



**Annual Technical Inspection Report on
Panchayati Raj Institutions
and
Urban Local Bodies**

for the year ended 31 March 2017



Government of Sikkim

Office of the Accountant General (Audit), Sikkim



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PREFACE

This Report for the year ended March 2017 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 2016-17 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 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim and 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 2017.

(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)

Social Audit although institutionalised and made functional in the State, inadequate follow-up mechanism led to redressal of only 13 per cent of issue raised and 12 per cent of recovery pointed out during 2016-17.

(Paragraph- 1.8)

While the GPs 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 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim

Rules for operation and maintenance of State Employment Guarantee fund (SEGF) was established belatedly and did not include comprehensive framework to effectively manage the financial resources, mechanism to ensure transparency, efficiency and accountability, leading to absence of robust fund management and closing balances at the year end with the DPCs on the one hand and pending liabilities on the other.

(Paragraph-2.7.1)

Annual work plan and labour budget was not drawn up realistically leading to low sanction by GoI and mismatch between projected person days and actual person days generated during 2012-17. This also led to high average cost per day per person in the State as compared to national average and other North eastern States barring Manipur.

(Paragraph-2.7.2)

The State Government had neither formulated Separate Schedule of Rates (SoR) nor initiated carefully designed Work Time and Motion Studies (WT&MS) as of March 2017 for facilitating preparation of realistic estimates for works.

(Paragraph-2.8.3.1)

The State Level Quality Monitors and Technical Resource Support Committee had not undertaken monitoring of works executed under MGNREGS during 2012-17. The outcome based monitoring was also not initiated by ADCs.

(Paragraph-2.11.1)

3. Compliance Audit Paragraphs of PRIs

Failure of the ZP (South) to initiate the work expeditiously and failure to keep a close supervision on progress of work led to reframing of estimate, reduction of length of Suspension Foot Bridge (SFB) and extra expenditure of ₹ 55.19 lakh on account of higher tender premium (₹10.90 lakh), cost escalation in civil work (₹ 37.20 lakh) and stock material (₹7.09 lakh).

(Paragraph-3.1)

State Government had not taken adequate steps to maintain the status quo with respect to Nirmal Rajya Puraskar conferred during 2010 to the State. Since, the State had already achieved the status of total sanitation, expenditure of ₹ 13.61 crore from various scheme funds (14th FC, SBM) towards construction of individual household latrine was avoidable.

(Paragraph-3.2)

The FSFC Fund of ₹ 32 lakh meant for basic services was irregularly diverted towards purchase of utensils for distribution to various societies.

(Paragraph-3.3)

Improper surveys and investigation of the area before taking up of the Rural Water Supply Project and lack of proper follow-up led to infructuous expenditure of ₹ 24.70 lakh on creating facilities which was abandoned as all the beneficiary households had shifted from the locality due to upcoming airport.

(Paragraph-3.4)

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 2017.

(Paragraph-4.3)

The State Government had not set up Property Tax Board as of March 2017 for realisation of property tax.

(Paragraph-4.10)

The revenue collection recorded an increase during 2016-17 over previous year (2015-16) in case of two Municipal Councils (Namchi and Geyzing), two Nagar Panchayats (Rangpo and Mangan) by 63.39, 27.66 and 20.31, 38.80 per cent respectively and decrease in case of Gangtok Municipal Corporation and Singtam Nagar Panchayat by 6.51 and 5.68 per cent respectively.

(Paragraph-4.14.1)

5. Compliance Audit Paragraphs of ULBs

Implementation of challenge fund by GMC was characterised by slow pace of work leading to non-completion of project, loss of ₹ 1.25 crore on second installment from GOI and deprivation of rehabilitation facilities to 51 vendors who could have been provided with vending stalls to earn their livelihood.

(Paragraph-5.1)

The GMC irregularly incurred the BSUP Funds of ₹ 1.19 crore during 2014-16 which did not help in achieving the programme objective as the identification of target area having substantial population of urban poor was not identified and perspective plan was not drawn for integrated development of target area.

(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, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

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

1.1 Introduction

The 73rd 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 11th Schedule of the Constitution.

Consequent to the 73rd 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 2017, there were 4 ZPs¹ consisting of 110 Territorial Constituencies² 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.

¹ East, West, North and South

² 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

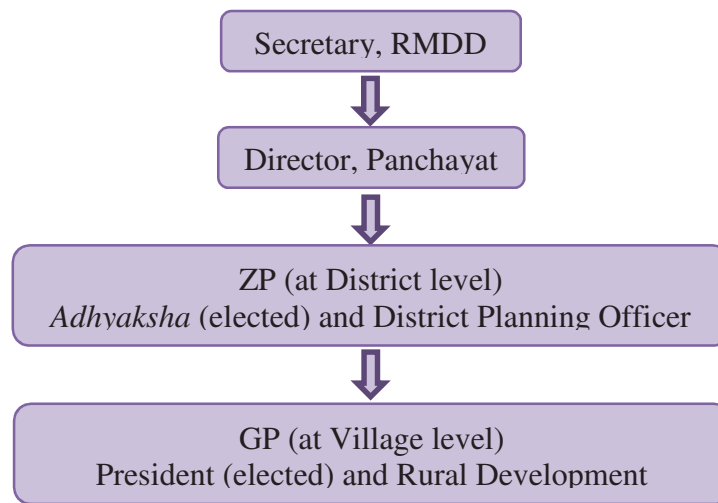
Though Government of Sikkim enacted Panchayati Raj Act in 1993 to conform to the 73rd Constitutional Amendment, the roots of Panchayati Raj in the State dated back to the time when Sikkim was a kingdom under the Namgyal Dynasty. During this period there were landlords or *Zamindars* known as *Kazi*. 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, 1993 in compliance to 73rd 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 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 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 operationalise administrative decentralisation of funds, functions and functionaries among PRIs, the Ministry of Rural Development, GOI constituted (July 2001) the Central Task Force (CTF) for suggesting the manner of transfer to each tier of PRIs so that devolution of all the 29 functions listed in the XIth Schedule of the Constitution could be completed by March 2002. Article 243 G of Constitution has enabling provision for transfer of these functions to different tiers of PRIs. The department-wise list of 29 functions to be 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 functions. This exercise was done through activity mapping³ in April 2008.

1.3.2 Functions not transferred as per 73rd Constitutional Amendment

Although the State Government delineated role and responsibilities of each tier of PRIs for devolution of all the 29 functions listed in the XIth Schedule of the Constitution to the PRIs, the same was not implemented completely and only 15 functions were transferred (April 2008) to PRIs. The department-wise position of schemes not transferred to PRIs by the State Government as of March 2017 is detailed in ***Appendix 1.4***.

Analysis revealed that transfer of important functions 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 2017.

Thus, while all functions were yet to be transferred, even in the cases where they 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 related activities for forest conservation, self-employment through small scale industries etc. mandated in the 73rd Constitutional Amendment.

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;

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

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 below:

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 the 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" ⁴ ; 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.

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 Committees (DPC). The Committee included Members of the Legislative Assembly whose major part of the constituencies fell within the District; three members of the *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/*Nagar Panchayat*, 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,

⁴ "Source to Mouth" means the water supply from its originating place (source) to the consumer point (mouth).

Nagar Panchayats, Municipal Councils and Municipal Corporation in the District and preparing a draft development plan for the District as a whole.

Audit observed the following deficiencies in the functioning of the 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 did not forward the same to the State Government for integration with the State plan.
- The DPCs had 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.
- 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.

1.5 Audit arrangement

1.5.1 Primary Auditor

Director, Local Fund Audit (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 a 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
2016-17	-do-	12	NA

The State Government had not delineated specific sanctioned strength for the DLFA even after more than five years since its formation. The person-in-position also decreased continuously from 18 in 2013-14 to 12 in 2016-17 indicating low importance attached to the DLFA by the State Government.

Audit analysis revealed that the target planned for audit was never achieved during 2013-17. This was primarily due to shortage of man power. The coverage was only 19 per cent during 2014-17 whereas in 2013-14 the coverage was recorded 'nil'. The position in this respect is given below:

Table 1.2
Units planned for audit and actually audited

Year	No. of units planned for audit		No. of units audited		No. of reports issued	
	PRIs	ULBs	PRIs	ULBs	PRIs	ULBs
Upto 2012-13	Not available	Not available	47	6	47	6
2013-14	129	3	0	0	0	0
2014-15	178	7	20	0	20	0
2015-16	176	7	14	7	14	7
2016-17	178	11	64	3	64	3
Total	661	28	145	16	145	16

Source: Information furnished by DLFA, Government of Sikkim

➤ **Training:** Training plays an important role in enhancing the professional competencies of individuals. It provides an opportunity to bridge the gap between job requirement and present competency level of the employees. The officers and staff of DLFA were not imparted any training during 2012-17. This was despite the fact that majority of officers and staff were posted from Finance Department who had no 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 2012-17, the Head of Office of DLFA was transferred five times, while Jt. Directors were transferred twice as given in *Appendix 1.5*. The frequency of tenure was as short as 4 to 7 months. The absence of tenure based policy for deployment was bound to affect the functioning of the 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 Panchayati Raj Institutions (PRIs).

In keeping with the recommendations of the 13th 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 2016 to March 2017, 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
2016-17	92	4	92	4	92	4
Total	531	20	531	18	531	18

1.5.3 Placement of Annual Technical Inspection Report (ATIR)

The ATIRs for the years 2007-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 were placed in the State Legislature. However, the State Government had not amended the Sikkim Panchayat Act to provide mechanism for discussion of ATIRs in the Legislative Assembly. Neither the Public Accounts Committee (PAC) discussed the ATIRs nor a separate Committee of State Legislature was constituted to discuss the same as recommended by Second Administrative Reforms Commission.

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

The State Government had taken a policy decision (September 2017) that henceforth the existing PAC will discuss the ATIRs and issue suitable recommendation.

1.6 Response to Audit observations

Inspection Reports (IRs) were issued by the office of the 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 2017 are shown in Table 1.4

Table 1.4
Outstanding IRs and Paragraphs

Year	No. of Inspection Reports	No. of outstanding paras	Money value (₹ in lakh)
Upto 2012-13	85	202	8.09
2013-14	34	86	0
2014-15	53	114	52.44
2015-16	54	267	0
2016-17	68	475	193.18
Total	294	1,144	253.71

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.

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

1.7 Ombudsman

The Government of India instructed (September 2009) the State Government to set up office of the Ombudsman in accordance with the instructions in the order *ibid*. The State Government appointed the Ombudsman in May 2012. The responsibility of Ombudsman *inter-alia* included receiving complaints from NREGA workers and others and consider such complaints and facilitate their disposal in accordance with law. It also required the NREGA 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. It is also the Ombudsman's responsibility to issue directions 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; and 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 NREGA related affairs was not known to the Public in the absence of adequate advertisement and public announcement. As a result, provision of Prevention of Corruption Act, 1988 (Sec 268) was not adequately put to use for disposal of irregularities in implementation NREGA in the State. This was quite improper disquieting considering a large number of issues (4,081) and recoverable amount (₹ 2.09 crore) pointed out by Social Audit were lying unsettled for the period from 2013-14 to 2016-17.

1.8 Social Audit

Government of Sikkim initiated Social Audit in 2007-08 as envisaged (Rule 17) in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 (Rule 17). Thereafter in compliance to MGNREGA Audit of Scheme Rules, 2011 the State Government established Social Audit Unit (SAU) by designating one Non-Governmental Organisation (NGO) as SAU in December 2011. An independent Social Audit Director

was also appointed (December 2012) to head the SAU. Four District Resource Institutes had also been designated in four districts. During 2016-17, a total of 176 GPs were covered under Social Audit with involvement of State Resource Persons⁵, District Resource Persons⁶ 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 MGNREGA Audit of Scheme Rules, 2011 and audit of GPs were taken up; the follow-up mechanism was not adequate. As a result, out of 2,163 issues raised, only 271 issues (13 *per cent*) were redressed as of March 2017. Similarly, the recovery of amount pointed out in Social Audit was also negligible at 12 *per cent* (₹ 0.46 lakh out of ₹ 37.61 lakh) as of March 2017. Until 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.

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 *Lokpal* is empowered to investigate administrative matters 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 2016-17 was not made available by the State Government to Audit.

1.10 Submission of Utilisation Certificates (UCs)

The PRIs were regular and prompt in submission of utilisation certificates during the year 2012-17 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 amount to

⁵ 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.

⁶ 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.

misreporting of expenditure to exhibit full utilisation of fund. The reporting of higher expenditure than actual was resorted to mostly in case of Centrally Sponsored Schemes such as 13th Finance Commission, Backward Region Grant Fund, etc. with a view 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.

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 of 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 the State Government. Although Chartered Accountant firms were assigned the responsibility to audit the accounts of PRIs, audit of accounts were in arrears since 2015-16. Thus, an important check towards accountability in ensuring proper compliance of rules and procedures was not accorded due importance.

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 PRI 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 of test checked PRIs is given in the following table:

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

Provision	Authority	Gist of the provision	Actual position
Budget	Sec. 46 of the SP Act, 1993; Sec. 83 of the SP Act, 1993	Every GP / ZP shall prepare in each year a budget of its estimated receipts and expenditure for the next financial year and submit it to the Government for approval.	Budget was 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. The accounts of GPs estimated to be maintained in Single Entry System.
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 2015-16.
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.

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 Gram Panchayat Units (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 perspective etc.

It was, however, noticed that:

- The BACs had not initiated adequate action towards formulation of plans under various developmental schemes, and had not adequately discharged the function of overseeing of IEC activity and functioning of the decentralisation of powers of the Panchayats. Although the BACs claimed that offices as well as works of GPs had 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, although SWOT analysis and Resource mapping exercise were 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 2016-17.

- 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.

Thus, strengthening of Internal Control System of PRIs by BAC to make the delivery mechanism more effective to realise the objectives of devolution of powers, functions and functionaries were not achieved.

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 thereagainst and excess/savings during 2012-17 is given below:

Table 1.6
Budget of PRI vis-a-vis expenditure

(₹ in lakh)

Year	Budget	Expenditure	Excess (-)/Saving(+)
2012-13	974.68	974.67	(+) 0.01
2013-14	832.17	832.17	0
2014-15	1,089.40	1,087.89	(+) 1.51
2015-16	1,893.01	1,893.01	0
2016-17	3,814.63	3,814.63	0

(Source: Detailed Appropriation Accounts of Government of Sikkim)

The budgetary process was well managed as the excess was well under control while the savings were also nil during 2012-17. 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. Funds for developmental schemes were neither transferred to PRIs by RMDD nor did the PRIs incur expenditure 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 the absence of adequate release of funds for development of PRIs during 2016-17.

➤ **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 even without preparation of budget. The deficiency in preparation of budget in 2016-17 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, the PRI convened *Gram Sabha*, on receipt of fund, for identification of works as per fund availability and not on the actual requirement based 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 includes 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 meeting establishment charges. Other Line departments, although required, had not released funds to PRIs towards developmental activities relating to their sectors.

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

Table 1.7

(₹ in crore)

Year	Central Grant		State Grants				Grand Total		Expenditure	
			Development Fund		Direction & Administration					
	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP
2012-13	23.00	82.21	4.61	4.97	4.11	8.45	31.72	95.63	9.43	93.04
2013-14	7.04	122.87	0	0	2.99	0.64	10.03	123.51	12.70	131.96
2014-15	9.10	91.64	0	0	4.10	1.51	13.20	93.15	6.74	102.04
2015-16	0	102.27	0	0	11.80	7.13	11.80	109.40	13.82	109.70
2016-17	0	157.74	0	0	12.65	24.67	12.65	182.41	12.93	168.79
Total	39.14	556.73	4.61	4.97	35.65	42.40	79.40	604.10	55.62	605.53

Source: Information furnished by the RMDD, Government of Sikkim

Analysis revealed the following:

- **Central Grants:** The broad sources of receipts from Central Grants during the year 2012-13 to 2016-17 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		2012-13	2013-14	2014-15	2015-16	2016-17	Total
MGNREGS	ZP	0	0	0	0	0	0
	GP	74.07	106.84	73.86	86.23	132.63	473.63
BRGF	ZP	19.51	2.60	3.77	0	0	25.88
	GP	0	6.07	7.70	0	0	13.77
Central Finance Commission Grants	ZP	3.49	4.44	5.33	0	0	13.26
	GP	8.14	9.96	10.08	16.04	25.11	69.33
Total		105.21	129.91	100.74	102.27	157.74	595.87

Source: Information furnished by the RMDD, Government of Sikkim

The decrease in grants during 2014-15 and 2015-16 were due to lesser release of funds under MGNREGS. The Performance Audit of Implementation of MGNREGS in Sikkim is given in Chapter-II. Similarly, in case of BRGF, the State failed to draw full amount of

fund from GOI due to non-completion of projects in time. As a result, balance works under the scheme had to be executed by diversion of funds from 13th Finance Commission grants.

- **State Grant:** Audit noticed that prescribed stipulation in Fourth State Finance Commission (FSFC) was not adhered to by the State Government in releasing funds to PRIs. Against the 4th SFC (Para-7.30) stipulation to allocate fund of ₹ 10.29 crore to the PRIs, the actual allocation was ₹ 8.29 crore leading to less release of grant of ₹ 2 crore during 2016-17. Prescribed ratio of 70:30 for GPs and ZPs was also not adhered to by the State Government. As against the above prescription, the actual ratio of allocation worked out to 60 (₹ 5.01 crore) and 40 (₹ 3.28 crore) for GPs and ZPs respectively during 2016-17. This resulted in excess allocation of ₹ 0.82 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 short of funds for undertaking developmental activities.

- **Overall financial position of PRIs:** The RMDD could not furnish (September 2017) 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 2016-17. 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 44 GPs (out of 176) and all the four ZPs furnished information. Based on this, it was noticed that a total of ₹ 59.40 crore was available with PRIs during 2016-17 out of which only ₹ 32.30 crore was spent.

Table 1.9

(₹ in crore)

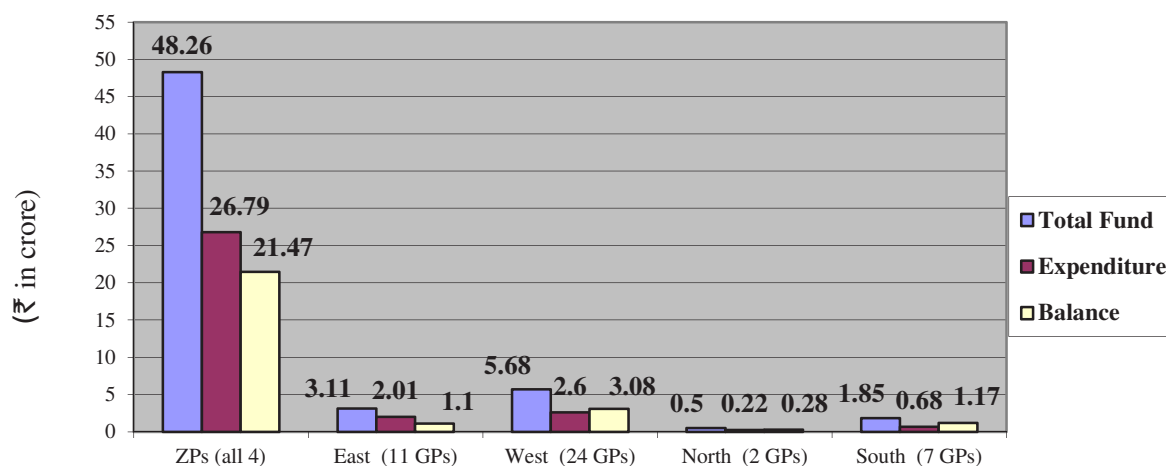
ZP / GP	Total fund available	Expenditure	Balance
ZPs (All 4)	48.26	26.79	21.47
East Sikkim (11GPs)	3.11	2.01	1.10
West Sikkim (24 GPs)	5.68	2.60	3.08
North Sikkim (2 GPs)	0.50	0.22	0.28
South Sikkim (7 GPs)	1.85	0.68	1.17
Total	59.40	32.30	27.10

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 2016-17 were 45 and 50 *per cent* of the total funds available for the ZPs and GPs respectively which were 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; and
- ✓ 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 ₹ 11.89 crore for PRIs during 2016-17 {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 ₹ 10.15 crore was transferred to ZPs/GPs towards administrative expenditure from own revenue during 2016-17 indicating a shortfall of ₹ 1.74 crore as depicted in the following table:

Table 1.10
Actual transfer of funds to PRI during 2016-17 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% of Col. 7)	Tax Transferred to PRIs
1	2	3	4	5	6	7	8	9
1.	0029	Land Revenue	639.55	25.00	479.66	11.99	9.59	1,015.46
2.	0030	Stamp & Registration	1,256.59	25.00	942.44	23.56	18.85	
3.	0039	State Excise	15,623.66	6.32	14,636.24	365.90	292.72	
4.	0040	Taxes on Sales, Trades etc.	36,481.81	3.10	35,350.87	883.77	707.01	
5.	0041	Taxes on vehicles	2,490.24	17.01	2,066.65	51.66	41.33	
6.	0045	Other Taxes and Duties	7,982.69	25.00	5,987.01	149.67	119.74	
		Total	64,474.54		59,462.87	1,486.55	1,189.24	1,015.46

Source: Finance Accounts 2016-17 and information furnished by Rural Management & Development Department.

The position of devolution of appropriate funds did not show adequate improvement during 2016-17 despite incorporation in ATIR 2016 about non allocation of fund for general and specific purposes as per the recommendations of Fourth State Finance Commission as shown below:

➤ **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 sensitising panchayat representatives for raising their own resources and also monitoring their efforts in this direction.

Audit called for information from all the 176 GPs. Only 44 (out of 176) GPs furnished information which revealed that 4 GPs (out of 44) 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 effort and proper monitoring was done by RMDD, the PRIs would have generated a potential revenue of ₹ 391.81 lakh during 2012-17 as detailed in **Appendix 1.7**. These revenues could have been gainfully utilised by the PRIs towards meeting administrative expenditure, purchasing of stationery, equipment, etc. In the absence of requisite revenue realisation, the PRIs defrayed the above expenditure from scheme funds. The position relating to non-levying of taxes by the PRIs to broaden their revenue base continued despite its incorporation in the ATIR 2016 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 13th-14th FC grants and transfer of funds to PRIs by State Government during 2012-17 are shown below:

Table 1.11
Fund received by State Government under CFC

SI. No.	Year	Grant received from GoI		Date of Release of fund to PRIs	Delay (in days)
		Date of receipt	Amount		
1.	2012-13	27.09.2012	1,163.38	18.01.2013	96 days
		06.09.2013	1,281.18	13.09.2013	-
2.	2013-14	20.12.2013	1,440.59	09.01.2014	9 days
		02.03.2015	1,379.56	11.03.2015	-
3.	2014-15	25.03.2015	1,541.23	31.03.2015	-
4.	2015-16	02.07.2015	802.00	11.07.2015	-
		20.11.2015	802.00	04.12.2015	-
5.	2016-17	09.11.2016	1,110.00	21.11.2016	-
		09.02.2017	1,110.00	16.02.2017	-
		13.01.2017	291.00	27.01.2017	-

(Figures provided by Rural Management & Development Department)

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. The State Government had streamlined the system of release of funds to PRIs and curtailed the delay in release of funds since 2014-15.

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 the 88 test checked GPs; and
- None of the 88 test checked GPs prepared Balance Sheet during the period under report.

Non preparation of these vital records compromised in providing at a glance position of financial health of PRIs.

1.12.4 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.

Thus, the PRIs were not in a position to provide a comprehensive list of assets possessed by them and plan for their periodical maintenance.

1.12.5 Reconciliation of Balances of Cash Book with Bank Pass Book

According to Sikkim Panchayat Financial Rules 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. Thus, the differences between the Cash Book and Pass Book balances remained unreconciled during 2016-17.

