

## CHAPTER V GENERAL SECTOR

### 5.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2017 deals with the findings on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2016-17 are given in the table below:

**Table 5.1.1**

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1	Development Planning, Economic Reforms and North Eastern Council Affairs	409.95	57.66
2	Election	6.37	6.37
3	Governor	6.82	6.33
4	Finance, Revenue and Expenditure	1149.37	1094.84
5	Home	48.32	43.63
6	Information and Public Relation	13.42	12.89
7	Information Technology	20.13	4.50
8	Judiciary	32.75	26.69
9	Land Revenue and Disaster Management	221.20	144.44
10	Law	9.40	9.20
11	Legislature	18.14	15.89
12	Parliamentary Affairs	0.90	0.87
13	Personnel, Administrative Reforms and Training, Public Grievances, Career Options and Employment, Skill Development and Chief Minister's Self Employment Schemes	9.22	7.33
14	Police	305.18	292.57
15	Printing and Stationery	10.84	10.83
16	Public Service Commission	3.85	3.56
17	Science, Technology and Climate Change	2.79	2.78
18	Skill Development and Entrepreneurship	47.65	38.64
19	Sports and Youth Affairs	20.32	13.91
20	State Excise (Abkari)	7.96	7.37
21	Vigilance	7.60	6.76
	<b>TOTAL</b>	<b>2,352.18</b>	<b>1,807.06</b>

Besides the above, the Central Government had been transferring a sizeable amount of funds directly to the implementing agencies under the General Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 5.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1	High Court of Sikkim	National Mission for Justice Delivery and Legal Reforms	Registrar General, High Court of Sikkim	180.10
2	Land Revenue and Disaster Management Department	MPs Local Area Development Schemes MPLADS.	District Collector, East	750.00
3	Sikkim Information Commission	Propagation of RTI Act – Improving Transparency and Accountability in Government.	Sikkim Information Commission	3.00
4	Science and Technology	Science and Technology Programme for Socio Economic Development	Kanchendzonga Conservation Committee	6.00
5	Sports and Youth Affairs	National Service Scheme	Sikkim State NSS Cell	58.43
6		North East Council	Tarundeep Rai	9.00
<b>TOTAL</b>				<b>1,006.53</b>

Source: Finance Accounts

## 5.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test-check basis, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of these IRs are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

Test audits were conducted involving expenditure of ₹ 596.33 crore (including expenditure of ₹ 590 crore of previous years) of the State Government under General Sector. The details of year-wise break-up is given in **Appendix 5.2.1**. This Chapter contains the results of audit of ‘Border Area Development Programme’ and IT Audit report on ‘Sikkim Integrated Financial Management System’ as given below:

## DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

### 5.3 Border Area Development Programme

The Department of Border Management, Ministry of Home Affairs, Government of India (GoI), has been implementing the Border Area Development Programme (BADP), a Centrally Sponsored Scheme, through the State Governments to bring about comprehensive development of border areas by supplementing the State Plan Funds. It was started during the Seventh (1987-92) Five Year Plan (FYP) with the objectives of balanced development of sensitive border areas in the Western Region through adequate provision of infrastructure facilities and for promotion of a sense of security amongst the local population. The programme was revamped during the Eighth FYP (1992-97) and extended to States with an international border with Bangladesh. During the Ninth FYP (1997-2002), the programme was further extended to States located at the border of Myanmar, China, Bhutan and Nepal.

The BADP aimed to meet the special development needs of the people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the required essential infrastructure through convergence of Central/State/Local schemes and participatory approach.

According to Programme guidelines, BADP is to be implemented in five sectors (*viz.* Education, Health, Agriculture and allied services, Infrastructural and Social) upto May 2015. This was increased to seven sectors with effect from June 2015 adding Sports sector and bifurcating Infrastructure sector into Infrastructure – I (Roads, Bridges, culverts, footpath, helipads, etc.) and Infrastructure – II (safe drinking water supply).

The programme was extended to the State of Sikkim with effect from 1998-99 and was being implemented in eight<sup>1</sup> border blocks in three districts (East, West and North) having borders with Bhutan, China and Nepal.



#### 5.3.2 Organisational setup

In Sikkim, Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) was designated as Nodal Department for implementation of BADP. The Department was headed by the Principal Secretary-cum-Development Commissioner and assisted by a Special Secretary, Additional Secretary, Deputy

<sup>1</sup> *North district: Chungthang and Dzongu Passingdong East district: Gangtok and Reghu, West district: Dentam, Yuksom, Daramdin and Gyalshing*

Secretary and other officers. The Additional Secretary was designated as Nodal Officer for the programme.

Individual schemes proposed to be executed in the State subject to the fund ceiling specified by the Ministry of Home Affairs, GoI were approved by the State Level Screening Committee (SLSC) headed by the Chief Secretary of the State and forwarded to Ministry for acceptance and release of funds. After the receipt of funds by DPERNECAD, it was released to various implementing departments for execution of schemes /works in individual border blocks as per Annual Action Plan (AAP).

### **5.3.3 Scope of Audit**

The audit of BADP was carried out through scrutiny of records of DPERNECAD and other 20 line departments (detailed in **Appendix 5.3.1**) implementing the programme for the period from 2012-13 to 2016-17. Physical verification of 31 selected works out of 247 was also carried out.

### **5.3.4 Audit Objectives**

The audit of BADP was conducted to ascertain the extent to which implementation of the programme was successful in meeting the special needs of the border areas duly examining whether:

- Planning process (based on baseline survey data) of the implementation of the programme was adequate;
- The programme was implemented with due regard to economy, efficiency and effectiveness; and
- Implementation of scheme was properly monitored.

