		Sand 1250 cft	30	18	12	15,000
Const of EFF from 7 <sup>th</sup> mile dairy to PMGSY road	DK Thapa	Cement 220 bag	385	332	53	11,660
		Sand 800 cft	23	18	5	4,000
	Rumbuk RCCS	Cement 250 bag	460	332	128	32,000
		Sand 950 cft	30	18	12	11,400
<b>Total</b>		<b>Cement 3530 bag Sand 15775 cft</b>				<b>3,11,590 1,40,400</b>



## Okhrey GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Const of MIC from 10th mile Okhrey to 9 <sup>th</sup> mile	DK Thapa	Cement 250 bag	385	332	53	13,250
		Sand 950 cft	23	18	5	4,750
	Rumbuk	Cement 210 bag	460	332	128	26,880
		Sand 1800 cft	30	18	12	21,600
Construction of RCR from Puretar road to 10 <sup>th</sup> mile PWD road	Akash	Cement 100 bag	332	332	0	0
	Ganga	Sand 400 cft	18	18	0	0
		Cement 820 bag	460	332	128	1,04,960
	DK Thapa	Sand 3850 cft	40	18	22	84,700
		Cement 150 bag	460	332	128	19,200
	Rumbuk	Sand 1050 cft	30	18	12	12,600
Const of EFF from Mahavir to PWD road	DK Thapa	Cement 530 bag	460	332	128	67,840
		Sand 2520 cft	40	18	22	55,440
Const of EFF from Puretar school to 5 <sup>th</sup> mile	DK Thapa	Cement 700 bag	385	332	53	37,100
		Sand 3400 cft	23	18	5	17,000
Const of EFF from Chyangbarigaon to Ramam river	DK Thapa	Cement 480 bag	460	332	128	61,440
		Sand 2150 cft	30	18	12	25,800
<b>Total</b>		<b>Cement 3240 bags</b>				<b>3,30,670</b>
		<b>Sand 16120 cft</b>				<b>2,21,890</b>

## Ribdi Bhareng GP

Name of work	Name of supplier	Qty purchased	Rate Paid	Approved Rate	Excess in rate	Excess (@ lowest) (Col c x f)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Const of RCR from Hillay SPWD road to Ribdi PHSC	DK Thapa	Cement 400 bag	460	332	128	51,200
		Sand 450 cft	40	18	22	31,900
Construction of JTW at Lower Ribdi	DK Thapa	Cement 820 bag	460	332	128	1,04,960
		Sand 2850 cft	40	18	22	62,700
	Rumbuk RCCS	Cement 600 bag	460	332	128	76,800
		Sand 2300 cft	30	18	12	27,600
Const of RCR from Ribdi School to Pital Dara via Sangadara to Hillay	Akash Ganga	Cement 300 bag	332	332	0	0
		Sand 400 cft	18	18	0	0
	DK Thapa	Cement 300 bag	460	332	128	38,400
		Sand 1150 cft	40	18	22	25,300
	Rumbuk	Cement 200 bag	460	332	128	25,600
		Sand 400 cft	30	18	12	4,800
Const of RCR from Patheray to Bharang School	DK Thapa	Cement 360 bag	460	332	128	46,080
		Sand 1050 cft	40	18	22	23,100
Const of RCR from Bharang SPWD road to Bharang Govt. Primary School	Akash Ganga	Cement 130 bag	420	332	88	11,440
		Cement 460 bag	460	332	128	58,880
	DK Thapa	Sand 1350 cft	40	18	22	29,700
Const of EFF from SPWD road to Magi Dara	Rumbuk Society	Cement 300 bag	460	332	128	38,400
		Sand 1100 cft	30	18	12	13,200
Extension of JTW at Khopikharha Khola	Rumbuk Society	Cement 300 bag	460	332	128	38,400
		Sand 1150 cft	30	18	12	13,800
<b>Total</b>		<b>Cement 4,170 bags</b>				<b>4,90,160</b>
		<b>Sand 12,200 cft</b>				<b>2,32,100</b>

Cement: ₹ 20,38,970

Sand: ₹ 14,13,625

Total: ₹ 34,52,595

**Appendix 4.1**  
**Statement showing vital statistics of Urban Sikkim**  
*(Reference: Paragraph- 4.1: Vital Statistics of ULBs; Page: 67)*

Particular	State	Urban Sikkim
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 4.2

*Statement showing functions to be transferred to ULBs  
(Reference: Paragraph-4.3: Functioning of ULBs; Page: 69)*

Sl. No.	Functions	Present position
1.	Urban planning including town planning.	Not transferred
2.	Regulation of land-use and construction 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 4.3

**Statement showing service level benchmark for solid waste management service**  
(Reference: Paragraph-4.11: Service Level Bench Mark: Page: 72)

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: Notification No. GOS/UDHD/2013-14/SLBM/01 dated 26.9.2013 issued by Government of Sikkim, Department of Urban Development & Housing)

#### Appendix 4.4

Statement showing service level benchmark for solid waste management service  
(Reference: Paragraph-4.11: Service Level Bench Mark: Page: 72)

#### Gangtok Municipal Corporation

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	70	75	55	65	50	100	60
2017-18	80	80	65	70	60	100	65
2018-19	85	85	70	75	65	100	70
2019-20	90	90	75	80	70	100	75
2020-21	100	95	80	85	75	100	80

#### Namchi Municipal Council

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	80	98	30	30	40	100	100
2017-18	85	100	60	60	80	100	100
2018-19	90	100	80	80	100	100	100
2019-20	100	100	100	100	100	100	100
2020-21	100	100	100	100	100	100	100

#### Naya Bazar-Jorethang Municipal Council

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	100	80	25	40	40	100	60
2017-18	100	90	40	50	40	100	70
2018-19	100	90	60	60	60	100	100
2019-20	100	100	80	75	90	100	100
2020-21	100	100	100	100	100	100	100

#### Gyalshing Municipal Council

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	70	80	30	30	20	100	50
2017-18	75	80	40	55	40	100	60
2018-19	85	85	55	75	60	100	70
2019-20	90	90	60	80	80	100	80
2020-21	100	98	70	85	90	100	90

#### Rangpo Nagar Panchayat

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	100	90	60	85	50	100	70
2017-18	100	90	70	95	70	100	80
2018-19	100	90	80	100	80	100	100
2019-20	100	95	90	100	90	100	100
2020-21	100	100	100	100	100	100	100

**Singtam Nagar Panchayat**

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	100	90	55	85	70	100	80
2017-18	100	100	75	95	75	100	90
2018-19	100	100	85	100	80	100	100
2019-20	100	100	90	100	100	100	100
2020-21	100	100	100	100	100	100	100

**Mangan Nagar Panchayat**

Year	Coverage %	Collection Efficiency %	Extent of Segregation %	Extent of Recovery %	Extent of Scientific Disposal %	Complaint Redressal Efficiency %	Cost Recovery %
2016-17	75	100	50	50	0	100	25
2017-18	80	100	65	70	40	100	35
2018-19	85	100	80	85	60	100	60
2019-20	95	100	90	95	80	100	70
2020-21	100	100	100	100	100	100	80

(Source: Notification No. 5/GOS/UDHD/2015-16/10/852 dated 20.4.2016 issued by Government of Sikkim, Department of Urban Development & Housing)

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