1.12.6 Maintenance of Accounts by PRIs

The Ministry of Panchayati Raj in consultation with Comptroller & Auditor General of India prescribed (January 2009) new accounting formats for Panchayati Raj Institutions. The 13th FC 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 the 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 2014-15 whereas accounts for the years 2015-16 to 2016-17 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.

1.12.7 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.

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
IMPLEMENTATION OF MAHATMA GANDHI
NATIONAL RURAL EMPLOYMENT GUARANTEE
SCHEME IN SIKKIM**

CHAPTER-II

PERFORMANCE AUDIT ON IMPLEMENTATION OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME IN SIKKIM

Performance Audit of Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for the period 2012-17 revealed that the Scheme has contributed significantly towards employment generation in rural areas; creation of a number of durable assets to provide rural connectivity, water supply, etc.; help individual households to develop their land holdings for improved farming, construction of cow-sheds to enable them rear cattle and earn supplementary income; etc. The State Government had put in place appropriate structural mechanism for implementation of Scheme, issued job cards to households in time, provided wage employment on demand, ensured social equity by providing equitable share in employment to SC, ST and women, instituted independent Social Audit system to bring transparency, etc. These have culminated into a number of awards and accolades by Government of India (GoI) relating to implementation of MGNREGS in the State during 2012-17. Notwithstanding above, the Performance Audit also noted some weaknesses as mentioned below.

The analysis of structural mechanism revealed that the State Employment Guarantee Council (SEGC) was not fully functional and belated convening of DPC meetings led to delayed administrative and technical approvals to the Shelf of Projects (SoP), etc. The planning of Scheme was beset with some weaknesses such as incomplete formulation of SoP denoting only list of works to be taken up without any bearing with labour budget, devoid of individual works objectives and absence of convergence with other schemes, besides belated convening of Gram Sabha meetings to finalise Annual Plans and Labour Budget, etc.

Analysis of financial management disclosed that the Annual Work Plan & Labour Budget (AWP&LB) were unrealistic, leading to huge differences between the person days projected and person days actually sanctioned by GoI. Notwithstanding the low sanctions, the release of funds by GoI was even lower with shortfall of ₹77.30 crore. Similarly, the release of funds by the State Government was also inadequate and belated. While Utilisation Certificate was submitted late by the State Government to GoI, pending liabilities had shown an increasing trend and stood at ₹ 64.89 crore at the end of March 2017.

Analysis of Programme implementation revealed that the households provided with 100 days employment had reduced from 11,392 (21%) in 2012-13 to 8,442 (12%) in 2016-17; delays ranged between 60 and 90 days in payment of wages, besides non-formulation of Separate Schedule of Rates (SoR), variations between the estimates and actual expenditure on works, excess payment of wages, execution of works without conforming to specifications, failure to follow procedure of project initiation meeting and project completion report, absence of measurement of work in most cases, etc.

Impact of Scheme on poverty alleviation was not evaluated during 2012-17. The beneficiary survey (August 2017) by Audit, however, indicated that income generated from employment in MGNREGA helped the households to meet their basic needs and supplemented their income to raise their living standard. The beneficiaries rated the performance of MGNREGA in the State as Excellent (45%); Very Good (38%) and Good (17%).

The utilisation of assets and its proper maintenance to obtain value for money was not ensured in many cases by the State Government and the PRIs. The institutional mechanism for upkeep and maintenance of assets was not instituted by the ADCs.

Monitoring mechanism and transparency revealed that the role of Worksite Material Management Committee was limited to certifying the statement of materials received and consumed at the time of processing of bills for payment instead of actual monitoring, inspection of works by ADCs without any documentation, absence of monitoring of works by the State Level Quality Monitors and Technical Resource Support Committee and failure to initiate outcome based monitoring by the Additional District Collators (ADCs), etc.

Highlights

Rules for operation and maintenance of State Employment Guarantee fund (SEGF) was established belatedly and did not include comprehensive framework to effectively manage the financial resources, mechanism to ensure transparency, efficiency and accountability, leading to absence of robust fund management and closing balances at the year end with the DPCs on the one hand and pending liabilities on the other.

(Paragraph-2.7.1)

Annual work plan and labour budget was not drawn up realistically leading to low sanction by GoI and mismatch between projected person days and actual person days generated during 2012-17. This also led to high average cost per day per person in the State as compared to national average and other North eastern States.

(Paragraph-2.7.2)

The State Government had neither formulated Separate Schedule of Rates (SoR) nor initiated carefully designed Work Time and Motion Studies (WT&MS) as of March 2017 for facilitating preparation of realistic estimates for works.

(Paragraph-2.8.3.1)

The State Level Quality Monitors and Technical Resource Support Committee had not undertaken monitoring of works executed under MGNREGS during 2012-17. The outcome based monitoring was also not initiated by ADCs.

(Paragraph-2.11.1)

2.1 Introduction

The National Rural Employment Guarantee Act, 2005 (NREGA) was enacted (September 2005) and implemented (February 2006) initially in the 200 most backward districts of the country. Remaining districts were covered in a phased manner (2007-09). The primary objective of MNREGA included enhancing livelihood security by providing 100 days annual employment to rural households, generating productive assets, protection of environment, empowering rural women, reducing rural-urban migration, fostering social equity, and strengthening rural governance through decentralisation, transparency and accountability.

In Sikkim, the Act in the first phase covered North district (2006-07), followed by East and South (2007-08) and West (2008-09) districts. The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009 by GoI.

2.1.1 Implementing agency

The Gram Panchayat is the single most important agency for executing works. The Act mandated earmarking a minimum of 50 *per cent* of the works to be executed by the Gram Panchayat and upto hundred *per cent* of the works may be allotted to the Gram Panchayat (GP) in the annual Shelf of Projects (SoP). The other Implementing Agencies are Block Development Officers and District Programme Coordinators.

2.1.2 Funding of the Scheme

The Scheme is primarily funded by Central Government and partly shared by State Government as shown in the table below.

Table -2.1

Item of expenditure	% shared by	
	Central Government	State Government
Wages (unskilled)	100	Nil
Wages (skilled & semi-skilled)	75	25
Material	75	25
Unemployment Allowance	Nil	100

Source: MGNREG Act

2.2 Organisational arrangements

At the Central level, Central Employment Guarantee Council (CEGC) under the chairmanship of the Union Minister of Rural Development is responsible for advising the Central Government on MGNREGA related matters, and for monitoring and evaluating the implementation of the Act. The Ministry of Rural Development is the Nodal Ministry, responsible for ensuring timely and adequate resource support to the states and to the Central Council, regular review, monitoring and evaluation of processes and outcomes, to maintain and operate the Management Information System (MIS) to capture and track data on critical aspects of implementation and assess the utilisation of resources through a set of performance indicators.

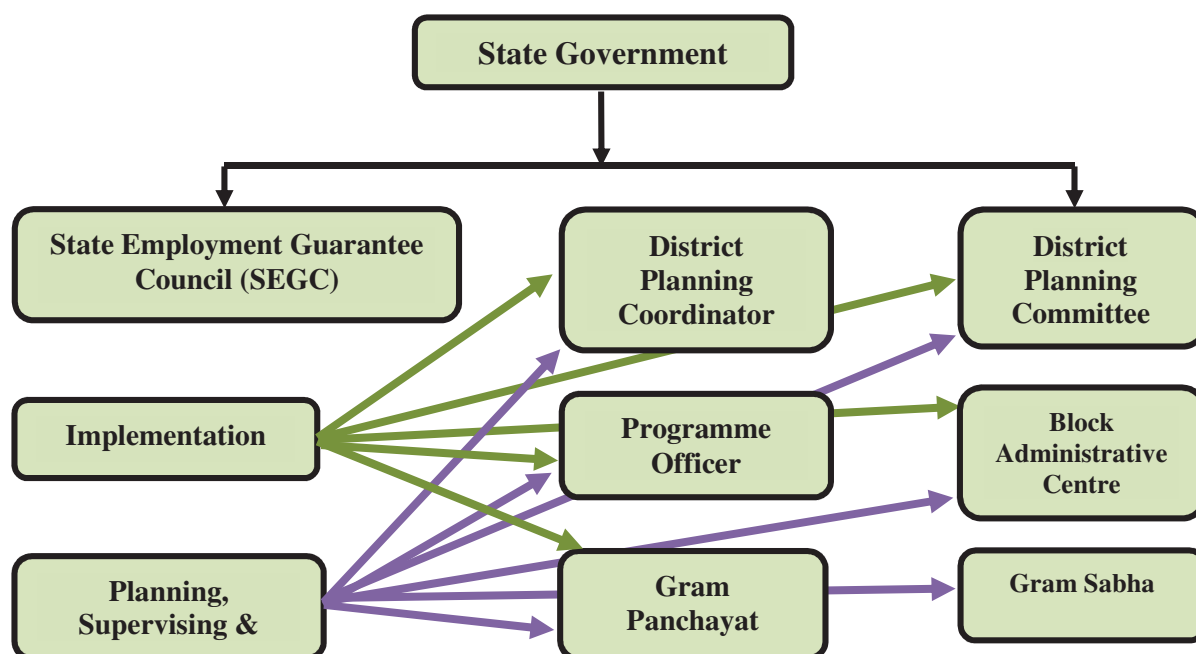
At the State level, the State Employment Guarantee Council (SEGC), set up by the State Government, is responsible for rendering advice to the State Government on the implementation of the Scheme and to evaluate and monitor it.

At the District level, the Zilla Panchayats are responsible for finalising the District Plans and the Labour Budget and for monitoring and supervising the Employment Guarantee Scheme in the District. For this purpose, Additional District Collectors (Development) were designated as District Programme Coordinators (DPCs) for smooth implementation of the Scheme in accordance with the Act. At the Block level, instead of Intermediate Panchayat in other states, Block Development Officers are designated as Programme Officer in Sikkim. The Programme Officer essentially acts as a Coordinator for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) at the Block level and is responsible for consolidation of the Gram Panchayat (GP) plans into a Block Plan and monitoring and supervision to ensure provision of employment within 15 days of demand. At the Village level, the Panchayati Raj Institutions are the key implementing agencies for the Scheme. The *Gram Sabha* (GS) recommends works to be taken up under MGNREGS, conduct Social Audits on implementation of the Scheme and used extensively as a forum

for sharing information about the Scheme.

The organisational structure for implementation of MGNREGS in the State is as follows:

Chart-2.1



2.3 Audit objectives

The Performance Audit was taken up with the objective to assess whether the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates, empowerment of rural women, fostering social equity etc. were effectively achieved. In the process, the following were examined:

- Adequacy and effectiveness of planning including structural mechanism in the State for proper implementation of the Act;
- Economy, efficiency and effectiveness of financial management;
- Efficacy in implementation of the Scheme;
- Impact of Scheme on poverty alleviation of the wage earners;
- Utilisation and maintenance of assets created under the Scheme; and
- Adequacy and effectiveness of monitoring mechanism for efficacious implementation of the Scheme.

2.4 Audit criteria

The implementation of the MGNREGS in Sikkim was evaluated based on the norms and standards mentioned in the following documents:

- NREG Act, 2005;
- MGNREGA Operational Guidelines;
- Notification and circulars issued by Government of India and Government of Sikkim relating to implementation of MGNREGS in Sikkim from time to time;
- Sikkim Financial Rules, Sikkim Public Works Code and Sikkim Public works Manual;
- Guidelines for opening of account linked with AADHAR;
- Study report, if any, conducted by the Government agencies; and
- Monitoring mechanism prescribed by the State Government and MGNREGA guidelines.

2.5 Audit Methodology

The Performance Audit commenced with an entry conference (May 2017) with the State Nodal Department. The meeting was attended by Commissioner-cum-Secretary, Rural Management & Development Department (RMDD) who is also the State Employment Guarantee Commissioner and Special Secretary, RMDD who is the State Nodal Officer for MGNREGS in Sikkim among others. Group discussions with the Social Audit unit and District implementing officers were also held (June 2017). The Performance Audit covering a period of five years (20012-17) was carried out through test check of records at RMDD (MGNREGA cell), DPCs offices at East and West districts, nine Block Administrative Centre (BAC) offices and 15 GPs. Impact assessment of the Scheme was attempted through Beneficiary Survey (300) and physical verification of works (80) executed under the Scheme. The results of Performance Audit were discussed in the exit conference (December 2017) with the Commissioner-cum-Secretary, RMDD and the draft report prepared duly taking into consideration the replies furnished by the Implementing Agencies.

2.5.1 Audit Sampling

A Multi Stage Sampling plan was adopted for selection of sample. In the 1st stage, two (out of 4) districts (East and West) were selected. In the 2nd stage, within two selected districts, 25 *per cent* of blocks (9) were selected by simple random sampling method. In the 3rd Stage, within nine selected blocks, 25 *per cent* of Gram Panchayat (15) was selected by simple

random sampling method. In the 4th Stage, within selected GPs (15), 25 *per cent* of works (80 nos.) was selected by simple random sampling method. In the 5th Stage, within selected GP (15) in 3rd stage, 20 beneficiaries were selected by simple random sampling method for beneficiary survey. The details of sample selection in given in *Appendix-2.1*.

2.5.2 Scope of audit

Performance Audit of ‘Implementation of MGNREGS in Sikkim’ covering a period of five years (2012-17) was taken up through test check of records in the selected districts (East and West), nine BACs and 15 GPs during July-August 2017.

2.5.3 Acknowledgement

Indian Audit and Accounts Department gratefully acknowledges the cooperation and support extended by the Commissioner-cum-Secretary, RMDD; its officers and staff; DPCs and its staff, BDOs and Gram Panchayat (GP) functionaries; etc. in completing the assigned task of audit in a time bound manner.

Audit findings

The audit findings are enumerated in the succeeding paragraphs.

2.6 Planning and structural mechanism

The Act enjoined upon the State Government for setting up of proper structural mechanism and devising appropriate plans for proper implementation of the Act. The position in respect of structural mechanism and planning is given below:

2.6.1 Structural mechanism

The Act enjoined upon the State Government to set up Employment Guarantee Council; formulate State Employment Guarantee Scheme (SEGS) and State Employment Guarantee Rules; appoint full time dedicated personnel such as Gram Rozgar Sahayak (GRS), Programme Officer, District Programme Coordinators, etc. for implementation of MGNREGS. Besides, mechanism for training of MGNREGS functionaries; a network of professional agencies for technical support and quality control measures; etc. were also required to be instituted for effective implementation of the Scheme.

Audit noticed that the State Government formulated (June 2006) SEGS and named it State Rural Employment Guarantee Scheme (SREGS) which *inter alia* covered all the essential features contained in the Act. Similarly, the State Government formulated (November

2010) State Employment Guarantee Rules (SEGR), after a gap of four years and nine months from the date of publication of the Act. The rules so made covered almost all the aspects except for manner of utilisation of State Fund and time frame for proposing, scrutinising and approving SREGS works by GP, Block and District levels as of March 2017. The State Government had also appointed supporting staff such as GRSs, Mates, Accountants and Junior Engineers as required under the SREGS rules and they were rendering services as per their allocation in the Act and instruction given to them by the State Government from time to time. The State Government, however, had not formed the 'Expert Group' as stipulated in the rules at State and district level as of March 2017. As a result, required technical support was not forthcoming either in the district or at the State level. The other shortcomings in structural mechanism are given below:

2.6.1.1 State Employment Guarantee Council

MGNREGA (Section 12) provided for setting up of a State Employment Guarantee Council (SEGC) by every State Government for advising the State Government on the implementation, evaluation and monitoring of the Scheme. SEGC was also required to decide on the preferred works to be implemented under MGNREGS, recommending the proposals of works to be submitted to the Central Government and preparation of Annual Report on the implementation of the MGNREGS and submission to the State Legislature.

The State Government constituted (February 2008) SEGC with a delay of nine months after enactment of the Act. Similarly, Secretary, Rural Management and Development Department was designated (October 2007) as State Rural Employment Guarantee Commissioner (SREGC) by the State Government recording a delay of 16 months from formation (June 2006) of SREGS and the first meeting was held in May 2008.

Even after belated establishment, the SEGC did not discharge its duties as it convened only one meeting against the required 10 meetings in five year. Minutes of the meeting revealed that the SEGC did not deal with important aspects such as preparation of list of preferred works to be implemented under the Scheme, preparation of Annual Reports for submission to the State Legislature and strengthening of monitoring and redressal mechanism.

Failure to decide on the preferred works in many cases led to creation of assets which were not durable and did not result in strengthening of livelihood resources of the rural poor as detailed in para-2.9.2.

2.6.1.2 District Programme Coordinator

The Act (Section 14(2)) enjoined upon the State Government to designate a District Programme Coordinator (DPC). DPC will be responsible for information dissemination, training, consolidating block plans into a district plan, ensuring timely administrative and

technical approvals to the shelf of projects, release and utilisation of funds, ensuring hundred *per cent* monitoring of works, muster roll verifications and submission of monthly progress reports, etc.

Audit noticed that Additional District Collectors (Development) were designated (December 2010) as DPCs with overall responsibility of implementation of Scheme in their respective districts. It was noticed that DPCs had obtained Block panchayat plans and convened DPC meetings, albeit belatedly during 2012-17. As a result timely administrative and technical approvals to the shelf of projects were not accorded. This led to delay in providing employment to the wage earners as pointed out in details in para-2.6.2.2.

Audit noticed that the DPC had released funds belatedly to BAC. The delay ranged between six and 26 days during 2012-17. Neither the funds were released in time, nor the funds were released in full as well. As against the requirement of ₹ 517.88 crore, the release was ₹ 445.18 crore only indicating short release of ₹ 72.70 crore during 2012-17. This was despite having sufficient balance of funds with the DPCs which ranged between ₹ 28 lakh and ₹ 242.81 lakh indicating one and 15 *per cent* during 2012-17. Reasons for retaining balances with DPCs instead of releasing the same to BACs were not on record.

Information dissemination, training, monitoring of works, muster roll verifications, etc. were not accorded due priority as detailed in subsequent para-2.11.

2.6.1.3 Programme Officer

SREGS 2006 (Section 7(4)) stipulated appointment of full-time dedicated officer as Programme Officer (PO) to act as a coordinator for MGNREGS at the Block level. The chief responsibility of the PO included scrutinising the annual development plan proposed by the GPs; consolidating all proposals into the block plan; matching employment opportunities with the demand for work at the Block level; monitoring and supervising implementation; disposal of complaints; ensuring conduct of Social Audits and their follow up; payment of unemployment allowance; etc.

Audit noticed that State Government did not appoint full time PO. The work of PO was assigned to Block Development Officers (BDOs) in addition to their normal duties. Subsequently in May 2012, Assistant Programme Officers (APOs) were appointed in each block on contract basis to assist the PO in implementation of the Scheme.

Audit checks revealed that the PO scrutinised the annual development plan proposed by the GPs, consolidated all proposals into the block plan and ensured conduct of Social Audits in the GPs. However, matching employment opportunities with the demand for work was not ensured, especially during initial months (April to June) of the financial year. This was

due to late receipt of annual plans from GPs, ranging between 125 and 222 days during 2012-17. Details are shown in para-2.6.2.

2.6.1.4 IEC activities

MGNREGA Operational guidelines (Para-5.4) stipulated for creation of awareness among rural people and other stakeholders through Information, Education and Communicating (IEC) activities to ensure effective implementation of MGNREGS. IEC activities should aim at facilitating dissemination of right based provisions of the act to ensure that the workers know their right to demand wage employment and exercise their right by applying for jobs as per their need. States were required to develop an IEC Plan on MGNREGS with focus on reaching out to the registered workers as well as other groups which could benefit from MGNREGA.

Diversion of funds:

Audit scrutiny revealed that IEC plan as required in the guidelines was not prepared during 2012-17. Although staff were appointed in the district to impart IEC training to field personnel, no such training were imparted. IEC activities were not conducted by districts and instead IEC activities were undertaken by RMDD head office. The expenditure on IEC was merged with administrative expenditure till 2015-16. During 2016-17, a total of ₹ 41.87 lakh was incurred towards IEC. Audit analysis revealed that ₹ 6.41 lakh (out of ₹ 41.87 lakh) alone was related to IEC activities. The remaining funds were incurred towards printing of registers (₹ 15 lakh), field research by external agency (₹ 15.44 lakh), tour to attend meetings outside Sikkim (₹ 5.02 lakh), etc. Thus, the IEC activities was not accorded due priority. Inadequacy in IEC activities led to increase in number of inactive job card holders, failure to demand for 100 days employment, no demand for works during the month of April and May by wage earners, etc.

2.6.2 Planning

Planning is critical to the successful implementation of the MGNREGS. The basic aim of the planning process is to ensure preparedness of the State to offer productive employment on demand. The status of preparedness of planning in the State is given below:

2.6.2.1 Shelf of Projects

MGNREGA Operational guidelines (Para-6.4) stipulated for preparation of Shelf of Projects (SoP) covering at least two years of implementation by GPs to ensure adequate time for technical scrutiny and to eliminate delays in providing employment due to lack of requisite approvals.

Attempts should be made for convergence with other schemes and adopt Integrated Natural Resource Management (INRM) approach in implementation of MGNREGS. The works taken up in MGNREGS should change from individual, stand-alone works in a typical 'relief works mode' to an INRM perspective.

Audit checks in 15 GPs revealed that SoP was not prepared by the GPs as stipulated in the guidelines. In the name of SoP, only a list of works to be taken up during the ensuing year by the GP was drawn up and forwarded to BAC. The provisioning of employment by eliminating delays towards obtaining requisite approvals were not ensured, especially during initial months of the financial year.

The works listed out for the current year but not taken up owing to some reason were not considered next year for incorporation in the SoP. It was left unattended. Out of total of 750 works listed out in 15 GPs, 300 works could neither be taken up nor considered for execution during subsequent year as detailed in *Appendix-2.2*.

Audit also observed that while preparing SoP adequate effort was not initiated for convergence with other schemes, such as Integrated Watershed Management Programme (IWMP), Rashtriya Krishi Vikas Yojana (RKVY), Command Area Development and Water Management (CAD&WM), etc. in order to attain sustainable livelihoods. Mostly, the works were stand-alone type without any bearing on the Integrated Natural Resource Management (INRM) approach. Out of 5,426 works, 3,010 works were stand-alone works which could have been executed by making it a cluster and forming a project as stipulated in the guidelines.

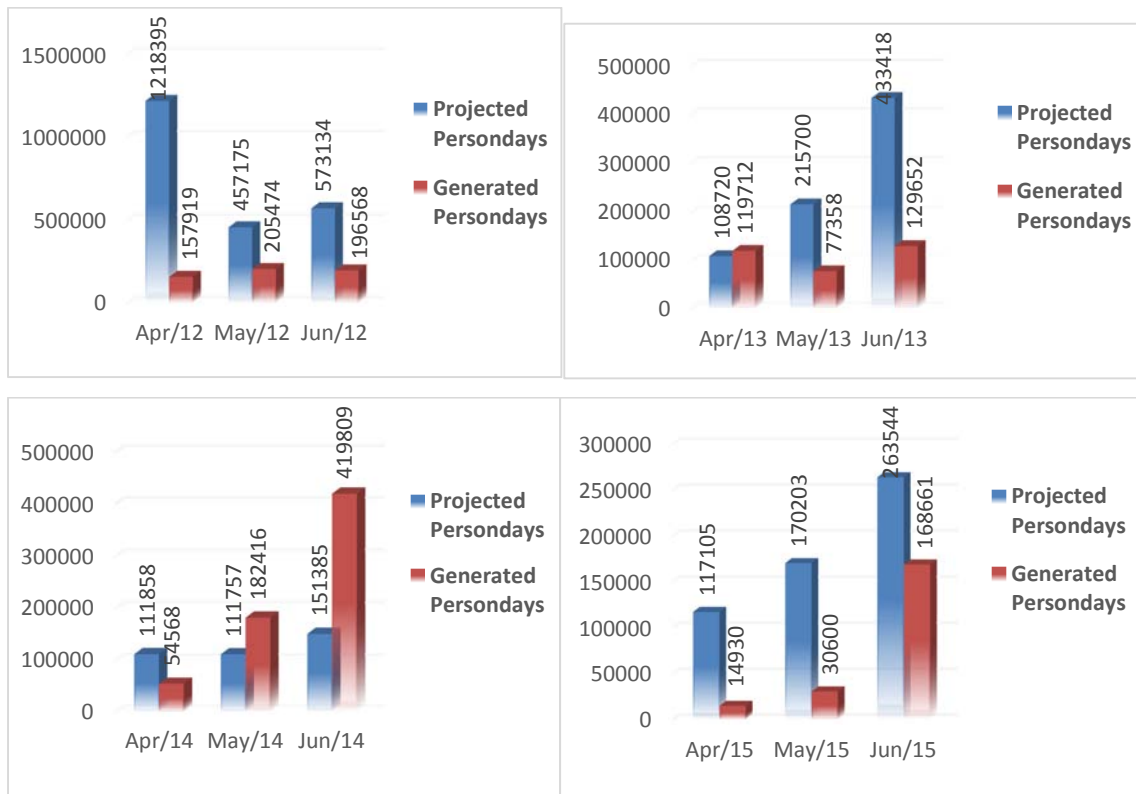
Thus, the SoP was incomplete, rather it was a list of works to be taken up, which did not have any bearing on labour budget, lacked convergence with other schemes and no linkage with Integrated Natural Resource Management devoid of individual works objectives in attaining overall objectives of MGNREGA to contribute towards income generating durable assets, etc.