### **5.3.5 Audit Criteria**

Audit findings were benchmarked against the following criteria:

- Guidelines/norms for BADP issued by GoI and the State Government from time to time;
- Directives of the 13<sup>th</sup> Finance Commission with respect to release of State Specific Grants;
- Approved Annual Action Plan and schemes approved by the State Level Screening Committee (SLSC);
- Minutes of the SLSC's meeting; and
- Sikkim Public Works Code, Sikkim Public Works Manual and the Sikkim Financial Rules.

### 5.3.6 Audit Methodology

The audit began with an entry conference (11 July 2017) with the Nodal Department followed by scrutiny of records in the DPNERCAD and the implementing line departments. Joint physical verification of selected sample works was conducted and beneficiaries were also interviewed. Based on scrutiny of records, replies/information furnished by the departments and findings of the physical verification, the draft report was prepared. After completion of audit, exit conference was held on 27 October 2017 where audit observations were discussed and views/replies submitted by the Department were taken into consideration while finalising the report.

### 5.3.7 Sampling

There are four districts (East, North, West and South) in the State of Sikkim. The BADP scheme was being implemented (since 1998-99) in Sikkim in eight<sup>2</sup> border blocks in three districts (East, West and North) having borders with Bhutan, China and Nepal. Altogether 41 villages in three districts (East: 12 villages, North: 6 villages and West: 23 villages) have been notified as border villages with population of 43,386. During the audit period, a total of 254 works have been executed by 20 line departments with fund involvement of ₹ 111 crore and expenditure of ₹ 88.05 crore.

Out of these three districts, North district was selected on the basis of the number of schemes (125) sanctioned and executed in the district. In the selected district (North), one block (Chungthang) was selected out of 2 notified blocks (Chungthang and Dzongu-Passingdong) for detailed scrutiny based on the number of works (118) as well as their monetary value (₹ 82.38 crore). Under the selected block, all the three notified border villages (Chungthang, Lachen and Lachung) were selected for audit examination.

There were 14 departments/agencies involved in the execution of 108 (excluding 10 in non-border villages) works in the three border villages. Against these works, 82 works executed by seven departments involving monetary value of ₹ 66.46 crore (out of ₹ 77.94 crore) were shortlisted for selection based on their higher monetary value and nature of works. From these 82 works, 31 works (38 *per cent*) with financial involvement of ₹ 32.68 crore (49<sup>3</sup> *per cent*) were selected on the basis of Simple Random Sampling Without Replacement (SRSWOR) as detailed below.

<sup>2</sup> *North district: Chungthang and Dzongu Passingdong East district: Gangtok and Reghu, West district: Dentam, Yuksom, Daramdin and Gyalshing*

<sup>3</sup> ₹ 32.68 crore / ₹ 66.46 crore *per cent*

**Table 5.3.1  
Sampling**

Level	Population (Notified)	Sample selected	Remarks regarding the sample selected
Districts	East, West, North	North	6 border villages with 125 works valuing ₹ 85.07 crore
Blocks (under North District)	Chungthang, Dzongu - Passingdong	Chungtang block	118 works valuing ₹ 82.38 crore
Villages (under Chungthang Block)	Chungthang, Lachung and Lachen villages (with 14 departments)	Chungthang, Lachung and Lachen villages involving 14 Departments with 108 works valuing ₹ 77.94 crore.	Chungthang - 9 works (₹6.14 crore) Lachung - 34 works (₹19.72 crore) Lachen - 65 works (₹ 52.08 crore)
Works selection	7 departments across 3 villages Chungthang – 7 works Lachung – 27 works Lachen - 48 works	Chungthang – 5 works Lachung – 10 works Lachen – 16 works	Works selected : 31 works valuing ₹ 32.68 crore

Further, interview with 20 beneficiaries<sup>4</sup> (10 beneficiaries per village) was also conducted for capacity building schemes executed by the line departments in those border villages to assess the satisfaction level of the beneficiaries.

### 5.3.8 Audit findings

The important points noticed during the course of audit are discussed in the succeeding paragraphs.

#### 5.3.8.1 Planning

##### 5.3.8.1.1 Baseline survey data

Programme guidelines (Para- 3.3) envisaged upon the State Government to undertake baseline survey to assess the gaps in basic physical and social infrastructure for preparation of a long term Perspective Plan (PP) for each border block.

Scrutiny of records revealed that the State Government had carried out baseline survey only once in 2010. The baseline survey indicated critical gaps in four sectors (*viz.* Education, Agriculture and allied, Infrastructure and Social). However, the survey results were neither revisited nor updated thereafter. These were not even adequately incorporated in the Annual Action Plan (AAP) to obtain suitable funds to execute projects to fill up the critical gaps. The details are shown in Para- 5.3.8.3.

While accepting the audit observation, the Department stated (November 2017) that the survey was undertaken in 2010 with a view to capture the existing facilities and infrastructure in the border villages. Since the survey data needed to be updated to cover more parameters, the baseline survey was set for updation in 2017-18 under the supervision of respective District Collectors.

<sup>4</sup> Two schemes on capacity building and skill development were executed/conducted in only two villages (Lachen and Lachung) during the period covered.

### 5.3.8.1.2 *Perspective Plan*

Programme guidelines envisaged upon the State Government to prepare a PP for each border block based on gaps identified in the baseline survey. The PP would help to achieve overall objective of the scheme for balanced development of the region.

Audit noticed that the PP had not been prepared by the State Government although baseline survey indicated critical gaps<sup>5</sup> in four sectors and the programme was under implementation in the State since 1998-99. Failure to formulate the PP was indicative of lack of seriousness of the State Government towards the important aspects of long term planning. This also led to defects in programme implementation such as execution of works without prioritisation, execution of works in non-border blocks, lapse of sanction, inadequate action to declare border villages as saturated, etc. as detailed in the subsequent paragraphs (Paras 5.3.8.3, 5.3.8.1.5 and 5.3.8.1.3).

