

## Chapter – III: Conclusion and Recommendations

### 3.1 Conclusion

The DSSL has not done a cost benefit analysis of Lottery Business nor prepared any appropriate Revenue Model. This has resulted in less revenue to the State and the optimum benefit has gone to the MAs. The Marketing Agents have cornered 98.60 *per cent* of sale proceeds of lotteries while the State could receive a meagre 1.40 *per cent* of sale proceeds, during the audit period 2010-2016. Despite clear provision in the Act and Rules, the entire sale proceeds were not deposited into the State's account. The State had not devised any modality to ascertain the quantum of sale proceeds, realisation and deposit of the entire sale proceeds of lottery tickets from the MAs in the Government Account in conformity to the Lotteries (Regulation) Act, 1998 and Lotteries (Regulation) Rules, 2010. Despite running lotteries for more than four decades continuously, the State had not devised appropriate revenue model to ensure realisation of a reasonable share of the sales turnovers as its share of revenue. The MGR model of revenue which pegged the revenue receivable by the State at about ₹ 10 crore per annum per MA, irrespective of significant increase in sales turnover, was not based on any analysis of receipt and expenditure incurred.

The authenticity of distribution of prizes upto ₹ 10,000 directly by the MAs, which constituted major chunk of the sale proceeds, was never verified by the DSSL. The award of marketing contract of the State's lotteries to various lottery MAs was characterised by lack of transparency, frequent extensions of contract without competitive bidding and considerable delay in finalisation of tenders led to huge loss of revenue to the State. The DSSL failed to get the Central Servers of Online Lottery MAs installed at Gangtok thereby making it extremely difficult for the State to monitor transactions of Online Lotteries besides violation of Lotteries (Regulation) Rules, 2010, which prescribed installation of server within State boundary. The application software, programmes, operating systems, hardware and all other devices used by the online MAs were neither prescribed nor standardised by the DSSL. Annual financial and systems audit of the Lottery Schemes run by the MAs had never been conducted. The game designs of the lottery schemes were not analysed by the DSSL to ascertain their legality in terms of Lottery (Regulation) Rules, 2010. The State's overall monitoring of lottery operations by the MAs, was virtually non-existent. The operations of lotteries business were fully controlled and conducted by the private operators called MAs. Even basic objectives of running lotteries business, viz. carry out development activities and welfare schemes in Sikkim, were not fulfilled as no such schemes were ever drawn by the Government, nor funded from the revenue earned from lotteries.

### 3.2 Recommendations

The Directorate of Sikkim State Lotteries (DSSL) may consider implementing the following recommendations:


- The State needs to lay down clear and workable modality to ascertain the quantum of sale proceeds and deposit thereof into Government account. Benchmarking of State revenue should be done with gross value of sale proceeds of lottery tickets. Commission of distributors should be fixed after deducting operating cost, prize money, printing cost, charges to the other State, etc.
- Uniformity may be brought in the process of award of marketing contracts, by following laid down procedure for selection of marketing agencies to make it more competitive and transparent.
- The application software, programmes, operating systems, hardware and all other devices may be prescribed and standardised. Uniformity, to the extent possible, in utilisation of hardware and software systems should be maintained for all Online Lottery MAs. Annual financial and systems audit of the Lottery Schemes must be conducted.
- Internal control system may be strengthened by appropriate measures, preferably by setting up an independent internal audit wing and compliance with the observations made by the wing may be ensured.
- Government should draw the scheme for utilisation of revenue generated out of operation of lotteries, as envisaged under Notification under Rule 3(2) of Lottery Regulation Rules, 2010, for development activities of social importance like health, education, poverty alleviation, etc. and it should be kept in a separate account earmarked for above purpose.

**Gangtok**  
**The 17 August 2017**

  
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**Countersigned**

**New Delhi**  
**The 18 August 2017**

  
**(Shashi Kant Sharma)**  
**Comptroller and Auditor General of India**