2.6.2.2 Annual Plan and labour budget

MGNREGA Operational guidelines (Para-6.5) stipulated that Annual Plans and Labour Budget (AP&LB) should be finalised by the GPs by every 15th August to prevent distress migration of households during the monsoon season. The PO will ensure that (i) a GP-wise calendar of meetings of Gram Sabha (GS) is drawn up well in time and (ii) meetings of GS are held on 15th August for this purpose.

Audit observed that GS meetings to finalise AP&LB were convened belatedly in all nine BACs covered in audit. The delay ranged between 28 and 45 days. The delay was most pronounced in Soreng BAC (45 days), followed by Daramdin (36 days), Kaluk (32 days) and Nandok (30 days). No reason for the delay was furnished by the GPs and the POs. Delayed convening of GS led to consequential delay in approval of AW&LB by 96 days (2014-15) to 109 days (2012-13) during 2012-17. This also restricted providing of employment to the wage earners in the initial months of the year except during 2016-17. The employment during the initial months of the year ranged between 3.47 lakh and 9.15 lakh person days during 2012-16 as against the targeted person days of 9.55 lakh and 15.56 lakh leading to shortfall of 6.08 lakh (67%) and 6.41 lakh (41%) person days as shown in the chart below:

Chart-2.2



This also compared poorly with the person days generation ranging between 1.15 crore and 1.11 crore during the month of February and March respectively during 2012-16.

2.6.2.3 Calendar of activities not maintained

MGNREGA Operational guidelines (Para-6.10) stipulated timelines for various steps involved in preparation and finalisation of LB are detailed below:

Table-2.2

Date	Action to be taken
15 th August	Gram Sabha to approve GP Annual Plan and submit to PO
15 th September	PO submits consolidated GP Plans to Block Panchayat
2 nd October	Block Panchayat to approve the Block Annual Plan and submit to DPC
15 th November	DPC to present District Annual Plan and LB to District Panchayat
1 st December	District Panchayat to approve District Annual Plan
15 th December	DPC to ensure that shelf of projects for each GP is ready
31 st December	Labour Budget is submitted to Central Government
January	Ministry scrutinizes the Labour Budget and requests for compliance for deficiencies, if any
February	Meetings of Empowered Committee are held and LB finalized
February, March	Agreed to LB communicated to States. States to feed data of Month wise and District wise breakup of “Agreed to” LB in MIS and communicate the same to Districts/ blocks GPs
Before 7 th April	States to communicate OB, Center to release upfront / 1st Tranche.

Audit noticed that calendar was not adhered to at any level, right from GP to DPC. There were delays ranging between 28 and 45 days in holding Gram Sabha for finalising the SoP as mentioned in preceding paragraph. This had cascading effect on delay in submission of SoP by BAC and DPCs ranging between 10 and 25 days and 75 and 109 days respectively during 2012-17.

As a result, employment provided during first quarter of the financial year was much less than the projection (detailed in Para-2.6.2.2) and led to closing balances of funds at the end of the year. Availability of funds at the end of the year in turn led to curtailment in release of funds of ₹ 137.89 crore by GoI as actual allocation was reduced by the available funds with the districts by GoI.

2.6.2.4 District Perspective Plan

The MGNREGA Operational Guidelines and the SREGS (Para 12(a)) stipulated preparation of a District Perspective Plan (DPP) by each district. The DPP would include the estimate for employment and works that could be taken up to meet the need through a participatory process of planning in the Gram Sabha. The DPP will take into consideration the availability of resources in the district from other schemes and key indicators of success. The DPP is intended to facilitate advance planning and to provide a development perspective for the District.

Audit noticed that DPP in respect of all the four districts was prepared (2009) by engaging an agency at a cost of ₹ 26.10 lakh. The agency prepared the plan without obtaining feedback from GP, BAC and DPC. The input such as work, person days required and person days generated from the DPP was not taken into consideration. The DPP was never revisited after 2009 for updation to make it contemporary. Thus, DPP prepared at a cost of ₹ 26.10 lakh, by engaging an outside agency without associating DPC, did not serve its required purpose.

2.6.2.5 Annual Plan

SREGS (Para-12(b)) required preparation of Annual Plan by GPs. The Annual Plan will be the working plan that would identify the activities to be taken up on priority in a year and the framework for facilitating the identification. The PO will scrutinise the annual Plan for its technical feasibility and match the demand for employment. The DPC will scrutinise the plan proposals of all the BACs, examining the appropriateness and adequacy of works in terms of likely demand as well as their technical and financial feasibility. The DPC will coordinate the preparation of detailed technical estimates and sanction.

Audit checks in 15 GPs revealed that this procedure was not adhered to. Instead the Gram Sabha only identified the Schemes to be taken up, which was compiled by the POs and approved by the DPCs without any reference to likely demand for employment. As a result, there was mismatch between annual plans and actual execution in employment generation and in achieving the number of households which were to complete 100 days of employment (details in para-2.8.2 & 2.7.2).

2.7 Financial management

Government of India (GoI) released funds for implementation of MGNREGS based on requirement submitted by the State Government. The Act and Operational Guidelines prescribed that budget will be based on a realistic estimate for the works to be taken up as per the annual shelf of projects. State Government should ensure timely submission of AW&LBs (within December 31 each year) for all the districts to avoid delay in fund release.

Audit noticed that time schedule was not followed by any of the functionaries leading to cascading effect on fund management, especially with regards to belated release of funds by GoI, onward transfer to Districts, Block and GPs; inadequate release of funds to PRIs, belated sanction of projects for implementation; etc. as detailed in succeeding paragraphs.

2.7.1 State Employment Guarantee Fund

The Act and the Operational guidelines (Para-12.3) enjoined upon the State Government to establish State Employment Guarantee Fund (SEGF) to implement the Scheme. The State Government was also required to formulate and notify the SEGF Rules (Sec.32) indicating a comprehensive framework to effectively manage the financial resources, constitute Revolving fund and devise mechanism to ensure transparency, efficiency and accountability.

Although, the State Government constituted (August 2008) the SEGF, Revolving funds under MGNREGS at the District, Block and GP levels were not set up as of March 2017. Similarly, Rules for operation and maintenance of the above fund was established belatedly in February 2012. The Rules framed for the purpose did not include comprehensive framework to effectively manage the financial resources, mechanism to ensure transparency, efficiency and accountability. As a result, fund management was not robust leading to closing balances at the year end with the DPCs on the one hand and pending liabilities on the other. Absence of Revolving funds at district, block and GP level also affected delay in timely release of payment towards wages and materials.

2.7.2 Annual Work Plan and Labour Budget

The MGNREGA Operational guidelines (para-12.2) stipulated for submission of Annual Work Plan and Labour Budget (AWP&LB) by the State to the Union Ministry by 31st December each year for release of funds to SEGF. The Labour Budget, duly containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the Scheme, is required to be prepared by District Programme Coordinator (Section 14 (6) of the Act).

Audit noticed that the AWP&LB was unrealistic as anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works was not drawn up by any of 15 GPs test checked in audit. The AWP&LB was not scrutinised by BACs and DPCs adequately to ensure proper submission to the State Government and finally to GoI. This led to huge differences between the person days projected and person days actually sanctioned by GoI as detailed below:

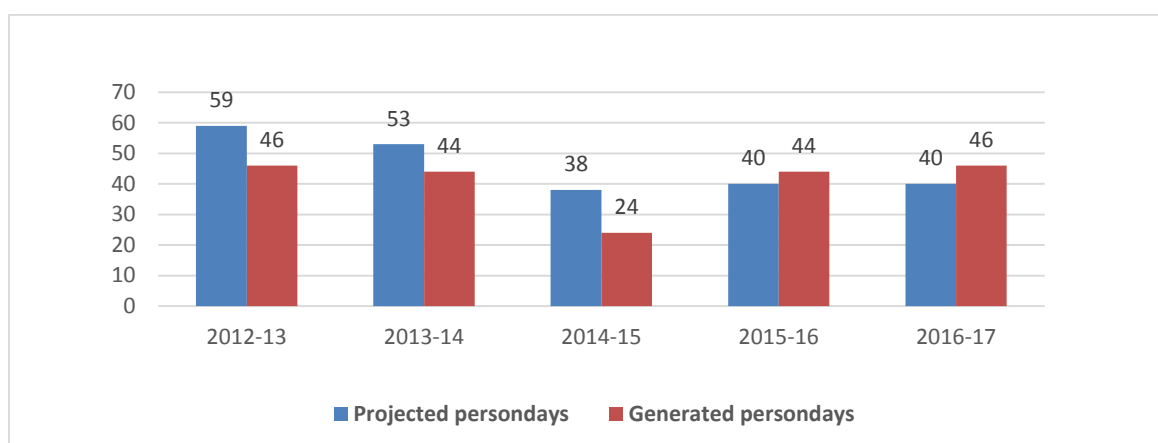
Table – 2.3

Year	Projected LB by the State		Sanctioned LB by GOI		Person days generated		Shortfall (-) / Excess (+) with respect to Sanctioned LB	
	Phy (in lakh)	Fin (in crore)	Phy (in lakh)	Fin (in crore)	Phy (in lakh)	Fin (in crore)	Phy (in lakh)	Fin (in crore)
2012-13	65.12	134.58	58.92 (90)	121.77 (90)	46.38 (79)	73.41 (60)	(-) 12.54 (21)	(-) 48.36 (40)
2013-14	62.34	140.27	52.78 (85)	118.76 (85)	44.03 (83)	114.92 (97)	(-) 8.75 (17)	(-) 3.84 (3)
2014-15	48.50	109.13	37.50 (77)	84.38 (77)	24.12 (64)	76.46 (91)	(-) 13.38 (36)	(-) 7.92 (9)
2015-16	57.00	158.65	40.01 (70)	111.37 (70)	43.83 (110)	95.97 (86)	(+) 3.82 (10)	(-) 15.40 (14)
2016-17	51.00	146.20	40.00 (78)	114.67 (78)	46.11 (115)	137.04 (120)	(+) 6.11 (15)	(+) 22.37 (20)
Total	283.96	688.83	229.21 (81)	550.95 (80)	204.47 (89)	497.80 (90)	(-) 24.74 (11)	(-) 53.15 (10)

Source: Cash Book and other related files;
Figure in bracket indicate percentage,
Phy – Physical person days, Fin - Financial

Notwithstanding the low sanction ranging between 70 and 90 *per cent*, the generation of person days was further lowered as can be seen from the above table. During 2012-15, against the sanction of 58.92, 52.78 and 37.50 lakh person days, the achievement was 46.38, 44.03 and 24.12 lakh person days indicating shortages of 21, 17 and 36 *per cent* respectively during 2012-15. The position, however, had improved during 2015-17 recording an increase of 10 and 6 *per cent* over the sanction as shown in the chart below:

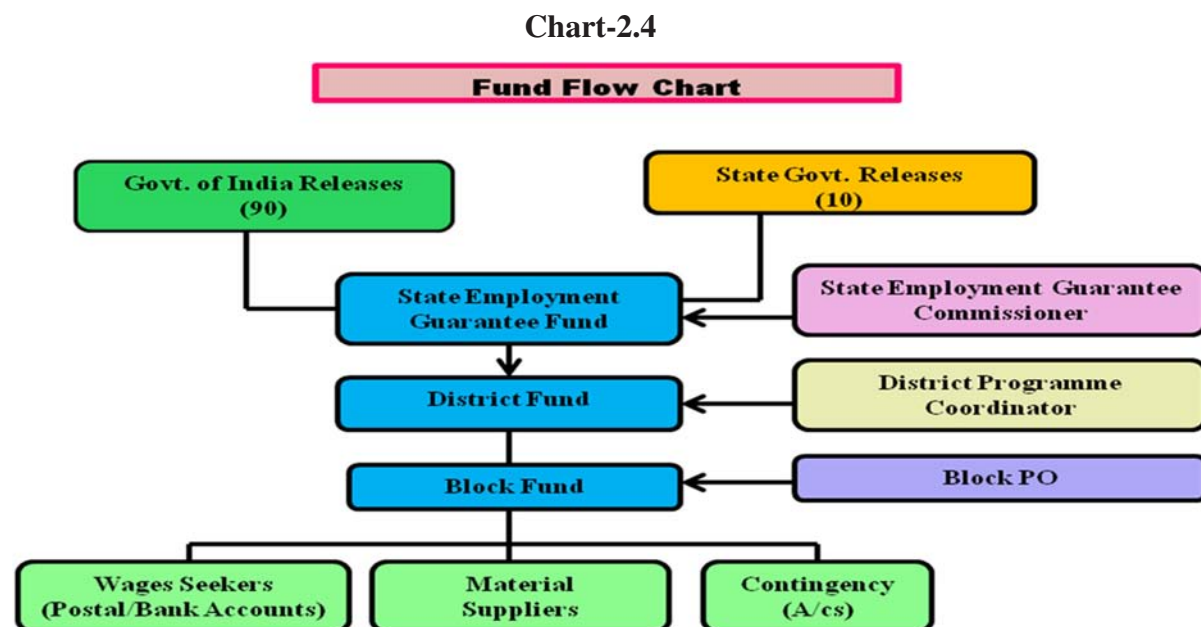
Chart – 2.3



The low achievement during 2012-15 was primarily due to delay in finalisation of annual plan and failure to provide employment during initial months of the financial year, whereas the improvement during 2015-17 was due to taking up of additional works under convergence schemes which were not included in the labour budget sanctioned by GoI.

2.7.3 Fund flow

The fund flow mechanism for implementation of the scheme in Sikkim is depicted below.



The financial position indicating total availability of funds and expenditure there against for the period 2012-17 is shown below:

Table – 2.4

(₹ in crore)

Year	Opening Balance	Receipt			Total fund available	Expenditure	Closing Balance
		Centre	State	Misc.			
2012-13	0.97	74.07	3.00	0.24	78.28	73.41	4.87
2013-14	4.86	106.84	5.00	1.78	118.48	114.92	3.56
2014-15	3.56	73.86	5.00	0.43	82.85	76.46	6.39
2015-16	6.40	86.23	5.29	1.04	98.96	95.97	2.99
2016-17	2.99	132.63	3.33	-	138.95	137.04	1.91

Source: Annual Report (2012-17) & MIS (2012-17) Report on MGNREGS

Analysis of fund flow revealed inadequate and delayed release of fund by GoI and the State Government, delay in release of funds to PRIs, pending liabilities, etc. as detailed below:

➤ **Inadequate release of funds by GOI**

Once LB of a State is agreed to by the Ministry, 1st tranche equivalent to 50 per cent of agreed LB, after deducting the available balance, as per MIS is to be released by GOI within 15 April. The 2nd tranche is to be released after incurring 60 per cent of the available funds by the State Government by September each year.

Audit checks revealed that release of funds by GoI was far short of allocation as shown below:

Table – 2.5

(₹ in crore)

Year	Total fund Allocated		Total fund released		Short release	
	GOI	State Govt.	GOI	State Govt.	GOI	State Govt.
2012-13	121.77	12.18	74.06	3.00	47.71	9.18
2013-14	118.76	11.86	106.85	5.00	11.91	6.86
2014-15	84.38	8.44	73.87	5.00	10.51	3.44
2015-16	111.37	11.14	86.23	5.29	25.14	5.85
2016-17	114.67	11.47	132.63	3.33	(-) 17.96	8.14
Total	550.95	55.09	473.64	21.62	77.31	33.47

Source: Information compiled from records of RMDD, Government of Sikkim

During 2012-17, Government of India allocated ₹ 550.95 crore for work component (₹ 517.88 crore and administrative expenses (₹ 33.07 crore). Against this, only ₹ 473.64 crore (86%) was released by GOI towards work (₹ 445.22 crore) and administrative expenses (₹ 28.42 crore), leading to shortfall of ₹ 77.30 crore (14 per cent).

The short release was primarily due to late submission of utilisation certificates (UC) and non-release of matching share by the State Government as pointed out in succeeding paragraphs.

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

As mentioned in preceding para-2.7.3.1, GoI is required to release funds for 1st and 2nd tranches by 15th of April and 30th of September respectively every year. Audit scrutiny revealed that there were delays in release of funds ranging between 13 to 55 days and 52 to 178 days in respect of 1st tranche for the period 2012-13 to 2015-16 and 2nd tranche 2012-13 to 2016-17 respectively.

Table-2.6

(₹ in crore)

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
2012-13	1 st	53.27	15.04.12	07.06.12 (51)	12.06.12	20.06.12 (7)	07.04.12	30.05.13(417)
	2 nd	20.80	30.09.12	18.03.13(168)	23.03.13	30.03.13(6)		
2013-14	1 st	82.46	15.04.13	29.04.13(13)	04.05.13	10.05.13(5)	07.04.13	11.06.14(63)
	2 nd	24.39	30.09.13	19.02.14(141)	24.02.14	12.03.13		
2014-15	1 st	58.86	15.04.14	26.05.14 (40)	01.06.14	02.07.14(31)	07.04.14	22.07.15(469)
	2 nd	15.00	30.09.14	04.03.15(159)	09.03.15	13.03.15(3)		
2015-16	1 st	59.53	15.04.15	10.06.15 (55)	15.06.15	07.07.15(21)	07.04.15	05.04.16(362)
	2 nd	26.71	30.09.15	28.03.16(178)	-	31.03.16		
2016-17	1 st	59.53	15.4.16	7.4.16	12.4.16	19.5.16 (36)	07.04.16	07.02.17 (305)
	2 nd	73.09	30.9.16	22.11.16 (52)	27.11.16	16.12.16(18)		

Source: Records from RMDD, Figure in brackets delay in release of funds

Audit analysis revealed that the delay in release of funds by GoI was primarily due to delayed submission of UC by the State Government for the 1st tranche and failure to utilize 60 *per cent* of the available funds with the State as required to be spent before the proposal for the 2nd tranche was submitted to GoI.

➤ ***Short and belated release of State matching share***

As mentioned in preceding paragraph, expenditure of the Scheme is to be borne between GoI and State Government in the ratio 90:10. It was noticed that the State Government had not released its 10 *per cent* matching share. Against the requirement of ₹ 55.09 crore, only ₹ 21.62 crore was released by the State Government, resulting in short release of ₹ 33.47 crore with reference to the requirement. The State share was never released in full during 2012-17. The short release ranged between ₹ 3.44 crore (2014-15) indicating 41 *per cent* and ₹ 9.18 crore (2012-13) indicating 75 *per cent*.

Neither the funds were released in full, nor released in time. Against the requirement to release State share within 15 days of release of Central share, the State released its share belatedly, with delays ranging between 106 and 278 days during 2012-17. No reason for such delay was on record. Audit checks revealed that the RMDD had not adequately followed up with the State Government to obtain the mandatory State share except for requisition of funds through demands for grant in supplementary budgets.

➤ ***Delay in release of funds to PRIs***

MGNREGA operational guidelines (Para-12.3) prescribed that funds received from GoI is to be released to PRIs within 15 days of receipt. It was noticed that funds were not released within the prescribed time limit of 15 days, especially during 2014-15 to 2016-17. The extent of delay increased from 1 to 3 days (2012-14) to 14 to 33 days (2014-17) involving ₹ 292.72 crore. The RMDD had not taken adequate steps to cut down the delay.

2.7.4 Non submission of UC in time

As mentioned in preceding para (2.7.3), 1st tranche of fund, equivalent to 50 *per cent* of the approved labour budget, is to be released upfront by GoI subject to fulfillment of certain conditions which *inter-alia* included submission of UC for the funds received upto previous financial year.

Audit scrutiny revealed that the UC detailing the expenditure for the previous financial year was submitted belatedly by the State Government to GoI. The delay ranged between 63 (2013-14) and 469 (2014-15) days during 2012-17.

Delay in submission of the UC was one of the primary reasons for the delayed release of funds by GoI.

2.7.5 Administrative expenditure

MGNREGA Operational guidelines (Para-12.5) permitted incurring upto 6 *per cent* of the total budget in a financial year as administrative expenses to enable the states to augment human resources and develop capacity for critical activities such as training, IEC, operational expenses, etc. The expenditure towards purchase/repair of vehicles was not allowed under administrative expenditure.

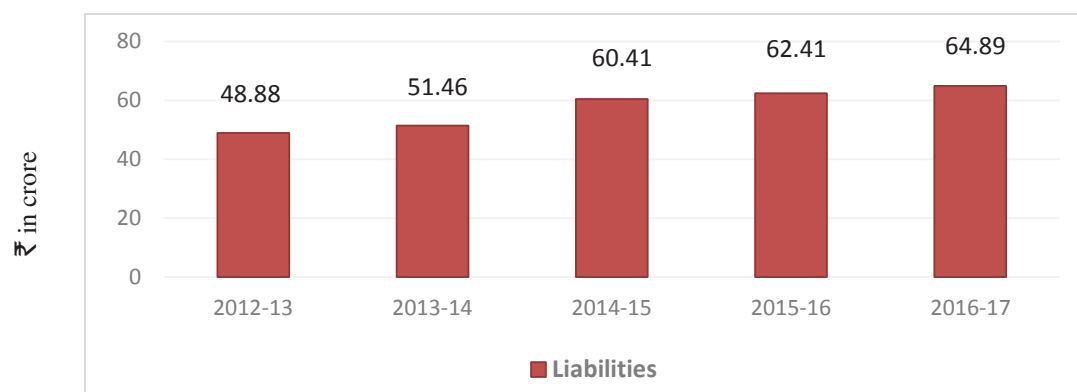
Audit noticed that prescription of 6 *per cent* was not adhered to by the GoI in release of administrative costs to the State Government leading to short release of ₹ 6.71 crore during 2012-17. Audit analysis revealed that impermissible expenditure of ₹ 16 lakh was incurred by RMDD during 2015-17 towards maintenance of vehicle, tour to attend various meetings not related to MGNREGS, etc. in disregard of the guidelines.

2.7.6 Pending liabilities of ₹64.89 crore

According to MGNREGA operational guidelines (Para-12.4.4), the 2nd tranche of funds from GoI would be released to the State Government on submission of certificates stating utilisation of 60 *per cent* of available fund and audited report of previous year. The audit report should also indicate pending liabilities, if any, at the close of the financial year.