The Department stated (July and November 2017) that preparation of PP was not necessary in the case of Sikkim considering its total population of six lakh as the PP was envisaged by GoI for the district having a population of one million. Further, district level plans prepared on the basis of requirement projected by every Gram Panchayat Unit (GPU) included gaps in both physical and social infrastructural requirements.

### 5.3.8.1.3 *Border villages not declared saturated*

According to programme guidelines (Para- 2.2) while executing works, priority was to be accorded to the villages located within 0 to 10 km from the international border. On saturation of the villages, villages located within 0-15 km and thereafter 0-20 km were to be taken up.

Scrutiny of records revealed that 254 works were executed during the period covered under audit (2012-17) with total allocation of ₹ 111 crore in the villages located within 0 to 10 km from the international border. Further, various works were executed during the 19 years of implementation of the programme with expenditure of ₹ 231.63 crore. However, till date no border village had been declared as saturated by the District Level Committees (DLC) as required in the programme guidelines (Para- 2.2). Thus, implementation of the programme was restricted to the villages located within 0-10 km of the international border for the last 19 years with no mechanism to declare the border villages as saturated on fulfilling the critical needs. This deprived the intended benefits of the scheme to the villages located beyond 0 to 10 km from the international border.

The Department stated (November 2017) that saturation of border villages was not possible in short notice as the fund allocation were not commensurate with the requirements of border villages. Contention of the Department was not acceptable as BADP was implemented in the State since 1998-99 incurring considerable fund of ₹ 231.63 crore. Despite this, none of the border village of three border districts were declared saturated as of March 2017.

<sup>5</sup> *Low literacy rate, non-availability of schools, inadequacy of road connectivity, non-availability of veterinary hospital, absence of PHSC/PHC and non-availability of safe drinking water etc. in border villages*

#### 5.3.8.1.4 Delay in submission of Annual Action Plan

Programme guidelines (Para- 6.1) stipulated submission of AAP to GoI latest by May every year based on which 90 per cent of allocated fund would be released by GoI as first instalment.

Scrutiny of records revealed that AAPs were submitted belatedly to GoI. Delay ranged between 13 days (2016-17) and 72 days (2015-16). This led to consequent delay in release of 1<sup>st</sup> instalment aggregating to ₹ 54.36 crore by GoI during 2013-14 to 2016-17. Details are shown in the table below:

**Table 5.3.2**  
**Delay in submission of AAP**

AAP for the year	Date of approval by SLSC	Date of forwarding to GoI for approval	Date of approval by GoI	Release of 1 <sup>st</sup> instalment (Amount in bracket)
2012-13	02 May 2012	03 May 2012	20 May 2012	28 May 2012 (₹ 11.37crore)
2013-14	01 July 2013	02 July 2013	06 August 2013	06 August 2013 (₹ 18.00 crore)
2014-15	09 August 2014	11 August 2014	04 September 2014	04 September 2014 (₹ 8.45 crore)
2015-16	08 July 2015	12 August 2015	24 August 2015	24 August 2015 (₹ 10.19 crore)
2016-17	13 June 2016	14 June 2016	28 July 2016	29 July 2016 (₹ 17.72 crore)

Source: Information furnished by the nodal department

Delay in release of funds affected the completion of works since availability of working period was very limited due to inclement weather.

Not only the AAPs were not submitted on time, they did not also incorporate works to fill up the critical gaps, especially in agriculture and allied sector, education, employment generation, as detailed in Para 5.3.8.3.

The Department in its reply in November 2017 was silent on the delay from the years 2012-13 to 2014-15 and 2016-17 but stated that the AAP 2015-16 was delayed due to late finalisation of modified guidelines resulting in delay in release of funds in 2015-16. However, it did not adversely impact the works since no new major schemes were sanctioned and the focus was on completion and closure of ongoing schemes in 2015-16.

#### 5.3.8.1.5 Lapse of projects

Programme guidelines (Para- 4) stipulated for initiating advance action for completion of formalities such as forest clearance, other local clearances and availability of land to ensure expeditious execution of works.

Scrutiny of records revealed that seven<sup>6</sup> works (₹ 3.03 crore) had lapsed due to non-availability of land (1), reframing of estimate (1) and forest clearance (5). This indicated absence of adequate action on the part of the Nodal Department as well as line departments (Sashastra Seema Bal, Tourism and Civil Aviation and Indo-Tibetan Border Police) to ensure compliance with programme guidelines. Resultantly, intended benefits

<sup>6</sup> (i) Construction of RWSS for Company Hqrs. SSB at Dentam, (ii) Construction of RWSS for SSB BOP, Dentam, (iii) Construction of RWSS for SSB BOP at Kalijhar, Dentam, (iv) Construction of RWSS for SSB BOP Torifully, Sophaka, Dentam, (v) Construction of trekking trail from Hongri village to tourist spot at Yuksom, and (vi) Upgradation of Log Bridge to Suspension Bridge between Bichu village to Chhu Junction at Lachung, (vii) construction of Kisan bajar at Rongli.

of providing critical infrastructure of rural water supply (4) to Sopakha, trekking trail (1) at Yuksom, West Sikkim and suspension foot bridge (2) at Lachung, North Sikkim could not be provided.

Thus, advance action as required in the guidelines was not initiated by the Nodal Department as well as line departments to ensure expeditious completion of works and to reap the intended benefits from the scheme.

The Department stated (November 2017) that seven works (₹ 3.03 crore) were recommended for de-sanction by SLSC due to limitation of time and cost revision and in their place, the SLSC had recommended other critical works and sanction was accorded by the GoI. Thus, there was no lapse of projects. The schemes under reference were mostly those of the Border Guarding Forces cleared by the SLSC expecting the forest clearance to come through in time. Prior action of obtaining forest clearance was not possible since these were mostly needs projected by the Border Guarding Forces based on their requirements. Reply of the Department was not acceptable as seven works had lapsed/de-sanctioned due to non-providing of land, non-obtaining of forest clearance, etc. by line departments indicating absence of advance action as stipulated in programme guidelines.

### 5.3.8.2 Financial Management

BADP was a 100 per cent centrally funded programme till 2015-16. From 2016-17 onwards, the funding pattern changed to 90:10 between the Centre and the State Governments respectively for the eight North Eastern States including Sikkim.

On receipt of funds from GoI, the State Government allocated funds to the Nodal Department which in turn released to line departments for execution of various works as per the approved AAP.

The year-wise allocation, release and utilisation of funds towards the implementation of BADP during the period 2012-17 were as given below:

**Table 5.3.3**  
**Details of allocation, release and utilisation of fund**

<i>(₹ in crore)</i>				
Year	Allocation of Funds	Funds released	Funds Utilised	Unspent Balance
2012-13	20.00	20.00	20.00	0
2013-14	24.00	24.00	24.00	0
2014-15	20.00	20.00	17.70	2.30
2015-16	20.00	20.00	13.73	6.27
2016-17	27.00	27.00	12.62	14.38
<b>Total</b>	<b>111.00</b>	<b>111.00</b>	<b>88.05</b>	<b>22.95</b>

Source: Information furnished by Nodal Department

As would be seen from the above, against the release of ₹ 111 crore, ₹ 88.05 crore was spent during the period 2012-17 leaving a balance of ₹ 22.95 crore. Unspent balances at the year-end displayed lack of preparedness of line departments to absorb the allotted funds and indicated absence of advance planning as mentioned in Para- 5.3.8.6.

The Department stated (November 2017) that sometimes there were unavoidable delays during execution of works since the Blocks along the Chinese border were out of bounds

during winter due to heavy snowfall and difficult physical conditions like hard rocks, fragile soil conditions limiting the working time to less than six months.

#### **5.3.8.2.1 Release of State's share**

Funding pattern for BADP changed from 100 *per cent* to 90:10 between the Centre and the State Governments with effect from 2016-17. Audit noticed that the State Government had not released its proportionate share of ₹ 3 crore during 2016-17 due to fund constraint. Non-release of State's share affected availability of funds and hampered execution of works as mentioned in Para- 5.3.8.3.4.

While accepting the Audit comments, the Department stated (November 2017) that the intimation regarding revised funding pattern was received late due to which adequate arrangement could not be made. However, 10 *per cent* State's share was being made available from the budget of 2017-18. Further, non-release of State's share had not affected or hampered the execution of works since GoI had permitted the State to make provision in 2017-18. Reply of the Department was not tenable as there was shortage of fund of ₹ 3 crore due to non-release of State's share. This affected the work such as "Construction of Car Park and Cafeteria at Selepmu" which could not be handed over to the user agency despite its completion due to non-release of payment owing to fund constraints.

#### **5.3.8.2.2 Maintenance of assets**

Programme guidelines (Para- 4.2) envisaged upon the State Government to keep a provision not exceeding 15 *per cent* of the allocation made to the State for maintenance of assets created under BADP subject to the condition that such expenditure can be made only after three years from the completion of assets.

Audit scrutiny revealed that while the State Government executed various works by incurring ₹ 88.05 crore during 2012-17, it had not allocated fund for maintenance of assets created under BADP except for maintenance of Boys' Hostel (₹ 12 lakh) at Phadamchen, East Sikkim during 2014-15. This was fraught with the risk of shortening the life of assets created under BADP to provide uninterrupted services to the border population.

The Department stated (November 2017) that the maintenance of assets created with BADP funds were being taken up as and when deemed necessary like the repair and renovation of Boys Hostel at Padamchen in East Sikkim. Besides, repair of bridges were being carried out in North Sikkim. Reply of the Department was not acceptable since provision of fund towards maintenance of assets was not kept under BADP during the period 2012-17, except for repair of Boys' Hostel at Padamchen, East Sikkim.

#### **5.3.8.3 Programme implementation**

A total of 254 works were sanctioned during 2012-17 of which sanction for seven works (₹ 3.03 crore) had lapsed as detailed in Para-5.3.8.1.5. Of the remaining 247 works (₹ 103.97 crore), Audit attempted to ascertain the details of works completed, works on-going and works not commenced as of March 2017. This information however, could not be provided by the Nodal Department despite audit requisition.

Audit scrutinised 31 (out of 247) works (₹ 32.68 crore) of which 23 works (₹ 21.19 crore) were completed and the remaining eight works (₹ 10.89 crore) were in progress as of March 2017. Out of the 23 completed works, five works (₹ 6.07 crore) were completed recording a delay of four to 24 months. All the eight works in progress had exceeded the target date of completion by seven to 24 months as of March 2017.

Further, Sector-wise prioritisation of works was neither done at planning stage nor was it considered during fund allocation to address the critical gaps indicated in the baseline survey. As a result, execution of works was not commensurate with the critical gaps identified in the baseline survey as mentioned below:

- **Education Sector:** One of the critical gaps identified under the Education Sector was the comparatively lower literacy rate of *75.37 per cent* in the border villages as against the overall literacy rate of *81.40 per cent* for the State. Premlakha and Singaneybas villages of East district and Litching and Tsozo villages of West district did not have any Government schools of primary and above level. Yet the Department had not accorded priority to education sector while preparing the AAP during 2012-17, as only ₹ 6.34 crore was sanctioned towards education sector against the total programme allocation of ₹ 111 crore, representing a mere *6 per cent*. This indicated that AAP submitted to GoI was prepared without adequately considering the inputs of the baseline survey.