Audit scrutiny revealed pending liability aggregating to ₹ 64.89 crore as at the end of March 2017. The pending liability (₹ 64.89 crore) was mainly towards outstanding payment of material component ₹ 44.69 crore (69%) and wage component ₹ 20.20 crore (31%). The pending liabilities had been increasing over the years as shown in the graph below:

Chart-2.5



Audit analysis revealed that the pending liabilities among other things had accumulated due to increased cost per person per day as compared to the sanctioned cost per person per day by GoI based on which fund allocations were made as per AWP&LB. The average cost per day per person in Sikkim ranged between ₹ 239.56 to ₹ 318.90 as against the sanctioned cost per day per person of ₹ 206.67 to ₹ 286.60 during 2012-17. This comparison with national average and North eastern States was high except during 2015-16 and 2016-17 of Manipur (₹ 305.39 and ₹ 311.82).

The increase in pending liabilities was very disquieting considering the fact that person days generated was less than that of approved by GoI, based on which funds were sanctioned. As against the allocation of ₹ 550.95 crore to generate 229.21 lakh person days during 2012-17, ₹ 497.80 crore was spent by State Government in generation of 204.47 lakh person days indicating utilisation of 90 *per cent* of the allocated fund and generation of 89 *per cent* of targeted mandays.

2.7.7 Diversion of expenditure

The Act has not permitted diversion of Scheme funds for any other purposes. It was however noticed that ₹ 11.59 lakh was diverted towards meeting expenditure for repair of vehicle (₹ 3.21 lakh) and for donation to various organisations (₹ 8.38 lakh) which were not connected to the implementation of the Scheme.

2.8 Programme implementation

As mentioned in preceding para-2.1, the primary objective of MGNREGA was to enhance livelihood security by providing 100 days annual employment to rural households, generate productive assets, empowering rural woman, fostering social equity, etc. To provide employment, households were required to be registered, issued with job cards and provided with employment on demand within 15 days of application. The position in respect provisioning of employment, ensuring social equity, creation of assets, etc. are shown below:

2.8.1 Registration, job cards and employment to households

The Act guarantees 100 days of employment to rural households on demand each year. For this, the MGNREGA Operational guidelines enjoined submission of application for registration by households to the GP; undertaking of door-to-door survey, issue of Job cards within a period of fortnight by GPs, provisioning of employment within 15 days of application, etc.

Audit noticed following:

2.8.1.1 Registration of households

The Act empowers rural households to apply for registration under the Scheme for 100 days employment in a year. The GPs would be required to register the households after due verification. Position of households registered, job cards issued, work demanded and employment provided, etc. is given below:

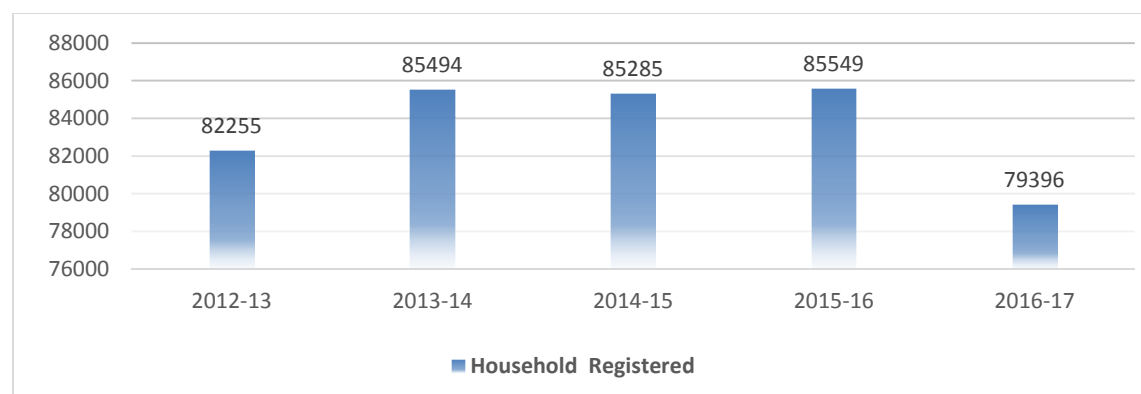
Table – 2.7

Performance Indicator	2012-13	2013-14	2014-15	2015-16	2016-17
H/H Registered	82,255	85,494	85,285	85,549	79,396
H/H issued job cards	81,917 (99)	85,183 (99)	85,184 (99)	85,336 (99)	78,981 (99)
H/H demanded works	55,758 (68)	64,155 (75)	73,102 (86)	67,505 (79)	69,908 (89)
H/H provided works	55,432 (99)	62,218 (97)	56,755 (78)	65,454 (97)	68,098 (97)
H/H completed 100 days (in number)	11,392 (21)	13,789 (22)	3,293 (6)	9,732 (15)	8,442 (12)
Person days generated (in lakh)	35.29	43.28	24.12	43.84	46.12
No. of days per H/H	63.90	69.57	42.51	66.98	67.72

Source: MIS of MGNREGS H/H – Households Figure in bracket indicate percentage.

As would be noticed from above, households registered showed a decline from 82,255 (2012-13) to 79,396 (2016-17) during 2012-17 as shown in chart below:

Chart-2.6



The number of households registered declined during 2016-17 to 79,396 from 85,549 in 2015-16 as new job cards were issued to households as required under the guidelines (para-3.1.5) to issue job cards afresh after a gap of five years.

2.8.1.2 Job cards

The Operational Guidelines to the Act envisaged issue of job cards to every registered households after due verification by the Gram Panchayat.

It was noticed that almost all (99%) the registered households were provided with job cards. The position was also confirmed during the test check in sampled GPs (15) wherein all the registered households were provided with job cards. Further, beneficiary survey (August 2017) by Audit also confirmed that job cards were issued to households in time and free of cost. All the entries in the job cards were done in the presence of wage earners.

2.8.1.3 Door to door survey

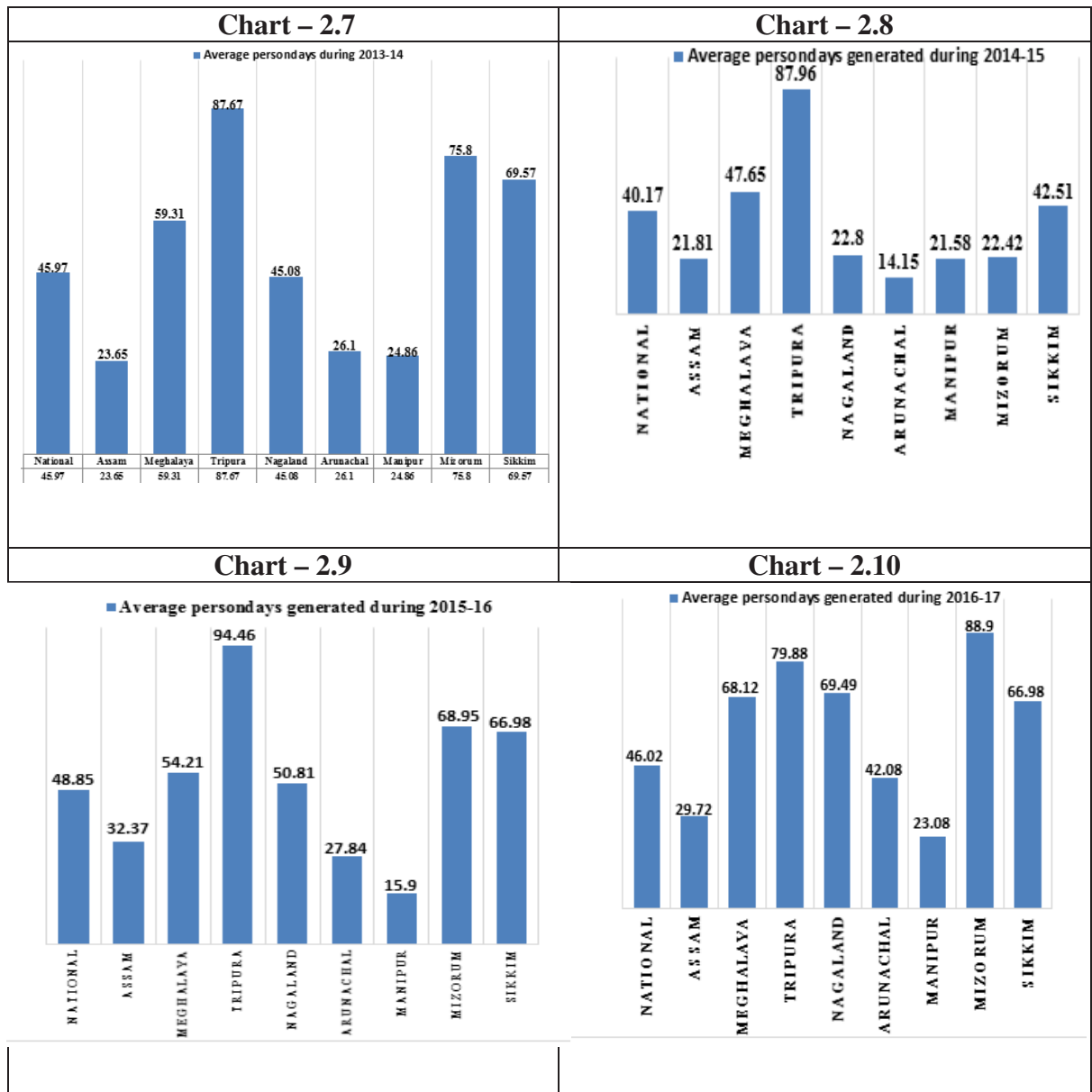
The Act and Operational guidelines stipulated undertaking of a door-to-door survey by a team headed by the President and the Secretary of the Gram Panchayat to identify persons willing to register under the Act.

Audit noticed that door-to-door survey to identify persons willing to register under the Act was not conducted either before implementation of the Scheme or thereafter. However, the wage earners were informed about the Scheme during Rojgar Diwas organised every month in 1st week. As a result, some of the interested adult members may not have been included as registered households. This may be one of the reasons for decline in households registered during 2016-17 over 2015-16.

2.8.2 Livelihood security

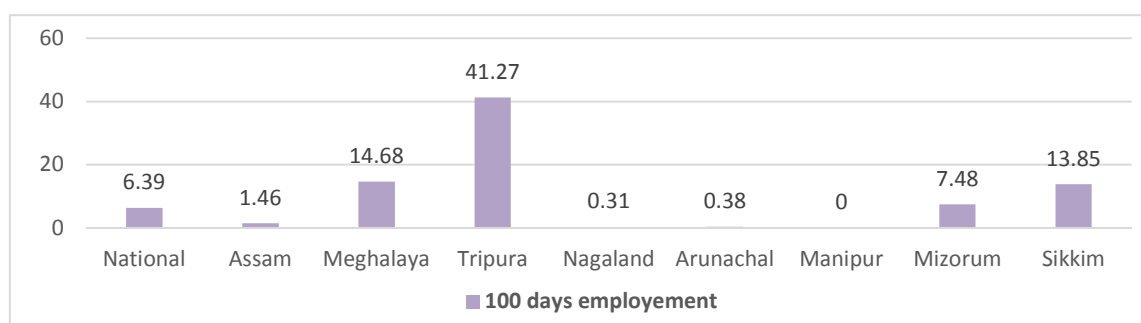
The Act aimed to ensure livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates and provide job on demand.

Audit noticed that although the household provided with employment declined marginally from 99 (2012-13) to 97 (2016-17) *per cent*, the average person days generated in Sikkim was better than the national average in all the years under review but was less than Tripura (88) and Mizoram (76) as shown in the Chart below:



However, the household provided with 100 days employment was drastically reduced from 11,392 (21%) in 2012-13 to 8,442 (12%) in 2016-17 indicating a decrease of 9 per cent over 2012-13. The provisioning of 100 days employment touched its lowest at 6 per cent during 2014-15. This compared poorly with national average and other North-eastern states as shown below:

Chart-2.11



This was primarily due to belated finalisation of ‘Shelf of Projects’, coupled with delayed sanction of works and delay in release of funds by DPCs. This led to belated sanction intimation to the BACs and in turn to GPs for commencement of works. Consequently employment to workers was delayed and was to be provided mainly during 3rd and 4th quarter of the year.

2.8.2.1 Employment within 15 days

MGNREGA Operational guidelines (Para-3.4) stipulated for payment of unemployment allowance in case where applicants are not provided employment within fifteen days of receipt of application seeking employment.

The DPC claimed to have provided employment within 15 days of demand to the registered households. This claim however was not verifiable in audit as in most cases applications were neither dated nor dated receipts were given to the applicants by the GPs. From the samples test checked, audit observed that while in 16 cases (out of 50) the exact date of application was not on record. As a result, employment provided within 15 days was not verifiable. In the absence of dated application, unemployment allowances, if any, required to be paid in accordance with the Act could not be verified in audit. However, beneficiary survey (August 2017) by Audit also confirmed that jobs were provided to wage earners on demand within fifteen days.

2.8.2.2 Social equity

The Act and the Operational guidelines stipulated adequate representation to women (1/3rd of the beneficiaries) and SC and ST class. The position is shown in the table below:

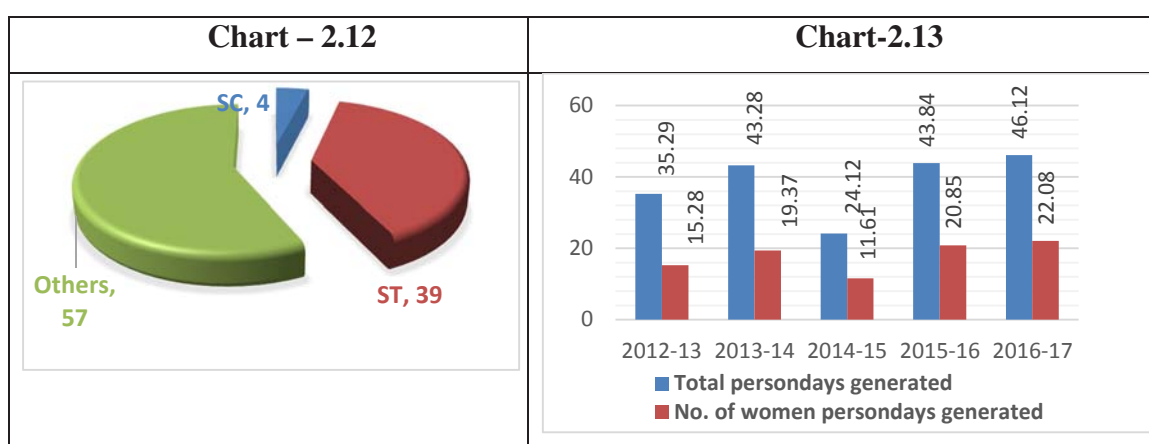
Table –2.8

Year	H/H issued job cards			HH employed			Person days			
	SC	ST	Others	SC	ST	Others	SC	ST	Women	Others
2012-13	4,114	30,089	47,714	2,562	21,525	31,146	1,50,318	14,36,838	15,27,974	19,42,204
2013-14	4,265	31,091	49,827	2,781	23,687	35,750	1,81,481	17,48,597	19,37,156	23,98,208

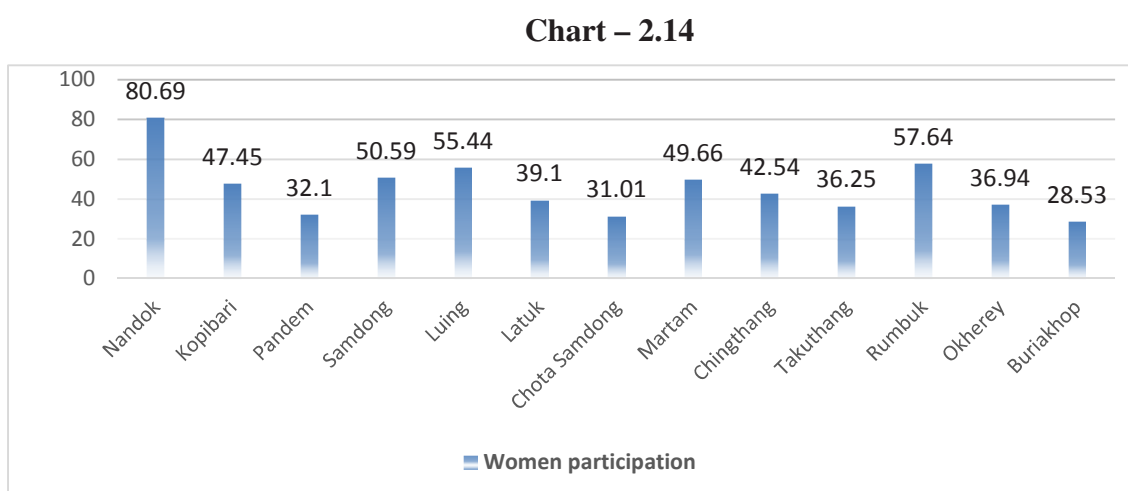
2014-15	4,236	30,985	49,963	2,437	21,966	32,352	1,01,460	8,61,383	11,60,990	14,49,640
2015-16	4,153	31,168	50,015	2,963	24,610	37,881	1,93,917	16,79,789	20,85,385	25,10,105
2016-17	3,607	29,386	46,299	2,990	25,480	39,628	1,92,615	17,59,680	22,08,113	26,59,492
Total	20,375	1,52,719	2,43,818	13,733	1,17,268	1,76,757	8,19,791 (4)	74,86,287 (39)	89,19,618 (46)	1,09,59,649

Source: MIS, Figure in bracket indicate percentage.

Audit noticed that the share in employment of ST and SC were 74.86 lakh and 8.20 lakh indicating 39 and 4 per cent respectively which appears to be adequate in view of households registered. Similarly, the share of women was 46 per cent, which is at par with minimum requirement (1/3rd) of the Act. Details are shown in the chart below:



However, in the eight test checked GPs, the share of women ranged between 31 and 81 per cent as shown in the graph below.



The share of employment to SC and ST was 4 and 39 per cent which appears adequate in view of households registered in those categories in the GPs. The share in employment of women ranged between 31 and 81 in 8 GPs (out of 15 GPs) indicating impressive percentage of women participation.

2.8.2.3 Payment of Wages

Payment of timely and adequate wages is considered important for ensuring livelihood security to the wage earners under the Scheme. The payment of wages was made through Direct Benefit Transfer (DBT) mode to the wage earners in their bank account.

The payment of daily wages was fixed by Government of India based on price index of the respective states. During 2012-17, the daily wages of Sikkim was enhanced from ₹ 136.38 in 2012-13 to ₹ 173.66 in 2016-17. The wage earners were released payments as per the above rates.

Although, the wage payments were released through DBT mode, there were delays beyond 15 days in payment of wages. The beneficiary survey by Audit also disclosed that the wage payments aggregating to ₹ 14.79 crore were delayed between 60 and 90 days in 15 GPs of two selected districts (East and West).

2.8.3 Execution of works

MGNREGA is a right based employment to wage earners on demand. The wage earners are deployed in works as per approved shelf of projects which aims at generating productive assets.

The Act and Operational guidelines (Para-6.6) stipulated obtaining of administrative and technical sanction for all works in advance by December of the previous year, provision of worksite facilities (medical aid, drinking water, shade, creche, etc.), and adherence to wage material ratio of 60:40, etc.

During 2012-17, the State Government took up a total of 13,385 works (valuing ₹ 517.51 crore), of which 7,797 works were completed (valuing ₹ 500.01 crore), and remaining 5,592 works (valuing ₹ 1.46 crore) were under progress indicating physical completion of 58 per cent of works as shown below:

Table-2.9
Physical Target and Achievement

(₹ in lakh and work in number)

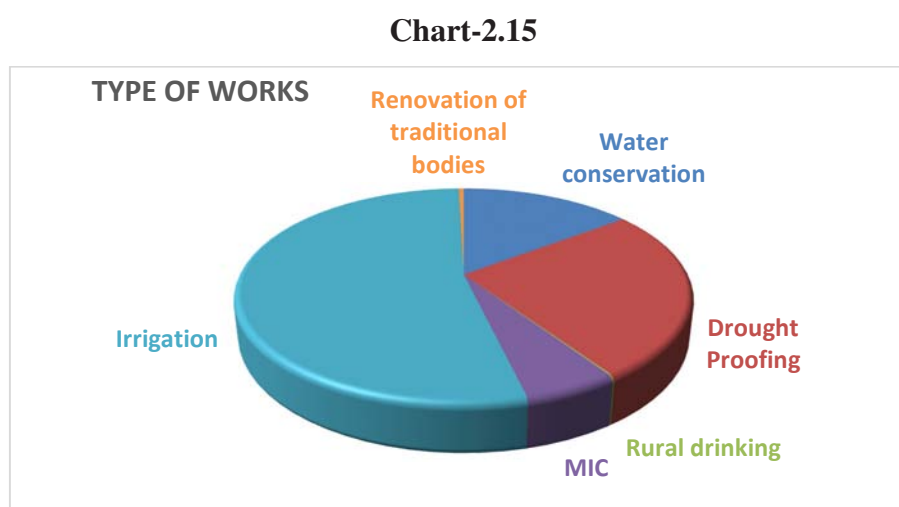
Year		OB	Added	Total	Completed	Work in progress
2012-13	P	1,856	550	2,40.6	1,366(57)	1040(43)
	F	96.53	7,730.12	7,826.65	8,134.02(104)	485.68
2013-14	P	1,040	1,200	2,240	1,074(48)	1166(52)
	F	485.68	11,362.30	11,847.98	10,889.24(92)	356.05(8)
2014-15	P	1,166	782	1,948	1,583(81)	365(19)
	F	356.05	7,929.69	8,285.74	7,643.42(92)	639.54(8)

2015-16	P	365	6,185	6,550	2,111(32)	4439(68)
	F	639.54	9,256.48	9,896.02	9,585.45(97)	299.32(3)
2016-17	P	4439	2812	7,251	1,659(23)	5,592(77)
	F	299.32	13,595.56	13,894.88	13,748.64(99)	146.24(1)
Total	P	1,856	11,529	13,385	7,793(58)	5,592(42)
	F	96.53	49874.15	51,751.27	50,000.77(97)	146.24(3)

Source: Departmental figure.

OB- Opening Balance; CB- Closing Balance. Figure in bracket indicate percentage

Audit analysis revealed that major percentage of expenditure was incurred towards providing irrigation facilities to SC/ST and BPL families (33) followed by land development (22), drought proofing (16), and rural connectivity (11), as shown in pie-chart below:



It was seen that the focus shifted from land development (577) and rural connectivity (188) to irrigation facility to SC, ST and BPL families during 2015-16 and 2016-17. The focus was thus shifted from community based assets to creation of assets to individual households by providing land development and irrigation facilities to households. However, this has not translated into improved socio-economic condition and households continued to be dependent upon MGNREGA as seen from number of households seeking employment during 2012-17.

2.8.3.1 Non formulation of Schedule of Rate (SoR)

MGNREGA Operational guidelines (Para-7.7) enjoined upon the State Government to devise separate SoR by an independent agency after undertaking Work Time and Motion Studies (WT&MS). The SoRs so designed should be simple which could be used by the GPs, GRSs and mates during execution of works.

Audit scrutiny revealed (July-August 2017) that separate SoR as required under the guidelines was not formulated as of March 2017. Estimates of works were therefore

prepared based on SoR meant for execution of works by the State Government departments. This SoR was based on combination of man and machine operated works, contractors' involvement, store supply, etc. which were not relevant in case of MGNREGA works as the contractors were not allowed and the works were mostly labour intensive. The analysis of rates based on which SoR is prepared indicated wage : material ratio of 35:65, against the permissible limit of 60:40 in MGNREGA. Thus, the SoR did not serve the purpose for guiding the estimated cost of works.

Carefully designed Work Time and Motion Studies (WT&MS) were not initiated as of March 2017 to estimate the quantum of work a person can do in a given time and area. The SoRs in vogue was not that simple which could be used by the GPs, GRSs and mates during execution of works. Therefore they were dependent upon Junior Engineers and Assistant Engineers for preparation of estimates and execution as per specification. This led to defect in execution of works as pointed out in para-2.10.1.