Audit scrutiny further revealed that education sector was not accorded due priority in respect of the three sampled villages. Literacy rate in these three border villages (Lachen: *62.91 per cent*; Lachung: *78.70 per cent* and Chungthang: *78.78 per cent*) was also below the average State literacy rate of *81.40 per cent*. Yet during the period 2012-17, allocation towards education sector in respect of these three villages was only ₹ 95 lakh against the total allocation of ₹ 111 crore representing less than *1 per cent*. The proposal for construction of Junior High Schools and Senior Secondary Schools in these villages were not initiated although there were no Junior High school in Lachen Village and no Senior Secondary schools and colleges in any of the three villages. This confirmed the audit contention that the AAP submitted to GoI was prepared without considering the inputs of the baseline survey even for the villages covered in audit.

The Department stated (November 2017) that the need of school was not felt at Premlakha as the primary school located in the village was closed due to low enrolment. Tsozo village in West Sikkim had a primary school constructed under funds other than BADP. Construction of additional rooms at Mangshila, repair of Lachen Junior High School in North District, construction of toilets at 32 border schools, additional classrooms at Burung School and additional class rooms and auditorium at Ribdi Secondary School were sanctioned under BADP. The nearest and the feeding Senior Secondary School for the villages for Lachen, Lachung and Chungthang was Mangan Senior Secondary School, the needs of which had been sanctioned under AAP 2016-17. Reply of the Department was not tenable as no prioritisation was done in AAPs for construction of primary schools or above level at

Siganeybas of East and Litching villages of West districts. Further, construction of additional class rooms at Mangshila and Burung which were not identified border villages, did not help to achieve the overall objective of the scheme for balanced development of border villages.

- **Infrastructure Sector: (i) Roads:** Seven border villages (out of 41), viz. Sakyong-Pentgong in North Sikkim, Siganeybas and Premlakha in East Sikkim and Bhareng, Topong, Sigrapong and Karmatar in West Sikkim did not have road network. Despite this, the Department had sanctioned road work for only one village (Bhareng) at ₹ 8 crore (33 per cent) during the period 2012-17 out of total allocation of ₹ 32.93 crore towards road network. Funds for construction of roads for the remaining six villages were not provided during 2012-17 although road network was virtually absent in those villages. Interestingly, ₹ 24.93 crore was utilised towards construction of nine roads in seven villages<sup>77</sup> which were not deficient in road network as per baseline survey resulting in deprivation of road connectivity to the 1,666 residents of the six border villages.

**(ii) Drinking water:** In case of the sampled villages also, the allocation and execution of works during 2012-17 towards infrastructure relating to safe drinking water was inadequate although drinking water was sourced from taps by the residents of Lachen (37 per cent), Lachung (38 per cent) and Chungthang (67 per cent). During 2012-16, three works (out of 7) valuing ₹ 1.14 crore were sanctioned and executed in the three sampled villages (Lachen - 01 and Lachung - 02) leaving out Chungthang village. However, there was no allocation towards infrastructure relating to drinking water during 2016-17 despite the fact that revised programme guidelines (June 2015) stipulated for allocation of funds to infrastructure sector of safe drinking water without restricting to any limit with effect from 2016-17.

The Department stated (November 2017) that the Roads and Bridges Department had a comprehensive road network map for construction and upgradation of roads in the State. BADP guidelines did not allow construction of new roads but only construction of approach and link road. Reply of the Department was not tenable as the State Government had to prioritise the critical areas in different sectors based on the results of baseline survey. Despite absence of road networks in seven identified border villages, priority was not given for construction of road network in those villages except for Bhareng.

- **Social Sector:** According to programme guidelines, Social sector involved construction of community centres, common shelter for old and handicapped, electricity, tracks, transit camps, kisan sheds, capacity building, tourism and hospitality and sanitation. Baseline Survey 2010 indicated gaps in tourism related activities, electricity and sanitation under Social sector. Tourism was considered a high potential activity in Sikkim and offered a major source of income with significant number of people living in border villages being engaged in tourism related occupation. The Government had placed great emphasis on development and

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<sup>77</sup> Sopakha, Changeylakha, Phadamchen, Lachung, Lachen, Chungthang and Shipgyer.

creation of tourism infrastructure with the allocation of ₹ 38.09 crore during 2012-17, related infrastructure for improvement of tourism such as road connectivity to Tsangmu lake, Lachung, Lachen and other tourist places. Yet, these had not yielded the desired results due to non-availability of good road network in those border places.

Baseline survey report further indicated that many rural households either had no access to or did not use electricity for lighting their homes. However, 79.49 *per cent* of the households in the border areas reported that they were dependent on electricity as the major source of fuel and lighting. In the villages of Lachen and Lachung covered in audit, percentage of households dependent on electricity as a major source of lighting was 78.44 and 76.37 *per cent* respectively. These were even less than the average percentage of border areas of 79.49 *per cent* as brought out in the survey. Despite this, ₹ 9.23 crore (six works) representing only 8 *per cent* of total allocation was provided on electricity during 2012-17 in the border villages other than Lachen and Lachung. Further, a total of 108 works involving ₹ 73.06 crore indicating 66 *per cent* of total allocation were executed during 2012-17 under Social sector. However, works for the benefit of community, common shelter for old and handicapped such as construction of community centre and transit camps, etc. were not sanctioned.

The Department stated (November 2017) that most of the roads leading up to the border villages were under the domain of the Border Roads Organisation (BRO). Further, the people of the border villages of Lachen and Lachung were nomadic in nature and moved across habitations. Hence, despite the best efforts, providing basic facilities across all habitations had been a challenge due to paucity of BADP funds. Reply of the Department was not tenable as the non-availability of good road connectivity identified in the baseline survey was not only in the border villages of Tsangmu lake, Lachung and Lachen but also noticed in other tourist places in the border villages as mentioned above.