2.8.3.2 Variation between estimated cost and actual cost

The MGNREGA Operational guidelines (Para-7.8) stipulated framing of estimates based on proper survey, specific design and vetting by accredited engineers. The estimates were prepared by the Junior Engineers attached to the BAC, without proper survey and specification of each item of work. The estimates were finally approved by Assistant Engineers. Based on the estimates, sanction intimation to BAC were given by DPCs.

Audit noticed that there were wide variations between the estimates and actual expenditure on works. The gap ranged between 12 and 20 *per cent* in 22 cases (out of 80) in execution of works in 15 GPs. This was due to insertion of extraneous wage component towards jungle clearance (₹ 1.66 lakh in 6 works), excavation (₹ 4.94 lakh in 6 works), ground leveling and head load (₹ 15.40 lakh in 10 works), etc. In actual execution, the actual requirement of these items was much less than the estimation. This indicated that the estimates were not based on sound assessment.

2.8.3.3 Project initiation

MGNREGA Operational guidelines (Para-7.10) stipulated for holding project initiation meeting with all the workers and stakeholders to explain provision of the Act, system of wage payment, SoR, standard output expected from works, worksite facilities and their entitlement in the event of injury/accidents/ deaths etc. before starting any work.

Audit scrutiny revealed (July-August 2017) that project initiation meeting was not held in 60 works (out of 80 works test checked) before commencement of the work. The workers were not explained about the standard output expected from them in lieu of wages. Information such as provisions of the Act, worksite facilities, entitlement during accidents etc. were explained to wage earners during *Rojgar Diwas* which was being observed during 1st week of every month in the GPs. However, in the absence of project initiation meeting, the wage earners were not aware about the standard output expected from them towards the works. The output therefore from the wage earners was much less as compared to output reflected in SoR which was the basis for framing of estimates of works. This was reckoned by the fact that wages paid was ₹ 8.42 crore as against the actual requirement of ₹ 4.23 crore in execution of 80 works during 2012-17 in 15 GPs as per SoR. The low productivity of labourers affected the physical progress of works.

2.8.3.4 Measurement of works

MGNREGA Operational guidelines (Para-7.13) stipulated for recording of measurement of works done on weekly basis and reflected in the Measurement Book (MB) issued by the competent authority.

Audit scrutiny revealed that measurement of work was not done in 42 (out of 80) cases. The MBs were simply used as stock registers recording entries of the procurement of materials in terms of quantity and price. No weekly measurements of works were undertaken by the Junior Engineers. Task-wise measurements as required in the guidelines were not captured to ensure invisible and underpaid/overpaid items. Thus, MBs did not serve the purpose of recording measurement of physical progress of works.

2.8.3.5 Project Completion Report (PCR)

MGNREGA Operation guidelines (Para-7.16) stipulated for preparation of Project Completion Report (PCR) on completion of every project in the prescribed format. Summary details should also be made available to concerned ward, block and district panchayat members, MLAs and MPs.

Audit scrutiny of 80 works revealed that this procedure of PCR was not followed in 60 works. The works were reckoned as completed on exhaustion of fund meant for wage component. The materials for the work were not supplied in full as per the technical estimate due to inadequate fund availability as the quantity of materials were worked out

based on SoR which was meant for execution of civil works for Public Works Department having wage : material ratio of 35:65.

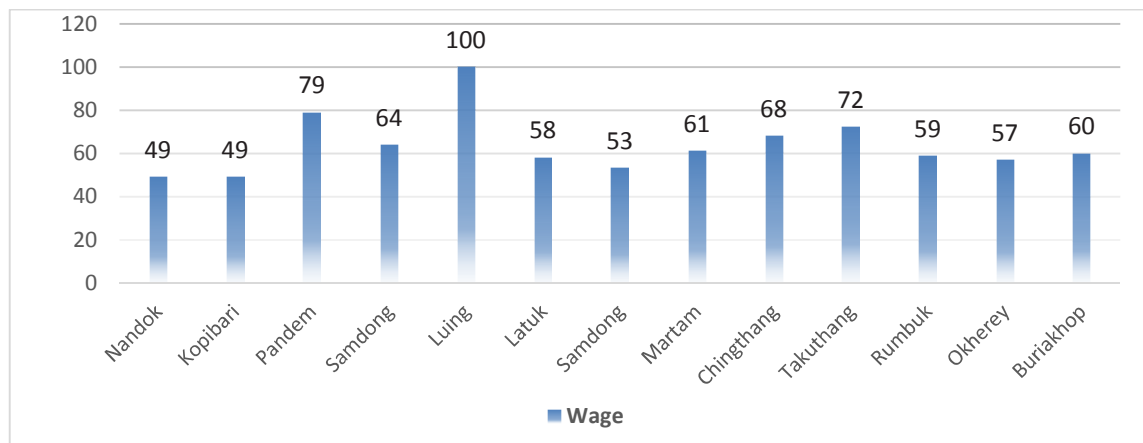
Audit noticed that as against the estimated quantity of 2,315 bags of cement in 12 works, 478 bags of cement was supplied and used, leading to under utilisation of cement ranging between 2 and 1,584 bags indicating 7 to 14 *per cent*. Although, adequate quantity of cement was not supplied and used, the works (12) were termed as completed. Thus, not only the PCR as required in the guidelines was prepared, the works were declared completed without actual completion in terms of technically sanctioned estimates.

2.8.3.6 Wage material ratio not adhered

The ratio of wage costs to material costs should be no less than the minimum norm of 60:40 as stipulated in the Act. The SREGS, 2006 also emphasised for maintaining the wage material ratio of 60:40. Despite this stipulation, audit test check revealed that the wage material ratio was not adhered to in some of the GPs of the East district.

The wage : material ratio in four GPs (Kopibari, Pandem (East), Latuk and Samdong) of East district ranged between 49:51 and 53:47 as shown in the chart below.

Chart – 2.16



Failure to maintain wage: material ratio of 60:40 was not only against the guidelines but deprived the employment opportunity to wage earners.

2.8.3.7 Execution of sub-standard works

According to the circular (September 2013) issued by RMDD, GPs were to ensure that stone for execution of works should be contributed by the general public who would be eventual beneficiaries of the works. This was to reduce the cost of material to bring it within the permissible limit of 40 *per cent*.

Physical verification by Audit in 12 (out of 20) works revealed that claim of the GPs that beneficiaries had provided 250 cum. of stone, was not correct as the work sites mostly comprised of mixed soil. The stones were either obtained from excavation of work sites or nearby vicinity. In both the cases, stones extracted were neither of good quality nor were sufficient to cater to the requirement of works. Thus expenditure of ₹ 54.76 lakh incurred on 12 works was fraught with the risk of sub-standard works besides execution of lesser quantity as compared to the approved estimate. The exact quantification could not be done in audit in absence of recording of measurement in the MBs.

2.8.3.8 Avoidable expenditure on purchase of construction tools

MGNREGA Operational guidelines (Para-7.4) stipulated that workers should be facilitated to bring their tools and implements for which appropriate sharpening charges would be paid. Alternatively, if the workers were unable to manage their own tools, these could be arranged by Panchayats/SHGs etc.

Scrutiny of records revealed (July-August 2017) that items such as Plywood, *Ramba*, *Belcha*, *Karai*, Shuttering wood and *Pharwa* aggregating to ₹ 19.59 lakh were purchased in each and every work but not recorded in the stock register. Whereabouts of the previous purchases were also not reflected anywhere. Had these construction tools been accounted for and re-used, expenditure of ₹ 19.59 lakh could have been avoided.

2.8.4 Convergence with other programmes

MGNREGA Operational guidelines (Para-15) permitted convergence of MGNREGA funds with funds from other sources for creation of durable assets and generation of additional employment.

Audit scrutiny revealed that the comprehensive perspective plan for convergence was not prepared for the district as required under the Act. District Resource groups headed by DPC were not formed and MGNREGS functionaries were not adequately trained for execution of convergence schemes. The convergence programme attempted by the RMDD during 2012-17 was towards plantation, construction of ICDS centres, construction of Chief Minister Rural Housing Mission (CMRHM) and land development in the premises of individual beneficiaries. The convergence was not in compliance with the Act and Operational guidelines as disclosed from the following:

- The RMDD executed CMRHM and utilised ₹ 50,000 per house from MGNREGS fund for construction of CMRHM for rural poor. Out of ₹ 50,000, amount of

₹ 20,000 was utilised for material component and ₹ 30,000 towards wage component. The payment of material component from MGNREGS was not permissible in the Act under convergence. Thus expenditure of ₹ 50 lakh on material component in convergence of 250 works was irregular.

- Similarly, ₹ 1.95 lakh (out of ₹ 3.95 lakh) per ICDS Centre was met from MGNREGS fund under convergence scheme with Social Welfare Department for construction of ICDS Centres for material component. This was impermissible as expenditure under material component was not allowed as per the Act in convergence scheme.

Thus, the convergence attempted by the State was faulty and in effect did not contribute towards additional employment generation as envisaged in the guidelines.

2.9 Impact of Scheme on poverty alleviation

The MGNREGA was introduced with the objective of creation of durable assets and strengthening the livelihood resource base of rural poor. Investments made under MGNREGA is expected to generate employment and enhance purchasing power, raise economic productivity, women's empowerment, strengthen the rural infrastructure by creation of durable assets, reduce distress migration and conserve and regenerate natural resources. The outlays for MGNREGS were to be transferred into outcomes.

To assess this, the Operational guidelines stipulated for carrying out regular evaluation and sample survey, commissioning of district-wise and block-wise studies by SEGC and DPCs respectively. Audit noticed that the SEGC commissioned (November 2016) only one study by engaging Tata Institute of Social Science, Mumbai for evaluating the impact of the Scheme at a cost of ₹ 21 lakh, of which ₹ 13 lakh was paid as of March 2017. However, the agency had only submitted the draft report which inter-alia highlighted experiences of MGNREGA beneficiaries relating to assets.

Audit attempted to evaluate the impact of Scheme through beneficiary survey and also test check of records in the sampled GPs, BACs, etc. The details are shown below:

2.9.1 Employment Generation

As mentioned in the preceding paragraph (Para-2.7.5) average person days generated per household ranged between 42.51 to 69.57 *per cent* during 2012-17. This was higher than the national average which ranged between 40.17 to 48.45 *per cent* during 2012-17. The

average person days per household in Sikkim was better than most of the North Eastern States except Tripura and Mizoram.

Although, the 100 days employment to the household in a year came down from 21 to 12 per cent during 2012-17, it was better than the national average and a number of North eastern States such as Assam, Nagaland, Arunachal Pradesh, etc.

Beneficiary survey (August 2017) by Audit also confirmed that income generated from employment in MGNREGA helped the households to meet their basic needs and supplemented their income to raise their living standard. Thus, the impact of MGNREGS towards generation of employment was satisfactory.

2.9.2 Income Generating Assets

MGNREGA Operational guidelines stressed that the real success of MGNREGA will lie in raising the agricultural productivity of farmers with the ultimate objectives to return the wage earners to farming and not be dependent upon MGNREGA for their survival. It was therefore necessary to initiate urgent measures to convert MGNREGA into a productivity-enhancing instrument and foundation for solving the problems of the poorest.

The State Government accordingly shifted its priority in implementation of MGNREGS and executed works related to sustainable livelihood such as construction of cow/pig shed, plantation in beneficiary's land, land development in beneficiary's land, irrigation facilities by construction of minor irrigation channels, water tanks etc. in the beneficiary's premise. The position relating to income generation of these assets are given below:

➤ *Construction of cow shed:* A total of 229 cow shed was constructed at a cost of ₹ 151.14 lakh in the two districts. The cow sheds were constructed in the beneficiary's premises to give hygienic living conditions to the cattle so as to enhance the milk productivity. Also cattle urine and cow dung can be properly stored and used to enhance soil fertility with the cow shed flooring made of cement. The increased milk productivity would help in generating additional income to the rural households.

Test check of 45 cases (out of 229) in 15 GPs revealed that cow shed was not constructed as per the specification in the guidelines. Urine pit was not constructed in 20 cases, drain for providing outlet of urine to the urine pit was not constructed in 12 cases, and in 15 cases, although urine pit was constructed, it was filled up with cow dung, etc. Thus, on the one hand the cattle were not kept in hygienic condition by proper outlay of urine and did not help in improving soil fertility, and on the other, the

milk productivity had not shown improvement as disclosed during interaction with the beneficiaries (5) during beneficiaries' survey by Audit.

- *Plantation in beneficiaries land:* Plantation in the beneficiary's land holdings was executed in 268.10 hectares involving 536 beneficiaries during 2012-17. Physical verification by Audit of 20 plantation site revealed that the survival rate ranged between 20 per cent and 30 per cent as of August 2017 for the plantation done in 2013-14 to 2016-17. None of the plantation had shown fruition as of March 2017. Therefore, the income generation expected from these plantations was not forthcoming.
- *Irrigation facilities by construction of minor irrigation channels, water tanks, etc.:* The water tanks and minor irrigation channels were constructed under the Scheme for providing irrigation facilities to the farmers so as to improve their productivity. A total of 46 irrigation facilities (water tank 34 and MIC 12) was created at a cost of ₹ 100.22 lakh during 2012-17 in 15 GPs test checked in audit. Physical verification by Audit revealed that 10 (out of 12) MICs were non-functional due to variety of reasons such as non-availability of source, poor maintenance, etc. Water tanks in five cases were also not used towards increasing irrigation facilities instead it was used as storage tank for day to day domestic consumption of water.

Thus, income generation through asset creation under individual households from MGNREGS funds had not taken place to the desired extent as of March 2017.

2.9.3 Beneficiary survey

The beneficiary survey was conducted during the course of Performance Audit in 15 GPs involving 300 beneficiaries from nine BACs. 45 per cent of the beneficiaries rated the performance of MGNREGA in the State as Excellent; 38 per cent Very Good and 17 per cent Good and stated that the employment was provided within 15 days of demand. However, the survey disclosed minimal awareness of beneficiaries regarding unemployment allowances, insurance cover and health checkup and that information boards were to be put up at work sites after completion of the works.

2.10 Utilisation and maintenance of assets

A total of 7,797 assets were completed at a cost of ₹ 500.01 crore during 2012-17. Audit noticed that utilisation of assets and its proper maintenance to obtain value for money was not ensured in many cases by the State Government and the PRIs as detailed below:

2.10.1 Institutional Mechanism for maintenance of Assets

The State Government instructed (May 2011) all the four ADCs, discharging the responsibilities of DPCs, to establish an institutional mechanism for maintenance of the assets created under the Scheme so as to ensure sustainable benefits from these assets.


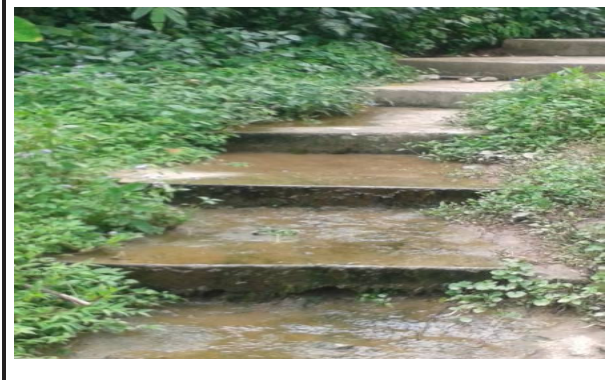

Audit check revealed that the institutional mechanism for maintenance of assets was not instituted by the ADCs in any of the districts. Special attention towards maintenance of minor irrigation channel, *jhora* training works, village footpaths, rainwater harvesting and horticulture plantation as envisaged in the circular (May 2011) to ensure obtaining sustainable benefit in the long run was not ensured in 26 (out of 80) cases checked in Audit in 15 GPs.

2.10.2 Non-maintenance of assets

The maintenance of assets created under the Scheme was considered important and accordingly the expenditure on maintenance was permissible under the Act. The assets on completion were handed over to the GPs as its custodian. The GPs, however, could not take up maintenance of these assets due to non-availability of funds under maintenance. As a result, a number of assets created were not yielding value for money.

Physical verification of 80 works in 15 GPs revealed that 26 works (₹ 2.60 crore) in eight GPs were lying in unusable conditions since last two years owing to non-maintenance. Some of the photographs are given below to illustrate the position:

	<p>GPU: Aho Yangthang, East Sikkim Work: Rural Connectivity footpath from Assam Road to Jhongkhong Santi Expenditure: ₹ 9.99 lakh Date of commencement: 01.12.2013 Date of completion: 02.03.2014 Remarks: Footpath developed crack and was tilted; not suitable for use by pedestrian.</p>
	<p>GPU: Aho Yangthang, East Sikkim Work: Minor Irrigation Channel from Sonam Kholsa to Lepcha Khet Expenditure: ₹ 9.95 lakh Date of commencement: 11.9.2013 Date of completion: 12.03.2014 Remarks: Channel was defunct in absence of proper maintenance.</p>

	<p>GPU: Ranka, East Sikkim Work: Minor Irrigation Channel Expenditure: ₹ 8.89 lakh Date of commencement: 11.09.2013 Date of completion: 12.03.2014 Remarks: Channel was defunct in absence of proper maintenance.</p>
	<p>GPU: Rey Mindu, East Sikkim Work: Footpath from PWD road to Golay Busty Expenditure: ₹ 18.41 lakh Date of commencement: 07.09.2015 Date of completion: 02.03.2016 Remarks: The footpath was not usable in absence of proper maintenance.</p>
	<p>GP: Okherey, West Sikkim Work: Jhora Training Work (JTW) at upper Okherey Estimated Cost: ₹9.01 lakh Date of commencement: 01.11.2014 Date of completion: 29.02.2015 Remarks: The JTW was damaged and partially used for conveying drain water in absence of repair and maintenance.</p>

Thus, absence of maintenance led to non-accrual of intended benefits from these assets despite incurring ₹ 56.25 lakh.

2.10.3 Incomplete works

An important objective of the MGNREGA is creation of durable assets and strengthening the livelihood resource base of the rural poor. It was therefore of utmost importance to ensure good quality and durability of assets being created under MGNREGS.

Audit scrutiny revealed that a number of works were left incomplete due to shortage of fund, inadequate supply of materials, etc. Physical verification of 20 works in 7 GPs revealed that six works (out of 20) were left incomplete on exhaustion of sanctioned fund of the works. As a result, value for money was not obtained from these works despite incurring an expenditure of ₹ 20.40 lakh.



2.10.4 Non formulation of strategy to address incomplete works

As mentioned above, a number of works were left incomplete for several reasons such as exhausting of sanctioned funds, shortage of materials and failure to carry forward the incomplete works of previous years. MGNREGA Operational guidelines (Para-7.17) recommended that works which are to be executed over more than one year, may be split into annual work elements with a distinct work identity. The GP should first allocate works that are incomplete and have the required labour employment potential.

Audit scrutiny revealed (July-August 2017) that despite this stipulation, the DPC continued to sanction new works and failed to formulate strategy for completion of incomplete works. The DPC failed to ensure reckoning of these works as incomplete works during the subsequent years and prioritise for its completion. Thus, six works remained incomplete although the works were closed and simultaneously 252 new works were sanctioned and executed during 2012-17.

2.10.5 Infructuous expenditure due to non-functional assets

Physical verification by Audit revealed that five projects in four GPs were not yielding value for money as the assets were not functional fully. The details are shown below:

	<p>GP: Buriakhop, West Sikkim Work: Minor Irrigation Channel (MIC) Expenditure: ₹1.93 lakh Date of commencement: 14.12.2013 Date of completion: 30.02.2014 Remarks: Source of water was not trapped. Only during rainy season, water was available in the channel. Agriculture land did not benefit from the MIC, especially during lean season.</p>
	<p>GP : Timburbong, West Sikkim Work : Irrigation facility to BPL family Expenditure : ₹2.11 lakh Date of commencement : 23.08.2015 Date of completion : 24.09.2015 Remarks: Tank was not used for irrigation facility as no water supply connection was provided in the tank.</p>

	<p>GP : Martam, West Sikkim Work : Cowshed Expenditure : ₹0.66 lakh Date of commencement : 15.06.2016 Date of completion : 15.07.2016 Remarks: Urine pit was not constructed. Shed was not used for rearing of cows.</p>
	<p>GP: Okherey, West Sikkim Work: Footpath from Chyandara to 10th mile PWD road Expenditure: ₹ 8.05 lakh Date of commencement: 06.10.2015 Date of completion: 21.01.2016 Remarks: Connectivity not provided as 350 meter was only constructed against the target of 500 meter.</p>
	<p>GP: Okherey, West Sikkim Work: MIC from Tama khola to Middle Okherey Expenditure: ₹ 7.65 lakh Date of commencement: 16.12.2016 Date of completion: 31.03.2017 Remarks: Source of water was not trapped. Only during rainy season, water was available in the channel. No agriculture land was benefited from the MIC during lean season.</p>

Adequate efforts were not initiated by the GPs and DPCs to make the assets functional. In the above cases, due to non-functioning of assets, rural connectivity, irrigation facilities and additional income from cow rearing could not be provided to the households of the concerned GPs.

2.11 Monitoring mechanism and Transparency

The Act and Operational guidelines laid great importance to monitoring mechanism to ensure efficacious implementation of works and also to ensure transparency. The position in this respect is given below:

2.11.1 Monitoring

The monitoring mechanism had to be instituted right from State level to GP level. Audit scrutiny revealed that although monitoring mechanism was instituted and functional, in some cases, inadequacies were noticed, as detailed below:

➤ ***Worksite material monitoring committee***

The State Government constituted (August 2010) worksite material management Committee (WMMC) to bring transparency in procurement and utilisation of stock materials purchased under MGNREGS. The Committee was to be constituted for every worksite before the commencement of the works, comprising of concerned Ward Panchayats Members, Mate, three women and two men wage seekers who reside adjacent to the worksite and one member from the village level Vigilance and Monitoring Committee.

Audit noticed that although the WMMC was constituted for every worksite before the commencement of the work, the role of WMMC was limited to certifying the statement of materials received and consumed at the time of processing of bills for payment in all the 15 test checked GPs. The quality aspect of the materials was neither verified by the Committee nor mentioned in the certificate. Thus, the Committee was not discharging its responsibilities in full. As a result, a number of observations relating to short supply of materials were raised during Social Audit confirming the audit contention that the Committee was perfunctory.

➤ ***Periodical inspection of works***

The ADCs were designated as DPC in their respective districts. They were required to conduct regular monitoring of Scheme. ADCs claimed to have conducted inspection of works and issued verbal instructions on the spot. However, no written instructions were given to the concerned officials about the shortcomings, if any. In the absence of documentation, the result of inspection by ADC was not verifiable in Audit.

➤ ***Quality Management of MGNREGA works***

MGNREGA Operational guidelines (Para-14.1) stressed for quality management of works to ensure that the assets created achieved the objectives in terms of specifications, functionality and durability. The quality management was to be taken up through quality control at site, quality supervision and quality monitoring.

The State Government constituted (July 2010) State Level Quality Monitors and Technical Resource Support Committee to monitor the works executed under MGNREGS. The Committee was required to monitor in a particular BAC for 4 to 5 days normally twice in

a year and submit their report containing impact assessment, implementation of procedural safeguard, recommendation for improvement and digital photos.

Audit noticed that the Committee had not undertaken monitoring of works executed under MGNREGS during 2012-17 in any of the test checked BACs. Therefore, the impact assessment, implementation of procedural safeguard and improvement of the defects, if any were not forthcoming.

At the GP level, the Mates were the only person available on work site to ensure quality control. However, they were ill equipped as they were not trained relating to design and specifications for the civil construction and copies of estimates were not provided to them. They were not even aware of the end objectives with which the works were executed.

Audit check revealed that the JEs had not visited the site as frequently as required. Details of visit by the JEs were not recorded in any of the 80 works test checked in audit. Interaction with Mates revealed that the JEs hardly visit the sites due to their preoccupation in the BACs. Even the estimates for works prepared by the Engineers were defective and the works were executed based on these defective estimates. These defects were not detected at various stages of hierarchy indicating absence of quality control mechanism for execution of works. Audit noted cases of preparation of defective estimates in 6 (out of 20) cases involving ₹ 19.50 lakh. Thus, the quality management of MGNREGS works were not ensured.

➤ ***Outcome based monitoring***

The State Government, realising the importance of outcomes of the asset, instructed (May 2012) all ADCs to conduct outcome based monitoring through standardised formats issued by RMDD.

Audit check revealed that outcome based monitoring was not initiated by ADCs in any of the 15 GPs test checked in audit. Therefore, outcomes envisaged in terms of increase in irrigated areas from MIC, increase in agricultural product, increase in annual household income, etc. remained to be assessed during 2012-17.

➤ ***Inspection of basic records***

The State Government stipulated (April 2012) for inspection of cash books, paid vouchers relating to material procurement, bank pass book and cheque issue register by the district level officer on quarterly basis with a view to make the financial records keeping system efficient and effective.

Audit check of records in 9 BACs revealed that inspection of cash books, paid vouchers relating to material procurement, bank pass book and cheque issue register by the district level officer on quarterly basis had not been done. Thus, inspection of basic records as envisaged in the circular (April 2012) was not carried out to ensure efficient and effective record keeping.

2.11.2 Transparency

The Act lays great importance to complete transparency in the process of administration and decision making, with an obligation on the government to *suo-moto* give people full access to all relevant information. Transparency is ensured through Social Audit, public grievance redressal system, people participation, consultation, consent and accountability. The position in this respect is given below:

➤ *Social Audit*

Social Audit (SA) was functional in all the four districts of the State. The responsibility of SA was assigned to NGOs (viz. Voluntary Health Association of Sikkim (VHAS) as Social Audit Unit (SAU) of the State. All 176 GPs were covered under Social Audit by SAU during 2013-17 spread over all the four districts. Total number of issues raised vis-à-vis resolved and also direct recovery indicated by the Social Audit vis-à-vis recovery effected is given below:

Table-2.10

(₹ in lakh)

Year	No. of GPs covered	Issues raised		Issues settled		Issues pending	
		Number	Amount	Number	Amount	Number	Amount
2013-14	94	1,481	87.57	924	7.02	557 (38)	80.55
2014-15		1,053	38.59	721	2.90	332 (32)	35.68
2015-16	176	2,485	67.31	1,185	11.36	1,300 (52)	55.95
2016-17	176	2,163	37.62	271	0.46	1,892 (87)	37.15
Total		7,182	231.08	3,101	21.75	4,081 (57)	209.33

Source: Annual Reports of Social Audit Unit, Sikkim

Figures in bracket indicate percentage.

As would be noticed, out of total 7,182 issues raised, 3,101 (43%) issues were resolved. Similarly, against the indicted recovery of ₹ 231.08 lakh, ₹ 21.75 lakh was only recovered. Thus, the recovery was a miniscule (9) percentage of indictment in Social Audit. This was due to delayed submission of Action Taken Report (ATR), non-acceptance of SA findings by executives, etc. Social Audit was completed in all the 15 test checked GPs upto 2016-17.

ATRs however, were not submitted in 7 cases and in the 8 others, they were submitted belatedly ranging between 3 and 5 months.

➤ ***Redressal system***

According to the MGNREGA Operational guidelines, the PO will be the Grievance Redressal Officer at the Block level and the DPC at the District level. The name and address of the petitioner, nature and date of petition are to be entered into the Grievance Register, action for redressal is to be initiated within seven days and date and nature of disposal noted in the register.

The State Government designated (November 2008) the Programme Officer and the District Programme Coordinators as Grievance Redressal Officer at the Block and the District level respectively. However, their role was limited as no stakeholders came forward with any appeal which may be due to lack of adequate dissemination of information and awareness.

➤ ***Communication of MGNREGA***

Awareness generation through Information, Education and Communication (IEC) for people to know their rights under the Act, effective communication of information about the Act and Scheme was essential. The State Government was to devolve IEC Plan and develop communication material to help people articulate their demand and claim their entitlements. The IEC plan should clearly indicate State, District, Block and local level activities.

Audit noticed that although some communication material were published by the RMDD from time to time, no IEC plan had been drawn up to help people articulate their demand and claim their entitlements. Although guidelines stipulated that IEC activities should be done at district level, fund for IEC activities were not released by RMDD to districts for this purpose. During 2016-17, ₹ 41.18 lakh was incurred under IEC by RMDD towards evaluation and research (₹ 13.44 lakh) and printing, tour and meeting etc. (₹ 27.74 lakh). Analysis for 2012-16 could not be done as the IEC expenditure was not recorded separately under administrative expenditure. Thus, no IEC activity was undertaken by the districts.

➤ ***Proactive disclosure by Gram Sabha***

MGNREGA Operational guidelines (Para-13.10.1) stipulated proactive disclosure with regards to names of work both completed and ongoing with wages paid and material component, names of persons, days worked and wages paid to each of them, quantity and

price of materials purchased for each project along with the name of agency which supplied the material to ensure transparency.

Audit check revealed that the above issues were neither discussed nor recorded in the minutes of the meeting of Gram Sabha. Further, while deciding beneficiary oriented works such as protective works, construction of cow shed, etc. name of the potential beneficiaries were not disclosed in the gram sabha. Thus, transparency was compromised in the absence of proactive disclosure enshrined in the guidelines.

➤ ***Citizens' charter***

A model 'Citizens' Charter' was required to be developed covering all aspects of the duties of Panchayats and officials under the Act. Audit check revealed that the specific steps involved in implementing the provisions of the Act, laying down the minimum service levels mandated by these provisions on the Panchayats and the officials concerned were neither delineated nor followed in any of the GPs test checked in Audit. The Citizens' Information Board was also not displayed in any of the fifteen test checked GPs.

2.12 Conclusion

The Scheme facilitated employment generation, adequate women participation, strengthening of rural infrastructure to a large extent, enhancement in purchasing power and improved health and educational status etc. However, employment generation was much less as compared to projection in AWP&LB, and the 100 days employment to rural households recorded a dip from 21 to 12 per cent during 2012-17. The cost per person per day was very high and needed to be brought down. Strategies to address incomplete works were not initiated. Work site Material Management Committee and State Level Quality Monitors were not effective and outcome based monitoring had not been initiating as of March 2017. Addressing of the above weaknesses by the State Government, the implementation of MGNREGS in the State will received a further fillip.

2.13 Recommendations

The following are the recommendations for further improving the implementation of the MGNREGS in the State.

- The Annual Work Plan and Labour Budget should be prepared realistically to ensure generation of expected mandays, provisioning of 100 days employment, etc.
- Action may be initiated to ensure full and timely release of both Central and State

share of funds, and release of funds to BACs and GPs on demand to facilitate timely commencement of works and payment to wage earners.

- Separate Schedule of Rates should be prepared after careful time and work studies to facilitate preparation of realistic estimate of works.
- Programme execution should be strengthened to avoid expenditure on infructuous works, completion of works on time and within the sanctioned cost, strategy to address incomplete works and maintenance of assets to obtain value for money.
- Monitoring mechanism should be strengthened to ensure quality monitoring of Scheme in the State by all concerned.

CHAPTER-III

COMPLIANCE AUDIT OF TRANSACTION OF PANCHAYATI RAJ INSTITUTIONS

CHAPTER-III

AUDIT ON TRANSACTIONS OF PANCHAYATI RAJ INSTITUTIONS

3.1 Excess expenditure on construction of Suspension Foot Bridge to the tune of ₹55.19 lakh

Failure of the ZP (South) to initiate the work expeditiously and failure to keep a close supervision on progress of work led to reframing of estimate, reduction of length of Suspension Foot Bridge (SFB) and extra expenditure of ₹55.19 lakh on account of higher tender premium (₹10.90 lakh), cost escalation in civil work (₹37.20 lakh) and stock material (₹7.09 lakh).

The work 'Construction of Suspension Foot Bridge (SFB) over Rangit khola' at Tokel, South Sikkim 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 ₹ 140.61 lakh was framed by ZP (South) and put to tender (July 2010). The work was awarded (January 2011) to the lowest bidder at 14.50 *per cent* above the estimated cost with stipulation to complete within December 2011.

The scope of work was changed (November 2012) on the plea that site was not suitable for construction of SFB due to earthquake (September 2011). The work did not commence upto August 2011. Estimate was recasted (August 2012) within the original sanction (₹140.61 lakh) by shifting the construction site to downstream and reducing the length of the bridge from 145 meter to 100 meter. The work was completed in the new site at a cost of ₹140.61 lakh and payment of ₹ 94.74 lakh was released to the contractor between February 2013 and March 2016.

Audit scrutiny revealed (March 2017) that ZP (South) had incurred extra expenditure of the bridge where length was reduced from 145 meter to 100 meter. The work was completed in the new site at an extra cost of ₹ 55.19 lakh towards accepting higher tender premium (₹ 10.90 lakh) avoidable cost escalation of ₹ 37.20 lakh towards civil work reframing and reduction of scope of work from 145 meter to 100 meter and enhancement of cost of stock materials (₹ 7.09 lakh) issued to work as detailed below:

- Accepting of higher tender rate at 14.5 per cent above the estimated cost was not justified as all works of similar nature in the ZP (South) was executed at par the

estimated cost. This entailed extra expenditure of ₹ 10.90 lakh towards higher tender premium.

- The ZP (South) had not initiated adequate steps to ensure commencement of work on time and achieve proportionate progress between January 2011 (issue of work order) and August 2012 (date of recasting of estimate). Neither any work was executed on the original site by the contractor between January 2011 and August 2012 nor time extension sought by him. Even the unsuitability of site, if any, was not brought to the authority by the contractor during this period.
- The site of the bridge was shifted downstream by Superintending Engineer based on public demand and steepness of the earlier site and not because of vulnerability to the site caused by earthquake (September 2011) as subsequently (August 2012) justified by ZP (South).
- Proportionate saving of ₹37.20 lakh in the project cost due to reduction of length of bridge from 145 meter to 100 meter was utilized towards additional protective works and cost escalation of bridge materials. This was irregular.
- The cost of bridge materials issued for utilization in work was enhanced (January 2015) by Store Division, RMDD while effecting recovery in second and final bill (February 2015) from ₹44.73 lakh to ₹ 51.82 lakh, leading to extra expenditure of ₹ 7.09 lakh. The additional fund was met from escalation provision and released to the supplier. This was irregular as rate of stock material prevalent at the time should be treated as final.

Thus, failure of the ZP (South) to initiate the work expeditiously and failure to keep a close supervision on progress of work led to reframing of estimate, reduction of length of SFB and extra payment of ₹ 55.19 lakh.

3.2 Avoidable expenditure of ₹13.61 crore towards construction of IHHL

State Government had not taken adequate steps to maintain the status quo with respect to Nirmal Rajya Puraskar conferred during 2010 to the State. Since, the State had already achieved the status of total sanitation, expenditure of ₹13.61 crore from various scheme funds (14th FC, SBM) towards construction of individual households latrines (IHHL) was avoidable.

Swachha Bharat Mission (SBM) was implemented in Sikkim w.e.f September 2014 with the aim to adopt sustainable sanitation practices and improve quality of life in rural area.

One of the components of SBM was construction of Individual Household Latrines (IHHL) in the premises of beneficiaries who were not having access to toilet.

The State was declared as 'Nirmal Rajya' in 2010 considering the access to sanitation in the villages.

Subsequent to this, a survey for access to individual household latrines was conducted by a NGO on the direction of State Government. The survey noted that 10,768 households were without proper functional sanitary toilets.

A sum of ₹ 12.92 crore were accordingly sanctioned by the State Government during 2013-16 towards construction of IHHL and all 10,768 household were provided with sanitary latrines during 2013-16. Thus, all the households were provided with sanitary toilets in the State. Besides, a sum of ₹68.74 lakh was incurred by PRIs from 14th Finance Commission grants for construction of 620 IHHL during 2015-16 and 2016-17. The State was declared (May 2016) as First Open Defecation Free (ODF) State in the North-eastern Region on the occasion of 65th plenary session of North east council at Shillong, Meghalaya.

Audit scrutiny revealed (March 2017) that adequate steps to maintain the status quo with respect to Nirmal Rajya Purskar conferred during 2010 to the State were not initiated. Not only this, even after completion of all left out households (10,768) with proper toilet facilities by incurring ₹12.92 crore during 2013-16, the PRIs incurred ₹68.74 lakh towards construction of 620 IHHL during 2015-16 and 2016-17, which was avoidable as H/H were already completed.

3.3 Diversion of Fourth State Finance Commission Fund

The Fourth State Finance Commission (FSFC) fund of ₹ 32 lakh meant for basic services was irregularly diverted towards purchase of utensils for distribution to various societies.

The State Government released (March 2016) second instalment of State Finance Commission (SFC) grant of ₹ 38.49 lakh to ZP(South) towards providing basic services such as water supply and sanitation, sewerage, solid waste management, footpath, parks, playgrounds, etc.

Audit scrutiny (January 2017) revealed that ₹ 32 lakh (out of ₹ 38.49 lakh) was utilised towards purchase of utensils for distribution to various societies. The distribution of steel plates, glasses, etc. was to avoid use of plastic plates during social functions as these plates were not hygienic and bio-degradable.

This led to diversion of ₹32 lakh on activities not specified under SFC guidelines.

3.4 Infructuous expenditure on augmentation of Rural Water Supply Scheme (RWSS) from Pachey Khola to East Dikling

Improper surveys and investigation of the area before taking up of the Rural Water Supply Project and lack of proper follow-up led to infructuous expenditure of ₹ 24.70 lakh on creating facilities which was abandoned as all the beneficiary households had shifted from the locality due to upcoming airport.

The work relating to ‘Augmentation of Rural Water Supply Scheme (RWSS) from Pachey Khola to East Dikling’ was approved (October 2013) by State Government (RMDD) for execution at an estimated cost of ₹ 25 lakh. The project was designed to cater to the water requirement of 45 houses in and around East Dikling under Pakyong block. The Technical note appended with the approval of project envisaged upon Implementing Agency (ZP) to ensure before actual execution, source adequacy and quality, designing of project as per actual site conditions and obtaining of approval, and detailed working drawing from appropriate technical authority as per site condition.

The work was awarded (March 2014) to contractor (M/s. Pakyong Bazar Womens Labour Co-operative Society) for execution at par the estimated cost of ₹ 25 lakh and agreement was drawn up (4 March 2014) with the contractor. According to the agreement, the work was to be completed within 7 months (i.e. October 2014). However, the contractor sought (May 2015) for time extension upto June 2015 without citing any reason. The time extension upto April 2015 was granted to contractor by the Zilla Panchayat for rectification of works. The work was completed (28 April 2015) after recording a delay of 6 months at ₹ 24.70 lakh.

Audit observed that not only the work was delayed by 6 months, but the intended benefits were provided to only 3 families as against 45 families envisaged in the Detailed Project Report. This is because of the fact that households had shifted from the adjoining areas due to coming up of Airport which led to cracks developing in the houses due to use of heavy machinery in the construction site. As a result, only three beneficiaries, as against the 45 beneficiaries, were benefitted. Thus, the amount of ₹ 25 lakh invested for only three beneficiaries, indicated that the survey, investigation, etc. for requirement of water was not done with due care particularly when it was a known fact that airport construction was continuing since 2009 and households of adjoining areas were likely to be dislocated. Even the local inhabitants had raised this issue of displacement of households way back in August 2014 when houses started developing cracks as shown in the picture below. The

ZP, would have avoided the expenditure through appropriate planning and stoppage of work in time.



A wall of a house in Karthok village near the airport construction site that has almost collapsed

Physical verification (November 2016) of the work site by Audit in the presence of ZP engineers, contractors and local youth revealed that all 45 households had shifted from the locality and none of them were availing the facilities. The facilities, were thus, lying idle and unused as seen in the picture.

Improper surveys and investigation of the area before taking up of the project and lack of proper follow-up led to wasteful expenditure of ₹ 24.70 lakh on water supply project which has been abandoned.

The ZP (East) stated (April 2017) that the project had initially catered to 45 households on completion. However, due to unforeseen effect of construction of Airport, households had shifted to other places.

The reply is not acceptable as the ZP could have stopped the execution of the project, atleast before according Technical sanction during August 2014, as it was amply clear by then that the houses would have to be shifted as reported (August 2014) by local media. This is more so as the Technical note supporting the approval of project had clearly stipulated to ensure framing of detailed drawings as per site condition before actual execution by the Implementing Agency. Had the ZP complied with this and prepared the estimate as per actual site condition and ground realities, the project could have been scrapped before execution, and the fund of ₹ 24.70 lakh could have been gainfully utilised elsewhere to cater to water requirement of needy households.

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 74th 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 XIIth 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 2017 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
	Total	7

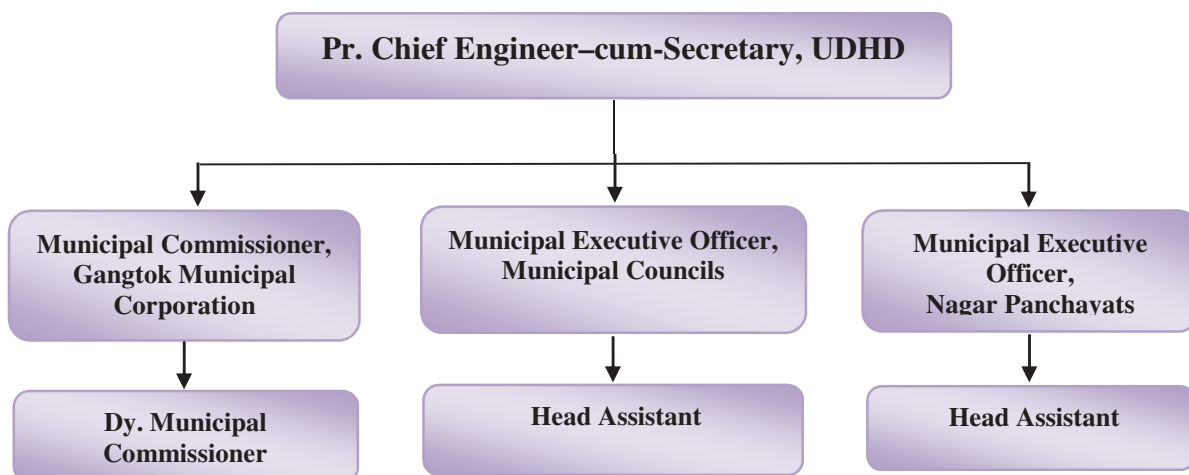
The ULBs are governed by the Sikkim Municipalities Act, 2007. Each ULB area is divided into a number of wards, which is determined and notified by State Government.

Important statistics relating to urban population, sex ratio, literacy etc. is given in *Appendix-4.1*

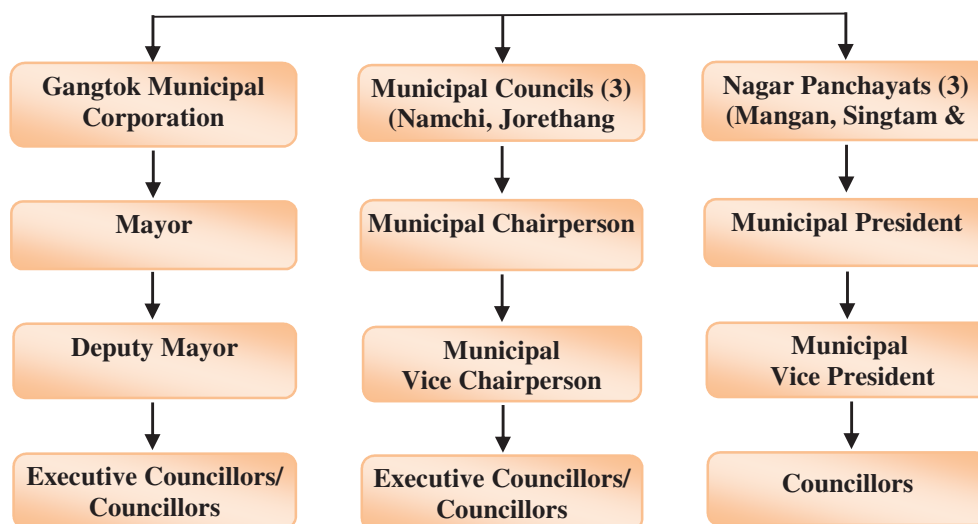
4.2 Organisational set up

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 the 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 XIIth Schedule of the Constitution (*Appendix-4.2*) had been partially transferred by the State Government to the ULBs as of March 2017.

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 issues like, (a) water-supply, drainage and sewerage and solid waste management, (b) urban environment management and land use control, and (c) slum services. Besides, a Municipal Corporation or a Municipal Council or a Nagar Panchayat, singly or jointly, may constitute an *ad hoc* Committee or a Joint Committee to perform such functions as the State Government may direct.

However, the Municipal Corporation, the Municipal Council, the Nagar Panchayats had not constituted any committees as of March 2017. As a result, inputs and specialised knowledge expected from Subject Committee were not forthcoming to deal with 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 regard by the 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 2017 was neither completed by DLFA nor by the Chartered Accountant as of September 2017 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 13th 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 2016-17, a total of six units (out of seven) were audited and six Inspection Reports (IRs) involving 70 paras were issued to the ULBs.

4.5.3 Placement of Annual Technical Inspection Report (ATIR)

The ATIR for the year 2014-15 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 2017.

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

4.6 Response to Audit Observations

The Audit of ULBs commenced in the State from the financial year 2012-13. Total number of 13 IRs and 123 paras were issued to ULBs during the period 2013-17, of which 3 IRs and 47 paras were settled, leaving 10 IRs and 76 paras having a money value of ₹ 99.15 lakh outstanding as of March 2017 for want of corrective action/reply on the part of ULBs. Position of outstanding Inspection Reports and paras as on March 2017 are given in the following table:

Table 4.2
Outstanding IRs and Paragraphs

(₹ in lakh)

Year	No. of Inspection Reports	No. of outstanding paras	Money value
2014-15	3	3	2.45
2015-16	1	3	0.07
2016-17	6	70	96.63
Total	10	76	99.15

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

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

4.7 Ombudsman

The Government of India instructed (September 2009) the State Government to set up office of the Ombudsman in accordance with the instructions in the order *ibid*. Accordingly, the State Government appointed (May 2012) Ombudsman whose responsibility *inter-alia* included to receive complaints from NREGA workers and others and consider such complaints and facilitate their disposal in accordance with law; require the NREGA 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 NREGA related affairs was not known to the public in the absence of adequate advertisement and public announcement. As a result, provisions of Prevention of Corruption Act, 1988 (Sec 268) was not adequately made use of towards disposal of irregularities in implementation of NREGA in the State. This was very disquieting considering a large number of issues (1,892) and recoverable amount (₹ 37.15 lakh) pointed out by Social Audit were lying unsettled for a period of 1 to 4 years as of March 2017.

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 2017 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 the 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 2016-17 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 2017. This was despite enabling provision to this effect in Sikkim Municipal Act, 2007 and recommendations of Thirteenth Finance Commission and Fourth State Finance Commission. Had the Property Tax Board set up by the State Government and made functional, revenue of ₹ 2.45 crore during 2016-17 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 the 13th 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 the 14th 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 2016-17 to ascertain the extent of achievement. 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 from 80 to 55, extent of recovery from 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 2017.