- *Agriculture and allied Sector:* Baseline survey noted that Agriculture and allied sector was the backbone of the economy of border villages as 59.35 *per cent* of the population were engaged in agriculture and allied sector. Animal Husbandry was a traditional occupation of the population and formed an integral part of the household economy to supplement their income through rearing of livestock in the remote border villages. There were 8,507 livestock in 41 border villages and six animal husbandry farms located in the villages of Chungthang, Lachen and Lachung (North district) and Melli, Maneybong and Begha (West district). However, there were no veterinary hospitals in the border villages as identified in the survey. Further, there were 672 livestock and three animal husbandry farms in the three border villages of North district covered in audit.

Audit scrutiny revealed that despite this, due importance was not accorded to agriculture and allied sector in preparation of AAP for the period 2012-17. The allocation under agriculture and allied sector was only ₹ 16.03 crore during 2012-17 indicating a mere 14 *per cent* of total allocation. Further, in the three sampled

villages, construction of veterinary hospital was neither considered for incorporation in AAP nor were funds allocated towards construction during 2012-17 despite this being indicated as one of the critical gaps in the survey.

While accepting the Audit observation, the Department stated (November 2017) that the shortage of veterinary hospitals in border villages was discussed in the SLSC meeting where it was decided that construction of veterinary hospitals would be taken up phase-wise in the coming years.

- **Health Sector:** Baseline Survey 2010 noted critical gaps with regard to availability of PHSC/PHC in four border villages of East district and 13 border villages in West district and one border village in North district. The Department executed five works valuing ₹ 1.30 crore of which only two works were related to construction of PHSCs (Thangu and Dalapchan) indicating that only one deficient village (Dalapchen) was provided with PHSC facility depriving easy access to health centres to the remaining 17 villages.

The Department stated (November 2017) that the Health and Family Welfare Department had difficulties in posting dedicated nursing and medical staff to PHCs and PHSCs in the remote locations due to shortage of manpower. The villages of Linzah-Tholung were being serviced by the Mangan District Hospital. The reply of the Department was not tenable as the Department did not prioritise the health Sector and PHSCs were not constructed in the border villages found deficient as per the Baseline Survey.

#### **5.3.8.3.1 Execution of schemes in non-border villages**

Programme guidelines (Para- 2.2) stipulated execution of works in the identified villages considering their location from international border in the border blocks. Priority was to be given to the villages located within 0-10 km, 0-15 km and 0-20 km from the international border in a phased manner. The State Government identified (2010) 41 villages in eight blocks as border villages as detailed in **Appendix 5.3.2**.

Audit scrutiny revealed that eight villages<sup>8</sup>, out of 41, were located beyond the prescribed range of 0-10 km from international border (11.5 to 14.4 km) and thus not qualified to be declared as border villages in the first phase of implementation. Seven (out of 254) works relating to capacity building (4) and infrastructure development (3) involving ₹ 2.48 crore were executed in two villages (viz. Sakyong-Pentong -11.5 kms and Shipgyar – 11.5 kms) of North district during 2013-14 to 2015-16. Since those two villages were located beyond 10 kms from the international border, execution of works in those villages without saturating other villages within the range of 0-10 kms from international border was not permissible. Besides, the State Government had executed works in non-border villages as detailed below.

- 28 works (₹ 15.37 crore) were executed during 2012-17 in 22 villages which were not included in the notified list of border villages.

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<sup>8</sup> North: 3 and West: 5

- The State Government constructed 16 toilets (₹ 48 lakh) in schools which were not situated in border villages having an international border.
- The construction of seven, out of nine, food godowns sanctioned under TFC for 'Additional Storage Facilities for essential commodities' as State Specific grants was carried out at a cost of ₹ 4.39 crore in the border blocks/villages which were not notified as border villages/blocks.

Execution of works in non-border villages was impermissible and deprived the intended benefit to people living in the notified border villages.

The Department stated (November 2017) that a part of the capacity building programme was conducted in Sakyong-Pentong and Shipgyar in North district by the Directorate of Handloom and Handicraft drawing trainees from the border villages. The construction of toilets in schools was part of the total sanitation campaign which was partly funded under BADP. Reply of the Department was not acceptable since majority of the trainees were from Sakyong-Pentong and Shipgyar villages itself as verified from the records. Further, against 32 toilets sanctioned out of BADP fund in 30 schools, 16 were executed in villages not identified as border villages and thus, beyond the purview of BADP guidelines.

#### **5.3.8.3.2 Execution of impermissible works**

Programme guidelines (Para- 4) categorically specified list of permissible and impermissible works under BADP.

Scrutiny of records revealed that out of 247 works executed during 2012-17, nine works<sup>9</sup> (₹ 4.96 crore) implemented in North (08) and West districts (01) were in the nature of protective works, including construction of Gram Prashasan Kendras/meeting house, kitchen for Gram Panchayat. These works were not permissible as per programme guidelines.

The Department stated (November 2017) that the AAP for 2015-16 was delayed due to late finalisation of modified guidelines resulting in delay in release of funds in 2015-16. However, it did not adversely impacted the works since no new major schemes were sanctioned and focus was on completion and closure of ongoing schemes in 2015-16. Reply of the Department was not acceptable as there were consistent delays (13 to 72 days) in sending of AAPs to the Ministry for all the years from 2013-14 to 2016-17 against the target date of May. Further, all eight works in progress (out of 31 covered under this audit) valuing ₹ 10.89 crore, commented in Paras 5.3.8.3 and 5.3.8.3.4, were sanctioned during 2013-14 to 2015-16 and those works were also not completed.

#### **5.3.8.3.3 Less priority given to capacity building and skill development schemes**

Programme guidelines (Para- 5.2) stipulated that schemes should be planned to take care of the special problems faced by people living in the border areas. Emphasis must be laid on schemes for employment generation, production oriented and skill upgradation

<sup>9</sup> (i) Protective works – two, (ii) Construction of kitchen – two, (iii) Construction of Dzumsa (panchayat) house- one, (iv) Construction of drain – two (v) Construction of Gram Prasashan Kendra – one and (vi) Construction of Pipon (panchayat head of North district) house.

activities to create a sense of security amongst the people living in border areas so that the people do not migrate to other areas in search of livelihood.

Audit scrutiny revealed that there was allocation of only ₹ 4.65 crore (4 per cent) on capacity building and skill development schemes against total allocation of ₹ 111 crore during the period 2012-17 as against the prescribed percentage (10 per cent- minimum). Further, the Department incurred ₹ 72.10 lakh (out of ₹ 4.65 crore) towards outsourcing of raw material, establishment of dyeing unit and purchase of equipment instead of providing capacity building and skill development training. The Department had not obtained any feedback from the trainees and the implementing line departments did not assess the impact of the various training programmes. Thus, due priority was not given on promotion of employment generation and production oriented schemes. Though migration of people living in the border villages were not reported during 2012-17, 78 per cent of people of the State living in border villages did not feel secure as per report (2015) of the NITI AAYOG. Thus, the people of border villages were deprived of adequate employment generation schemes due to less priority given to capacity building and skill development schemes.

#### **5.3.8.3.4 Delay in completion of works**

Programme guidelines (Para- 9) stipulated close monitoring of implementation of BADP works by State Government to ensure timely completion of works in a qualitative manner.

As mentioned in the preceding paragraph (Para- 5.3.8.3) 23 works (out of 31) worth ₹ 21.79 crore were completed, of which five works (₹ 6.07 crore) were completed recording a delay of four to 24 months. Further, eight works valuing ₹ 10.89 crore were under progress as of March 2017 which had already crossed the scheduled date of completion by seven to 24 months as of July 2017. Audit analysis of those works revealed that delay in completion was due to road blockage, inclement weather, change in scope of works, etc. as shown below:

**Image 5.3.1**



#### **Restoration of Chungthang Tourist Lodge at Chungthang**

*Sanctioned cost:* ₹ 1.50 crore

*Date of commencement:* 02 July 2013

*Scheduled date of completion:* 03 July 2015

*Actual date of completion:* 22 March 2017

*Reasons for delay:* Road blockage due to inclement weather and change/deviation in scope of work.

**Image 5.3.2**



**Construction of protective wall above the Road from Dhokya rock to Thangu, Lachen, North district**

*Sanctioned cost:* ₹ 2.43 crore  
*Date of commencement:* 28 April 2015  
*Scheduled date of completion:* 27 October 2016  
*Actual date of completion:* 12 May 2017  
*Reasons for delay:* Not recorded.

**Image 5.3.3**



**River Training Work at Sevochu at Lachen Dzumsa**

*Sanctioned cost:* ₹ 1.40 crore  
*Date of commencement:* 24 November 2014  
*Scheduled date of completion:* 23 May 2016  
*Actual date of completion:* 29 December 2016  
*Reasons for delay:* Not recorded.

**Image 5.3.4**



**Construction of boundary fencing of Lachung Check Post, Lachung North Sikkim**

*Sanctioned cost:* ₹ 20.56 lakh  
*Date of commencement :* 26 May 2011  
*Scheduled date of completion :* 25 November 2011  
*Actual date of completion:* 13 September 2013  
*Reasons for delay:* Not recorded.

**Image 5.3.5**



**Construction of public toilet at Lachung**

*Sanctioned cost:* ₹ 30 lakh  
*Date of commencement:* 28 January 2016  
*Scheduled date of completion:* 27 January 2017  
*Actual date of completion:* under progress  
*Reasons for delay:* Not recorded.

**Image 5.3.6**



**Modernised trout farm at Denga, Lachen North Sikkim**

*Sanctioned cost :* ₹ 2.50 crore  
*Date of commencement :* 02 February 2015  
*Scheduled date of completion :* 02 February 2016  
*Actual date of completion :* under progress  
*Reasons for delay:* Road blockage due to monsoon.

Image 5.3.7



**Construction of cafeteria, approach road, car parking, public toilet etc. at Zipdakong on the way to Gurudongmar, North Sikkim**

*Sanctioned cost : ₹ 2.13 crore*

*Date of commencement: 27 December 2013*

*Scheduled date of completion: 26 June 2015*

*Actual date of completion: under progress.*

*Reasons for delay: Not recorded.*

Delayed execution/completion of works within the stipulated time period not only resulted in deprival of timely benefit of the schemes to the people living in the border villages but also indicated absence of proper monitoring mechanism in implementation of BADP.

#### **5.3.8.3.5 Idling of assets**

Audit scrutiny revealed that four works were lying idle for periods ranging between three and 12 months due to delay in handing over of assets to user organisations, delay in leasing out of assets, delay in supply of complete set of machinery, etc. as detailed below:

- The work ‘Construction of Car Park and Cafeteria at Selepmu’ under Lachen block in the North district completed (August 2016) at a cost of ₹ 89.45 lakh in all respect was neither put to use nor leased out for its gainful operation even after a lapse of one year of its completion as the asset was not handed over to the user agency.
- Tourism and Civil Aviation Department procured (April 2015) paragliding equipment (10 Canopy/Glider Solo, 10 Harness) at a cost of ₹ 21.40 lakh for unemployed youth of Gnathang-Maching border village with the objective of generating self-employment. However, the equipment could not be handed over to the youth in consideration of safety measure as they were not trained to operate the equipment. The asset was thus, kept idle in the departmental store since April 2015.
- For the work “Development of adventure tourism in and around Kupup”, ₹ 48.40 lakh (equipment etc.- ₹ 23.80 lakh; civil works and compensation- ₹ 24.60 lakh) was incurred towards procurement of adventure tourism equipment and accessories and civil works including land compensation. The equipment were lying idle since its procurement in 2010-12 and the expenditure towards land compensation, etc. remained infructuous. This was because the Army establishment located at Nathula denied (March 2012) permission to execute the work in its original site due to security reasons. Further, due to idling of equipment for more than five years, deterioration of the equipment purchased could not be ruled out. The work at an alternate site was in progress as of July 2017.
- The work “Construction of road from Sopakha village to Chewabhanjyang via Jorebotey in West District” sanctioned (2011-12) at an estimated cost of ₹ 30 crore could not be completed due to want of forest clearance. The road length initially