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 4.3

Year	Name of the Scheme	Amount (₹ in lakh)	Due date of submission of UC	Actual date of submission of UC	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	Nil
2014-15	TFC	17.14	April 2015	Not submitted	Not submitted
	State Fund	375.32	October 2015	-do-	-do-
2015-16	TFC	5.17	March 2016	March 2016	Nil
	14 th FC	239.50	March 2016	December 2015-January 2016	Nil
	Swachh Bharat Mission (SBM)	136.43	March 2016	March 2016	Nil
	Swachh Bharat Mission (State fund)	34.28	March 2016	UC not submitted as of June 2016	4

	4 th SFC	223.18	March 2016	March 2016	Nil
2016-17	14 th FC	767.00	March 2017	February 2017 (₹ 8.07 lakh) May 2017 (₹ 499.02 lakh) Not submitted as on June 2017 (₹ 259.91 lakh)	1
	Swachh Bharat Mission (SBM)	65.82	March 2017	June 2017	2
	Swachh Bharat Mission (State fund)	9.59	March 2017	June 2017	2
	4 th SFC	187.27	March 2017	September 2016 to February 2017 (₹ 68.40 lakh) May 2017 (₹ 40.63 lakh) Not submitted (₹ 78.24 lakh)	-- 1

The delay in submission of UCs ranged from 9 to 12 months for the period 2012-13 to 2014-15 primarily due to lack of monitoring by UDHD. The position has shown improvement in 2015-16 as the UCs were submitted in time except for SBM (State Fund). Again, during 2016-17, while UC for ₹ 259.905 lakh of 14th FC and UC for ₹ 78.24 lakh of 4th SFC Grants was not submitted by ULBs; there were delays for 1 to 2 months in submission of UC for SBM and 4th SFC Grants. Thus, the delay in submission of UC was persistent.

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 had completed audit of ULBs upto 2015-16.

It was noticed that observations 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.

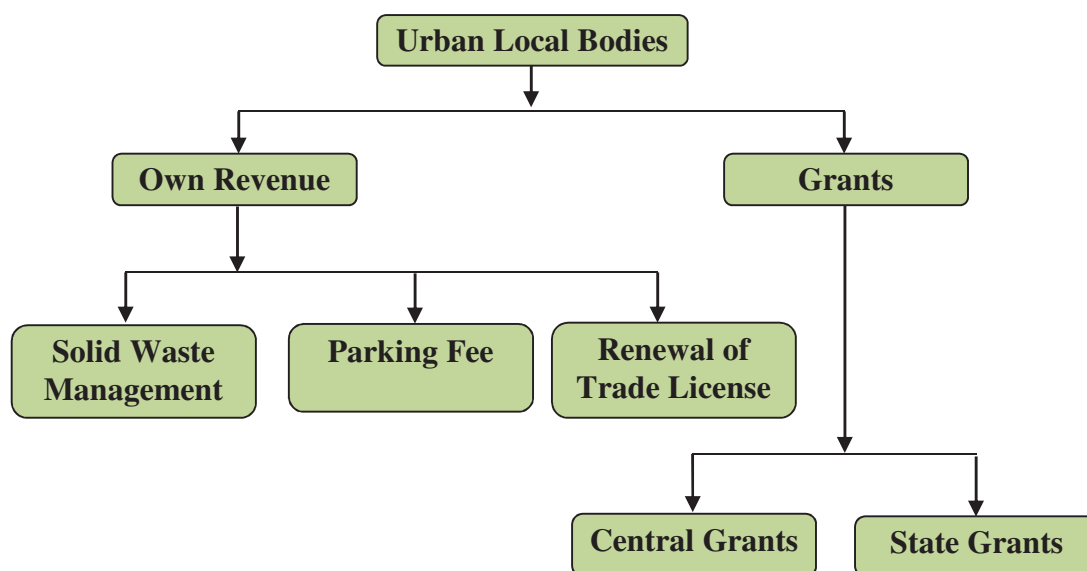
Similarly, DLFA conducted audit of four ULBs during 2016-17 and recorded observations relating to variation in accounts figures, excess payments, non-remittance of deductions, wasteful expenditure, violation of rules, etc. However, adequate corrective actions had not been initiated by ULBs as of September 2017.

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 2012-13 to 2016-17 are shown in the following table :

Table 4.4
Statement showing the position of funds of ULBs for the last five years
(₹ in lakh)

ULBs Year	GMC				Councils / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
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
2016-17	529.10	255.78	401.33	1,186.21	229.50	206.10	295.12	730.72

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 4.5:

Table 4.5
Statement showing collection of own revenue of seven ULBs
(₹ in lakh)

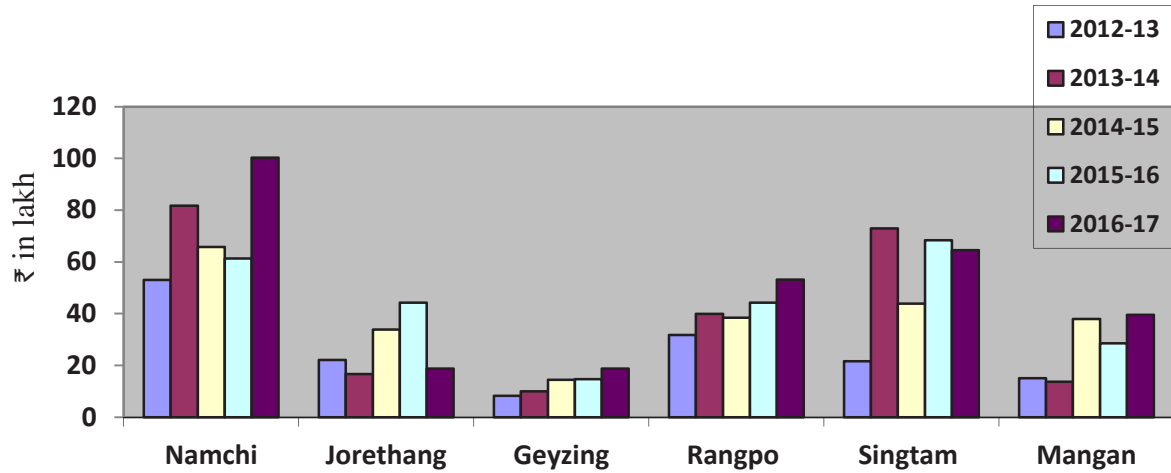
Sl. No.	Name of the ULB	2012-13	2013-14	2014-15	2015-16	2016-17
1	Gangtok Municipal Corporation	554.15	391.27	378.06	429.29	401.33
2.	Namchi Municipal Council	53.05	81.76	65.84	61.35	100.24
3.	Jorethang Municipal Council	22.13	16.65	33.92	44.22	18.78
4.	Geyzing Municipal Council	8.27	9.96	14.41	14.71	18.78
5.	Rangpo Nagar Panchayat	31.73	39.92	38.49	44.20	53.18
6.	Singtam Nagar Panchayat	21.65	72.98	43.87	68.43	64.54
7.	Mangan Nagar Panchayat	15.06	13.69	27.92	28.53	39.60
	Total	706.04	626.23	602.51	690.73	696.45

Source: Information furnished by the ULBs

The above table indicates that the revenue collection recorded an increase during 2016-17 over previous year (2015-16) in case of two Municipal Councils (Namchi and Geyzing), two Nagar Panchayats (Rangpo and Mangan) by 63.39, 27.66 and 20.31, 38.80 per cent respectively and decrease in case of Gangtok Municipal Corporation, Jorethang Municipal Council and Singtam Nagar Panchayat by 6.51, 57.53 and 5.68 per cent respectively. Reasons for decrease in revenue has not been intimated by ULBs.

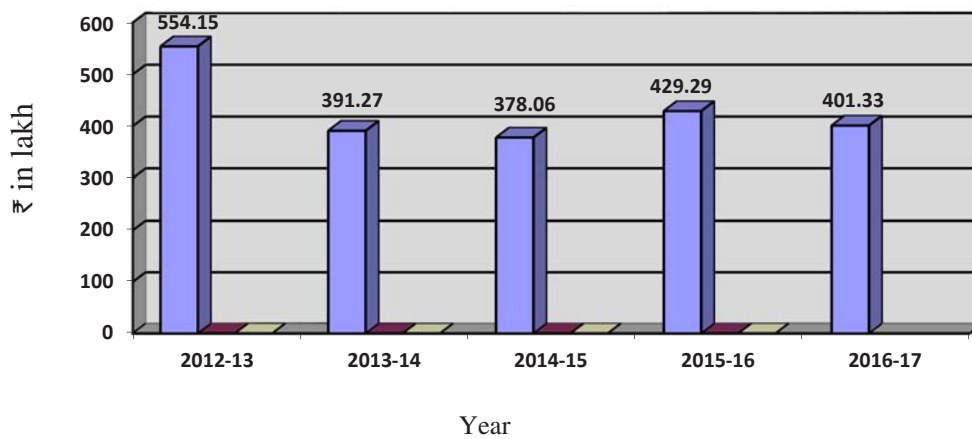
The trend of own revenue collection by GMC, Municipal Councils and NPs are shown in the following bar graphs:

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



In case of GMC, the own revenue collection decreased from ₹ 429.29 lakh to ₹ 401.33 lakh during the period 2016-17 as compared to 2015-16 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 2016-17 are shown in table 4.6:

Table 4.6**Statement showing grants received and expenditure there from of ULBs during 2016-17***(₹ in lakh)*

Type of ULBs	Grants received (Central and State)	Expenditure	Balance
Gangtok Municipal Corporation	784.88	409.52	375.36
3 Municipal Councils	217.84	196.38	21.46
3 Nagar Panchayats	217.76	259.05	(-) 41.29*
Total	1220.48	864.95	355.53

* Expenditure done from previous year's balance

Source: Information furnished by ULBs

From the above, it is seen that GMC could not utilise the entire funds received during 2016-17. Analysis of closing balances revealed that unutilised funds (₹ 375.36 lakh) of Special Assistance Fund, 14th FC 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 (₹ 21.46 lakh) of 14th 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 2016-17 are given in table 4.7:

Table 4.7**Statement showing receipts and expenditure of major schemes***(₹ in lakh)*

Year	Name of the schemes	SJSRY	BRGF	CFC (13 th /14 th FC)	NRHM	Swachh Bharat Mission	ICLEI Fund	Total
2012-13	Receipts	13.09	172.36	9.49	0	0	0	194.94
	Expenditure	31.92*	78.40	3.46	0	0	0	113.78 (58)
2013-14	Receipts	4.27	65.30	6.18	0	0	0	75.75
	Expenditure	9.48*	68.20	3.54	0	0	0	81.22 (107)
2014-15	Receipts	0.60	85.72	4.57	9.48	0	0	100.37
	Expenditure	3.00*	87.52*	4.21*	9.48	0	0	104.21 (104)
2015-16	Receipts	0	0.34	263.86	0	102.07	0	366.27
	Expenditure	0	25.40	232.82	0	22.57	0	280.79 (77)
2016-17	Receipts**	0	0	668.34	0	78.06	12.20	758.60
	Expenditure**	0	0	200.76	0	74.88	0	275.64 (36)
Total	Receipts	17.96	323.72	952.44	9.48	180.13	12.20	1,495.93
	Expenditure	44.40	259.52	444.79	9.48	97.45	0	855.64 (57)

Source: Information furnished by ULBs

Figures in bracket indicate percentage.

* Expenditure also incurred from the previous year's unspent balances available under the schemes.

Out of ₹ 17.96 lakh available for SJSRY, ₹ 44.40 lakh was utilised indicating 247 *per cent* utilisation. Similarly, ₹ 259.52 lakh and ₹ 444.79 lakh were utilised for BRGF and CFC as against the availability of ₹ 323.72 lakh and ₹ 952.44 lakh respectively. The expenditure of BRGF and CFC was 80 *per cent* and 46 *per cent* respectively. In Swachh Bharat Mission, ₹ 97.45 lakh was utilised out of available fund of ₹ 180.13 lakh. 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 (4th 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 4th SFC recommended (Para 7.26 and Table 7.16) for transfer of ₹ 297.31 lakh for seven ULBs during 2016-17 (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 ₹ 253.87 lakh was transferred to ULBs leading to short release of ₹ 43.44 lakh. Details are given below:

Table 4.9**Actual transfer of funds to ULBs during 2016-17 vis-à-vis 4th SFC 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 ULBs (20 per cent of Col. 7)	Tax Transferred to ULBs
1	2	3	4	5	6	7	8	9
1.	0029	Land Revenue	639.55	25.00	479.66	11.99	2.40	253.87
2.	0030	Stamp & Registration	1,256.59	25.00	942.44	23.56	4.71	
3.	0039	State Excise	15,623.66	6.32	14,636.24	365.90	73.18	
4.	0040	Taxes on Sales, Trades etc.	36,481.81	3.10	35,350.87	883.77	176.75	
5.	0041	Taxes on vehicles	2,490.24	17.01	2,066.65	51.66	10.33	
6.	0045	Other Taxes and Duties	7,982.69	25.00	5,987.01	149.67	29.93	
		Total	64,474.54		59,462.87	1,486.55	297.31	253.87

Source: Finance Accounts 2016-17 and information furnished by Urban Development & Housing Department.

➤ In addition to the above tax transfer, the 4th SFC recommended (Para 7.30 and Table 7.17) for transfer of ₹ 195.43 lakh towards Grants-in-aid to seven ULBs during 2016-17. Against this ₹ 187.27 lakh was transferred towards Grants-in-aid during 2016-17 to ULBs. As a result, developmental activities relating to three transferred subjects could not be taken up adequately by ULBs to provide better civic amenities to the citizens of urban areas.

4.14.3 Recommendation of Central Finance Commission (CFC)

The details of fund received from GOI towards 13th/14th FC and transferred to ULBs by State Government during 2012-17 is shown below:

Table 4.10**Statement showing utilisation of CFC fund***(₹ in lakh)*

Year	Amount Released by GOI	Date of receipt of Fund from GOI	Date of release of fund to ULBs	Delay (in days)
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
2016-17	239.50	15.12.2016	23.12.2016	--
	331.50	17.2.2017	1.3.2017	--
	196.00	18.1.2017	2.2.2017	--
Total	1,063.59			

Source: Information furnished by State Government (UDHD)

As would be noticed from the above table, fund amounting to ₹ 276.33 lakh was released belatedly (delay ranging from 1 to 24 days) during 2012-17 which is in contravention to CFC recommendations to release funds to ULBs within 15 days of receipt of funds from Government of India.

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 XIth 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 (Sikkim Municipal Accounting Manual (SMAM)) was approved by the Government during September 2017. Reason for abnormal delay in approval of SMAM 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 approved during September 2017) 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 Non completion of project within stipulated time led to loss of second instalment amounting to ₹1.25 crore

Implementation of challenge fund by Gangtok Municipal Corporation (GMC) was characterised by slow pace of work leading to non-completion of project, loss of ₹1.25 crore on second instalment from GOI and deprivation of rehabilitation facilities to 51 vendors who could have been provided with vending stalls to earn their livelihood.

The Ministry of Housing and Urban Poverty Alleviation (MOHUPA), Government of India established (March 2012) 'Challenge Fund' for promoting the innovation and replication of 'Best Practices' in the area of urban poverty alleviation by supporting the Urban Local Bodies (ULBs) to take up proper project within the thematic areas. Human Settlement Management Institute (HSMI) under Housing & Urban Development Corporation Ltd. (HUDCO) was designated as the administrator for operationalisation of the Challenge Fund. The proposals were accordingly invited (February 2013) by HSMI, HUDCO from 40 ULBs including Gangtok Municipal Corporation (GMC).

The GMC submitted (March 2013) the proposal for creation of vendors zone and upgradation of footpath from MG Marg to Denzong Cinema Hall at Gangtok involving a cost of ₹ 250 lakh. The proposal were discussed in the meeting (3 December 2014) of Steering Committee under the chairmanship of Joint Secretary and Mission Director (JNNURM & RAY). Token approval was accorded in consideration that 87 vendors will be rehabilitated by constructing 6ft. X 4 ft. or 6 ft. X 6 ft. shopping kiosks alongwith associated infrastructure to help in improving the informal trade and making it better managed public space.

The GMC submitted (January 2015) Detailed Project Report (DPR) alongwith a Memorandum of Understanding (MoU) with assurance that all suggestions and observation of Steering Committee would be taken care of during execution of project and the project will be completed in time. The MoU inter-alia included that the final instalment shall be claimed before the due date (June 2015). In case of delay, beyond 30th June 2015, GMC will complete the project at its own without asking for any fund from Government of India (GoI) or Challenge Fund.

Based on the MoU and other details, GoI sanctioned the project (28 January 2015) for ₹ 2.50 crore for setting up of vendor zone in Gangtok. The Ministry simultaneously released ₹ 1.25 crore as 1st instalment subject to the conditions that the (i) financial assistance shall be utilised for the purpose for which it has been sanctioned and strictly as per the details given in the proposal; (ii) subsequent installment shall be released after utilisation of 70 per cent of earlier release and submission of utilisation certificates duly supported by audited statement; and (iii) financial assistance shall be utilised within the period of six months from the date of release.

Audit scrutiny revealed (January 2017) that the GMC could not complete the project within the stipulated time (30 June 2015). The project was completed, that too partially, by August 2016, recording a delay of more than a year at a cost of ₹ 1.39 crore. Audit analysis disclosed that none of the three components were completed in full as detailed below:

<i>(₹ in lakh)</i>			
Component	Sanctioned cost	Amount released	Expenditure
Construction of 45 nos. of vending stalls in the open space of Super Market, Gangtok	53.48	26.74	50.05
Construction of 42 no. of vending stalls, ducts, and flower beds along the footpaths from Denzong Cinema Hall to MG Marg	107.67	53.83	47.87
Upgradation and beautification of footpaths from Denzong Cinema Hall to M G Marg	88.85	44.43	41.42
Total	250	125	139.34

The GMC completed construction of 36 vending stalls (out of 45 stalls) in the open space of Super Market, Gangtok at a cost of ₹ 50.05 lakh as against the sanctioned fund of ₹ 26.74 lakh thereby exceeding the sanctioned limit by ₹ 23.31 lakh and less construction of nine stalls. This excess expenditure was met from savings of other two components i.e., construction of 42 vending stalls, ducts and flower beds along the footpath from Denzong Cinema Hall to MG Marg (₹ 5.96 lakh) and upgradation and beautification of footpaths from Denzong Cinema Hall to MG Marg (₹ 3.01 lakh) and partly from Municipal Fund (₹ 14.34 lakh). This excess expenditure on one component and meeting of deficit from other component was against the spirit of the terms of sanction, which stipulated that financial assistance should be utilised strictly as per the details given in the proposal.

Audit observed that as against the project objectives of providing rehabilitation to 87 vendors, only 36 vendors could be provided with stalls for rehabilitation, leading to deprivation of rehabilitation facilities to 51 vendors.

The GMC stated (June 2017) that full completion of the project was not possible as the second instalment was not released by the Ministry. The delay in implementation of project was due to disturbances by the local youth of the area, resistance by the existing shop owners for construction of vendors market along the footpath from Denzong Cinema Hall to M.G. Marg, and excavation of duct along the heavily used footpath, etc.

The reply is not convincing as all these issues should have been factored in before submission of the project and drawing up of MoU which clearly stated that the project would be completed in scheduled time (June 2015) failing which the GMC will complete the project of its own cost without asking for any fund from GoI or Challenge Fund.

Thus, due to slow pace of work by the engineers, inadequate monitoring by the Commissioner and other officers in GMC, full fund made available by the Ministry through first instalment could not be utilised within the stipulated time frame. As a result, GMC could not avail ₹ 1.25 crore on second instalment which could have been utilised for completion of project and providing rehabilitation opportunities to 51 more vendors. The GMC had also not taken suitable initiatives to complete the project with its own fund as agreed to in the MoU and instead left it half done as of March 2017.

5.2 Irregular expenditure of ₹ 1.19 crore from BSUP Funds

The Gangtok Municipal Corporation (GMC) irregularly incurred the Basic Services for Urban Poor (BSUP) Funds of ₹1.19 crore during 2014-16 and adversely affecting the programme objective as identification of target area having substantial population of urban poor was not carried out and perspective plan was not drawn up for integrated development of target area.

The GoI launched (February 2009) the programme 'Basic Services for Urban Poor Fund' with the objectives to provide basic services of water supply and sanitation, improved housing at affordable prices and ensure delivery of social services of education, health and social security to urban poor, secure effective linkages between asset creation and asset management to make it self-sustaining over time. The programme guidelines (para 4) enjoined upon the State Government to ensure adequate investment of funds to fulfil deficiencies in the Basic Services to the Urban Poor.

The State Government (UDHD) notified (July 2011) for creation of 'Basic Services for Urban Poor Fund' in all the Local Bodies and envisaged for appropriate budgetary mechanism to ensure that funds allocated for urban poor get spent on urban poor. The ULBs were also required to submit yearly progress report to the State Government for review. The main thrust of the BSUP was integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to provide utilities to the urban poor.

To fulfill the objectives of BSUP, urban poor were to be identified using credible methods, especially those that lead to better targeting and preparing poverty alleviation action plans starting from neighbourhood level to community level to city level. Detailed Project Reports (DPRs) were to be prepared by the implementing agencies for funding under the mission including specific project components viz. health, education, etc. social security etc.

Audit observed that fund of ₹ 1.19 crore was released to GMC during 2015-16 (₹ 60.02 lakh) and 2014-15 (₹ 59.29 lakh). The GMC executed the projects with the fund in almost equal proportion in all the 17 wards. However, the identification of urban poor ward wise as required in the programme guidelines was not done. The poverty alleviation programme was also not kept in perspective by the GMC and therefore no Action Plan in this regard was prepared. Yearly Progress Report to State Government as required in the BSUP guidelines was also not sent by GMC to enable the State Government to review the appropriateness of programme execution. The segregation of nature of works by Audit revealed that the works pertained to payment of rent, construction of footpath, protection wall, drain, manholes, etc. without any perspective plan and without identification of urban poor which was irregular and against the BSUP guidelines.

Thus, the main thrust of BSUP to ensure integrated development of slums by providing basic services to urban poor was not achieved, even after incurring a substantial fund of ₹ 1.19 crore during 2014-16 by GMC.

In reply, the Commissioner, GMC stated (June 2017) that due to meagre fund availability, the Corporation could not prepare Action Plan and assured that the norms and procedure pointed out by Audit would be followed in future by the Corporation in implementation of BSUP.

The Corporation could have utilised the available fund of ₹ 1.19 crore during 2014-16 in self-sustaining assets rather than on scattered activities to ensure integrated development of the targeted area having substantial population of urban poor, which was not done. Thus, the programme objectives of providing integrated development by providing basic services to urban poor was not achieved.

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: 2)

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	3	1,595
Nagar Panchayat	Numbers	3	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> ⁷ ; support for control of forest fire, prevention & control; awareness and promotion on regulated grazing;	Establishment of community nurseries; establishment of medical plants gardens for commercial purpose; establishment of <i>Smriti vans</i> ; control of forest fires; co-ordination with Joint Forest Management Committee (JFMC); control of grazing in forest land; implementation of regulated grazing; plantation of Non Timber Forest Produces (NTFP) production; micro-

⁷ “*Smriti Van*” is a piece of land where medicinal plants have been planted through community participation.

	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.	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 potential places for development 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 infra-structure 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.

	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
Agriculture			
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	As in item 4	As in item 4
	(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.	-
Animal Husbandry			
1.	Prevention and control of animal disease	Identification of areas for Prevention, execution and monitoring including census of animals to assess the requirement of vaccine & medicine for the district.	Supervision of prevention & control work in co-ordination with the respective veterinary officer and report to ZP.
2.	Herd improvement (A) Through natural service	Approval of requirement placed by GP and release of Maintenance allowance as per the Report of GP.	Identification of farmers for keeping the breeding animals.
	(B) Through Artificial Insemination.	Implementation of programme through concerned field Functionaries.	-

3.	Integrated piggery Devevelopment Programme	Implementation and monitoring of the Integrated piggery Devevelopment Programme, training, orientation and distribution of piglets and feeds.	Identification of beneficiaries for the Integrated piggery Devevelopment Programme and reporting to ZP for approval.
4.	Extension & Training of Integrated piggery Devevelopment Programme	Organising routine training of Extension & Training of Integrated piggery Devevelopment Programme at Farms.	Identification of training needs of farmers.
5.	Minor works/ supervision/ Maintenance	Approval and Implementation of minor works/supervision/ maintenance accounts upto ₹ 3 lakh.	To report to ZP for projecting requirement of minor works.
6.	Stockman centre	Supervision/ maintenance of minor repairs of Stockman centre upto ₹ 3 lakh.	Priority to be fixed in Gram Sabha for Stockman centre.
Medical and Public Health			
1.	Mass education	Implementation and monitoring of Mass education.	To organise <i>Swasthya Samiti</i> in GP and organise health camps in consultation with ZP and concerned Chief Medical Officer.
2.	Rural family welfare services	Implementation and monitoring of Rural family welfare services.	-
3.	Maintenance of Public Health Service Centre	Maintenance of Public Health Service Centre upto ₹ 3 lakh.	Supervision of Maintenance of Public Health Service Centre.
5.	Integrated Child Development Service.	Construction of Integrated Child Development Service Centres in consultation with State Govt.	Supervision of Integrated Child Development Service centre and report to ZP.
Rural Development Department			
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.
Education Department			
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	-
Land Revenue Department			
1.	Village Level Officer Centres	Supervision/ maintenance/ minor repairs of Village Level Officer Centres upto ₹ 3 lakhs	-
Irrigation Department			
1.	Minor Irrigation Works	Supervision/maintenance/ minor repairs of Minor Irrigation works upto ₹ 3 lakhs	-
Forest Department			
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
AGRICULTURE		
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.
ANIMAL HUSBANDRY		
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.
MEDICAL AND PUBLIC HEALTH		
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.
RURAL DEVELOPMENT DEPARTMENT		
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.
EDUCATION DEPARTMENT		
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:8)

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 12)

(₹ 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 th FC	1604.00	31.3.2016	31.3.2016
	SFC	892.70	31.3.2016	31.3.2016
2016-17	14 th FC	2,511.00	31.3.2017	31.3.2017
	SFC	828.62	31.3.2017	31.3.2017

Source: Information furnished by State Government

Appendix 1.7
Statement showing arrears of revenue
(Reference: Paragraph-1.12.1; page 22)

Sl. No.	Type of Tax	2012-13	2013-14	2014-15	2015-16	2016-17
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
	Total	78,36,192	78,36,192	78,36,192	78,36,192	78,36,192

Appendix-2.1
Statement showing audit sampling
(Refer paragraph 2.5.1 page: 33)

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

Selected Districts

Sl. No.	Name of Districts
1.	East District
2.	West District

In East district out of 10 Block Administrative Centres (BACs), 5 were selected

Sl. No.	Name of BACs
1.	Pakyong
2.	Nandok
3.	Ranka
4.	Rakdong
5.	Parakha

In West district out of 9 BACs, 4 were selected

Sl. No.	Name of BACs
1.	Hee Martam
2.	Kaluk
3.	Sombaria
4.	Soreng

In East district out of 25 GPs in selected BACs, 7 GPs were selected

Sl. No.	Name of GPs
1.	Pachey Samsing
2.	East Pandam
3.	Nandok Saramsa
4.	Kopibari Syari
5.	Luing Perbing
6.	Samdong Kambal
7.	Latuk Chuchenpheri

In West district out of 29 GPs in selected BACs, 8 were selected

Sl. No.	Name of GPs
1.	Martam
2.	Chingthang
3.	Takothang
4.	Rumbuk
5.	Okhrey
6.	Buriakhop
7.	Timburbong
8.	Chota Samdong Arubotey

Beneficiary Survey:

20 beneficiaries from each of the selected 15 GPs were interviewed as per their availability and their responses recorded, compiled and incorporated at appropriate places in the Draft Report.

Appendix-2.2
Statement showing self of projects
(Refer paragraph 2.6.2.1, page:37)

Name of GP: Kopibari Syari

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
13-14	7.2.13	RC from PMGY road to Deo kumar dhakal	Chinese teak plantation	Not taken up
		RC PMGY to Rai Gaon	RC at Lagamthang tamang Goan	
		Catch water drain blown gaon	Land development (Tseten Bhutia)	
		RC kalu tamang to Praveen gurung	Broom plantation	
		Protective wall at lower syari		
		Broom plantation		
		Land development		
		Rain water harvesting tank at Lower syari		
		Catch water darin paul rai		
		RC below MH to Dawa lepcha house		
		RC mohan thapa house to nandok bridge		
		Water harvesting tank		
		Land development		
		Peach plantation		
		RC U Sherpa to Kusang tamang house		
		RC svkman house to lepcha jhora		
		Guava plantation		
		Land development 6 no.		
		RC upto Sonam tamang house		
		RC central school house to new gomchen		
		RC Jagat lama house		
		Broom plantation		
		Land development		
		Water harvesting tank		
		Catch water drain below Lepcha house		
		RC Govt. qtr to P Chettri house		

		RC Dorjee Tamang house to mon maya lepcha	
		RC Dotapu Primary school to Tamang gaon	
		Broom plantation	
		Water Harvesting Tank in Jhordhara	
		Land development	
		RC from TC Bhutia house to LC Bhutia	
		RC from TW Lepcha house to SD Bhutia house	
		RC from TW Lecha house to PW Lepcha	
		RC from Kopibari Hawa ghar to BB Tamang house	
		RC DR Mangar house to Rizay bridge	
		RC from AS Manger house to Deoraj house	
		RC from Jhora bridge to Mandan Tamang house	
		RC from SB Subedi to Ganga Maya Jhora	
		Broom plantation	
14-15	10.11.13	Poultry farm of BPL families	Orange plantation
		Cowshed to BPL families	RC from Deorali Tashi Chewang house to Bhaichung
		RC from PMGSY road to Shiv Mandir	
		P/Wall in urgent land slides	
		Piggery	
		RC from Tamang Gaon to Rorocho river	
		Water tank at Surya Gaon	
		Pig shelter	
		Cowshed	
		RC from Army hospital to dawa lepcha house	
		RC from Sukman house	
		Mixed plantation	
		Cow shed	
		Poultry and Piggery shed	
		P/wall below Nardhoj house	
		RC from JB tamang house to new road	
		Cow shed to BPL families	
		Goat shelter	
		RC from Trinity Jhora to Dothapu gaon	
		Cowshed	

		Piggery shed	
		Water tank	
		RC from house of Tashi Bhutia to RL house	
		Piggery at Kopibary	
		Plantation of horticulture	
		Cow shed	
		JTW at BB tamang house	
15-16	28.1.15	RC from Assam Rifle to lower syari	RC from Assam Rifle to lower syari
		RC from Dhakal gaon to Devi Mandir	RC from Dhakal gaon to Devi Mandir
		MIC from Ashok Tamang field to Rakesh Tamang house	RC from Lopsey Botey to Bijoy Tamang house
		MIC at TB Khet	MIC at TB Khet
		Drain box below Birman colony	Drain box below Birman colony
		RC from T wangdi	RC from T wangdi
		RC from Lopsey Botey to Bijoy Tamang house	Pig shed
		Guava Plantation	Cow shed
		Orange plantation 2 Ha	MIC from Ashok Tamang field to Rakesh Tamang house
		Guava plantation	
		Mixed plantation	
		Banana plantation	
		Orange plantation	
16-17	24.5.16	RC from Royal plaza to Tamang gaon	RC from Shibu Dara to Lagamthang
		Cow shed	RC from Royal plaza to Tamang gaon
		Protection wall	
		Broom plantation	
		Cow shed	
		Pig shed	
		RC and protective work	
		RC from KB Rai house to MK Rai	
		RC from Kendriya vidhyalaya to TB house	
		Cow shed	
		Pig shed	
		Protective work	

Name of GP: Nandok Saramsa

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
14-15	30.1.14	Const. of CCFP at upper Nandok	Protective wall from Tambutar to Saramsa	Not taken up
		Const. of CCFP at Khokmali Gumpa U.N	Pig shed	
		Const. of MIC from Sanleybung to Passang Tsh. House	RC from DPH power grid to Sekey	
		Broom Plantation at U.N	Broom plantation	
		Land development and land Convergence at U.N	Land development	
		Const. of Pig shed at U.N		
		Const. of Cow shed at U.N		
		Const. of CCFP from Meera Rai house to Nandok S.S		
		Const. of CCFP from Sanberbung to Nandok School		
		Const. of Irrigation Tank at Chabdra Bdr. Rai		
		Broom Plantation at Lower Nandok		
		Const. of Pig shed at L.N		
		Const. of Cow shed at L.N		
		Land convergence at L.N		
		Protection wall at Nandok		
		Const. of CCFP from PMGSY Road to Nimthang Pr. School		
		Const. of Irrigation Tank at Nimthang		
		Land convergence and development at Nimthang		
		Const. of protective work at Nimthang		
		Broom Plantation at Nimthang		
		Const. of Cow shed at Nimthang		
		Const. of Pig shed at Nimthang		
		Dismantle and Const. of Nimthang ICDS Centre		

		Const. of CCFP from Tembutar to Basnet	
		Const. of drainage and CCFP at DPH	
		Broom Plantation at DPH	
		Const. of protective wall at DPH	
		Const. of Cow shed at DPH	
		Const. of Pig shed at DPH	
		Const. of CCFP from Power Grid to Basnet Gaon at DPH	
		SRAMSA WARD – 5	
		Const. of protective work at Tambutar Saramsa	
		Broom Plantation at Saramsa	
		Bamboo Plantation at Saramsa	
		Const. of Cow shed at Saramsa	
		Const. of Pig shed at Saramsa	
		Const. of CCFP from Jalipool to School	
		Const. of land convergence and terracing at saramsa	
		Const. of protective wall at K.B Darjee house	
15-16	12.11.14	MIC from Samalbong to P.T Agriculture field	MIC from Samalbong to P.T Agriculture field
		RC at Khokmali Agri field	RC at Khokmali Agri field
		RC from Sumbang to Nandok School	RC from Sumbang to Nandok School
		RC from PMGSY road to Nimthang Pr. School	RC from PMGSY road to Nimthang Pr. School
		Protective wall at Saramsa	Protective wall at Saramsa
		RC from Tambutar to Basnet Goan	RC from Tambutar to Basnet Goan

Name of GP: Okhrey

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
15-16	15.2.15	Water Harvesting Tank	Construction of JTW at U. Okhrey	Not taken up
		Cow shed	Cardamom plantation	
		Tea Plantation	RC from Chyandara PWD road to 10 th mile PWD road	
		Water Harvesting Tank		
		MIC from Bukhola to Chyandara		
		MIC from Tama Khola to Middle Okhrey		
		Const. of CCFP from D.B Dara to 10 th Mile		
		Cow shed		
		Pig shed		
		Const. of CCFP from Ram Bdr House to Manjit Lepcha house	Construction of MIC channel from Tam Khola to L. Okhrey	
		Water Harvesting Tank	Construction of MIC channel from PWD road to Rammam Khola Pureytar	
		Land Dev work	Construction of JTW work at Chengba Gaon	
		Pig Shed		
		Cardamom Plantation		
		Const. of MIC at Piuretar		
		Const. of MIC at Bangeytar		
		Land Dev work		
		Cow shed		
		Water Harvesting tank		
		Cardamom plantation		
		Const. of protective wall in front of ICDS centre		
		Water harvesting tank		
		MIC at Chengba Gaon		
		JTW at zero PWD road to Down		
		Cow shed		
		JTW below Sangay Tamang House		
		CCFT from PWD Road to PMGSY Road		
		Land terracing		
		Land Dev. Works.		

Name of GP: Pachey Samsing

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
16-17	11.12.15	Upper Samsing	RC from Bagdara to Sansari Dara	Not taken up
		Cardamom Plantation	Cardamom Plantation at Lower Samsing	
		Nakima Plantation	RC from Ganga dara to Dasrat Dara	
		RCC from Gairi Gaon to Pachey School	Cow shed at Phirpheray	
		RCF from Gairi Gaon to Tanki Dara	Cow shed at Ganchung	
		RCF from PWD Road to Basnett Gaon	Broom plantation at Gaschung	
		FCW from Namphong to Pachey School	Land development of Tenzi sherpa	
		FCW from Gairi Goan to Davithan		
		RCF from Gairi Gaon to Sherpa Gaon		
		Protective wall below M.M House OR CMRHM P Sharma house		
		RCF from Ranipool Road to Irrigation office		
		Lower Samsing		
		Cow shed		
		Harvesting Tank		
		RCF Ganya Dara to Dasharat Dara		
		RCF from GPK to Tokchi Road		
		RCF from J. Housesubba Gaon via Maneydara		
		RCF from GVK to PMGSY Road		
		Ganchung Ward 4		
		MIC from Changchany khola to Bhatti Khet		
		RCF from Machong Road to Shiva Mandir		
		Cadamom Plantation		
		Cow shed		

Name of GP: Luing Perbing

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
15-16	15.2.15	Cardamom Plantation	Cowshed 41 Nos	Not taken up
		Land Development CMRHM	Cardamom Plantation (10 Hec)	
		CCFP Luing School to ICDS to Shivlaya Mandir via PMGSY Road	CCFP from Barpipal Krishna Mandir to SPWD road	
		Pig Shed	Cowshed 15 Nos	
		CCFP from Barpipal Mandir to Thumka Dara via Upper SPWD road	MIC from Dhan Bari to Middle Luing	
		Land Development CMRHM	CCFP from SPWD road to Crematorium Shed at Rani Khola	
		MIC from Dhan Bari to Middle Luing	Cow shed 12 nos	
		Cow shed (15)	Cow shed 35 nos	
		Pig shed	Cowshed 17 nos	
		CCFP from SPWD road to Crematorium Shed at Rani Khola		
		CCFP from SPWD road to Dahal Gaon via Gautam Gaon		
		Cow shed (17)		
		CCFP from Durga Mandir to Takchi SPWD		
		CCFP from Chagay Pool to Doksing School		
		Cow shed (33)		
		CCFP from C.M Subba house to Middle Parbing		
		Cow shed (26)		
		Pig shed		
		Footpath from SPEW Road to Ani Gumpa Via Katel Gaon		
		MIC from Pachula to SPWD road via cardamom field		
		Cow shed		
		Cardamom Plantation		
		Fooder/Broom Plantation		

16-17	10.11.15	Footpath from Santipur Durga Mandir to Rai Gaon U. Charang	Cowshed at Bhotey goan	
		Box drain form Rai Gaon to Chintu khola	Broom Plantation at Bhotey Goan	
		Cow shed	Cardamom plantation at Bhotey goan	
		Cardamom Plantation	RC from PMGSY Road to Shivalayamandir	
		Broom Plantation	Broom Plantation at Kharka Goan	
		Footpath from L. Luing Pr. School to Palathang Bridge	Cardamom Plantation at Kharka Goan	
		MIC from Tatapani khola to tadong khet	Cowshed at Kharka Goan (10Nos)	
		Cow shed	Cowshed at Changrang	
		Land development CMRHM	Cardamom Plantation at Changrang	
		Cardamom Plantation	Broom Plantation at Changrang	
		Broom Plantation		
		Footpath from Dahal Gaon to Khali Khola		
		Box drain from Gautam Gaon to U. Luing		
		Cow shed		
		Cardamom Plantation		
		Broom Plantation		
		Thamidara Ward		
		Footpath from SPWD road Ranka to Barpipal Dara		
		MIC from Devithan Pandey Gaon to Paleythang Khola		
		Cow shed		
		Cardamom Plantation		
		Broom Plantation		

Name of GP: Buriakhop GP

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
14-15	13.1.14	Jhora from PMGSY Riad Bichgaon Forest Line to Goya Kholcha	Cow shed (2 nos)	Not taken up

		MIC channel at Goya Kholcha to Chain	Cardamom plantation
		EFF at Devithan Gairi to Man Gaon	MIC at PWD road
		Cow shed (6)	
		Cardamom plantation (2 hec)	
		EFF at Goyai khola to Gatey Khola	
		Construction of playground at Dichen Cholli	
		Channel at Dharmasala to Puja Dara	
		Cow shed (13)	
		EFF at Nigaray Dara to Tanki Dara and Consumer Dara to Angaray Goan	
		Cow shed (10)	
		Pig shed (10)	
		Cardamom Plantation (2 hec)	

Name of GP: Martam

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
15-16	18.2.15	Cardamom Plantation (10 hec)	Cardamom Plantation at Martam Sherpagoan	Not taken up
		Individual Toilet 10 nos	Pigstay of Nima chenga Sherpa	
		Cow shed 5 nos	JTW from ICDS to Kaluk	
		Pig shed 5 nos		
		JTW from ICDS to Kaluk Dentam SPWD road		
		Village footpath		
		Water harvesting tank 5 nos		
		Martam Srijunga Ward No.2		
		Cardamom Plantation (10 hec)		
		Individual Toilet 10 nos		
		Cow shed		
		Pig shed 5 nos		
		Extension of V. footpath from Srijunga		

		Water harvesting tank 5 nos	
		MIC from Devithan to Khaling source via PWD road Kami dara	
		Land dev. Protection work (2)	
		Cardamom Plantation (10 hec)	
		JTW from Bhandry to Takmany	
		Cont. of fish pond	
		Village footpath	
		Water harvesting tank (5 nos)	
		Cow shed 8 nos	
		Land dev. Protection work	
		Arithang Daragoan Ward No. 4	
		Cardamom Plantation (20 hec)	
		Land dev. Protection work	
		Cow shed 5 nos	
		Eco F.F	
		Water harvesting tank (5 nos)	
		Ext. of MIC Arithang to Kalez Khola	
		Safe drinking water with NERLP	
		Martam Ghaiyabari Ward No. 5	
		Cardamom Plantation (12 hec)	
		Individual toilet 10 nos	
		Land Dev under CMRHM	
		MIC	
		Cow shed	

Name of GP: Chota Samdong

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
16-17	12.11.16	JTW at Arubotey	Ext. JTW at Arubotey Jagdum	Not taken up
		Protective work at LPS School Playground Mazuwa	Ext. of JTW at Dewani Tarbarey	

		Cow shed (4Nos)	JTW at Tharey Kholsa
		Cardamom plantation (5 hec)	JTW at Bagchasay
		Water harvesting tank (10 Nos)	JTW at Gairy Kholsa
		Pig sty 5 nos	JTW at Aitabarey Kholsa
		JTW at Tharey Kholsa	JTW at Khesabong Kholsa
		JTW at Newara Kholsa	Cardamom plantation (49 beneficiaries)
		CCFP from Rothok Khola to Rattan Dara	
		JTW at lower Tamthok	
		Mic from middle Tamthok to lower Tamthok	
		Water harvesting tank 10 nos	
		Orange plantation 5 hec	
		Cow shed 5 nos	
		Pig shed 5 nos	
		JTW at Aitabarey Kholsa	
		JTW at Middle Chota Samdung	
		Protective work at Middle Chota Samdung	
		Water harvesting tank 10 nos	
		Cow shed 5 nos	
		Pig shed 5 nos	
		Cardamom plantation (10 hec)	
		JTW at Bagchasay Kholsa	
		CCFP from Rothok Kholsa to Dilip Dhara	
		Water harvesting tank 15 nos	
		Cardamom plantation (10 hec)	
		Cow shed 5 nos	
		Pig shed 5 nos	
		JTW at Khesaybong Kholsa	
		Water harvesting tank 15 nos	
		JTW at Dewanitar	
		Cardamom plantation (20 hec)	
		Cow shed 10 nos	

		Pig shed 5 nos	
		JTW at Gairey Kholsa	
		Nakima Plantation	

Name of GP: Timburbong

Year	Date of Gram Sabha	Name of work passed by GP	Name of work sanctioned by DPC	Name of work taken up by GP in next financial year from works passed in Gram Sabha
14-15	16.1.14	Horticulture Plantation	Horticulture Plantation	Not taken up
		Flood control and protection	Land Terracing	
		RC Dhargoan to Sansari Dara via mandal Dara	Cow shed	
		Land Terracing	Pig shed	
		Cow shed		
		Pig shed		
		Water harvesting Tank		
		VFP from Goshawala Dara to PMGSY road		
		VFP from PWD road to Manghim		
		VFP from PWD road to Arubotey		
		Pig shed		
		Cow shed		
		Orange Plantation		
		VFP from Panchayat Ghar to Banpala		
		VFP from PMGSY road to Karki Dara		
		Cow shed		
		Pig shed		
		Fish Pond		
		Flood Control and Protection		
		Orange plantation		
		Micro Irrigation Channel		
		VFP Portel Dara to Chisopani Channel		
		Water Storage Tank	Irrigation Tank	
		Cow shed		
		Pig shed		
		Flood Control and Protection		
		Micro Irrigation Channel		
		VFP PWD road to Dahal Goan		
		Water Storage Tank		

		Cow shed	
		Pig shed	
15-16	3.12.14	Const. of Drain box from Zambirbotey	Avenue Plantation along PMGSY road to from Soreng Sombaria road to Lower Timburbong
		Const. of Drain box from PWD road to Devi Mandir	cowshed
		Weeding of cardamom plantation	Const. of MIC from Zambirbotey to PWD road (01)
		Cardamom plantation at Bahun Gaon	Const. of MIC from Majey to Piplely Botey (04)
		H/H toilet	
		Const. of Drain box from PEW road to Auley Gaon	
		MIC from chaplatey Dunga to Fuyel gaon	
		Cardamom plantation	
		H/H toilet	
		Construction of Drain box from PWD road to Auley Gaon	
		Box drain from H.I centre to lopsibotey	
		MIC from Gurung Kholsa to Pradhan dara	
		Cardamom plantation	
		Weeding of orange plantation	
		H/H toilet	
		Box drain from HI centre to Lopsibotey	
		Const. of Jhora at Jogibari Kholsa	
		JTW at Ridhang Kholsa	
		MIC from Simdhap to Portel dara	
		MIC from Dubenee kholsa to Phalety dara	
		MIC from Majey Kholsa to luberi	
		Weeding of orange plantation	
		Orange plantation	
		Guava Plantation	
		H/H toilet	
		Const. of MIC from Majey to Piplely Botey	

		JTW at Shirisey Dhara	
		Protective work at Vidhya Bharati School	
		Drain Box at Ridhang Kholsa	
		Mic from Majey Kholsa to Dubenee Kholsa	
		Litchi Plantation	
		H/H toilet	
		Water harvesting tank at Zambirbotey	
16-17	14.12.16	Construction of JTW at Gairigoan Devi Than to Samjana	Construction of JTW at Gairigoan Devi Than to Samjana
		Construction of CCFP from PWD road to Julphey Bari	
		Construction of Box drain from Daragoan Manghim to Chettri Dhunga	Construction of MIC from Daragoan Manghim to Chettri Dhunga
		Construction of CCFP from PWD road to Tindurey	Cardamom Plantation
		Construction of MIC from Lapsibotey to Pradhan Dara	Orange Plantation
		Construction of Box drain at Arubotey	Construction of MIC at Arubotey
		Construction of MIC from Dubeni Kholsa to Phalatey Dara	Construction of MIC from Dubeni Kholsa to Phalatey Dara
		Construction of Box drain from Tinduray Dhara	Construction of JTW at Dubeni Kholsa
		Construction of CCFP from Bardara to Salghari	
		Construction of JTW at Dubeni Kholsa	
		Construction of MIC from Dubeni Kholsa to VIP Dara	
		Nakima Plantation	

Appendix 4.1
Statement showing vital statistics of Urban Sikkim
(Reference: Paragraph- 4.1: Vital Statistics of ULBs; Page: 79)

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: 81)*

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 for Gangtok Municipal Corporation

(Reference: Paragraph-4.11: Service Level Bench Mark: State Profile; Page: 85)

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 for all Urban Local Bodies

(Reference: Paragraph-4.11: Service Level Bench Mark: State Profile; Page: 86)

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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