sanctioned for 18.51 km was reduced (September 2014) to 5.15 km as 13.36 km of the road fell under restricted forest area. Even the reduced length of road could not be completed as of July 2017 due to slow pace of work. The work was stopped (March 2017) after incurring ₹ 6.12 crore towards payment to the contractor and the fund of ₹ 6.12 crore remained blocked. Thus, injudicious decision on the part of the Department to tender and award the work without obtaining forest clearances resulted in delayed execution, stoppage of work and blockage of fund of ₹ 6.12 crore ultimately resulting in deprivation of the road connectivity to people of the targeted villages.

The failure of the Department to closely monitor the completion of the works and their timely utilisation resulted in blockage of fund of ₹ 7.71 crore and consequential deprivation of intended benefits of road connectivity, employment generation and obsolescence of the equipment procured.

While accepting the Audit observations, the Department stated (November 2017) that there was delay in handing over of assets (Construction of Car Park and Cafeteria at Selepmu). This was due to delay in release of fund owing to fund constraints. Regarding the work “Development of adventure tourism in Kupup”, an alternative site had been identified and clearance obtained from the Army to run the adventure tourism at a re-located site. The work “Construction of road from Sopakha village to Chewabangyang via Jorebotey” was delayed due to want of forest clearance. The forest clearance had since been obtained and the work was expected to resume.

#### 5.3.8.4 Monitoring Mechanism

Programme guidelines (Para -9) prescribed robust monitoring of the implementation of the schemes right from block level to district level and also at State level by formation of nodal officers, block level committees and third party monitoring agents. Audit noticed various deficiencies in the monitoring mechanism as detailed below:

➤ **Block Level Nodal Officer not appointed:** Programme guidelines (Para- 9.1) envisaged appointment of a Nodal Officer for each border block. The Nodal Officer should regularly visit the blocks and take responsibility for project implementation of the scheme and submit quarterly reports to the Nodal Department highlighting the important achievement/lacunae.

Audit noticed that the Department had not appointed Block Level Nodal Officer due to which monitoring of the projects by way of regular visit and submission of the quarterly reports by the Block Level Nodal Officer was lacking.

The Department stated (November 2017) that Nodal Officers from each line Department had been identified who were responsible for making site visits, monitoring of the quality of work and preparing the progress of work and regularly updating the project status to the Department Head Office as well as the Nodal Department. The reply of the Department was not tenable as the Department had not appointed the Block Level Nodal Officer as envisaged in the programme guidelines. Instead, it appointed Nodal Officers from the line Departments. However, the relevant information like notification/office

order regarding appointment of Department wise Nodal Officer, information/relevant documents showing their site visits, monitoring reports of the projects, quarterly progress reports were not provided to audit for scrutiny.

➤ **District Level Committee** : Programme guidelines (Para-4.3 and 9) envisaged formation of District Level Committee (DLC) for monitoring of implementation works including quality aspect of works and submission of report on quarterly basis to the State Government for onward transmission to the GoI. Scrutiny, however, revealed that though DLCs were formed, these remained non-functional and were not furnishing the quarterly returns to Nodal Department which were required to be sent to the Ministry. The Department stated (November 2017) that programme guidelines did not specifically required submission of the quarterly reports. The reply of the Department was not tenable as programme guidelines specifically stipulated the monitoring functions in respect of the DLCs including submission of quarterly returns to Nodal Department for onward transmission to the Ministry.

➤ **Scheme-wise quarterly report to GoI**: Programme guidelines (Para- 9.2) stipulated submission of scheme-wise quarterly progress reports to the Ministry (GoI) indicating the number of inspections conducted highlighting the important achievement/lacunae pointed out in the report of the inspecting officers.

Audit noticed that the quarterly progress reports were furnished to the Ministry (GoI) by the Nodal Department. However, these reports did not contain the number of inspections conducted highlighting the important achievement/lacunae in the absence of which neither the nodal Department nor the Ministry were in a position to verify the quality of works being executed.

➤ **Inventorisation of assets**: Programme guidelines (Para- 9.3) stipulated inventorisation of assets created under BADP by the State Government for analytical purposes and future planning. Audit scrutiny revealed that system of inventorisation of assets was not introduced to provide at a glance the position of all the assets created under BADP. Even the complete list of works taken up, works completed, works in progress etc. were not compiled and retained by the Nodal Department.

While accepting the Audit comments, the Department stated (November 2017) that it had initiated the inventorisation of assets created under BADP.

➤ **Display boards**: Programme guidelines (Para- 9.3) stipulated display boards indicating funding of the schemes/projects under BADP which were required to be erected in front of all the assets created under BADP. Joint physical verification by Audit revealed (August 2017) that in 25 (out of 31) works display boards were not erected, thus compromising on one of the requirements of BADP.

While accepting the Audit contention, the Department stated (November 2017) that all the line departments executing the BADP projects had once again been reminded and directed to install the display boards at site.

➤ **MIS Data**: GoI developed (2015-16) a “Management Information System” (MIS) by treating the village as well as the scheme/project as the basic unit and instructed that

all activities, including submission of the AAPs, release of funds, monitoring and e-filing should be strictly through the MIS application. However, MIS developed by the GoI had not been implemented in the State as it was not found user friendly. As a result, State Government could not feed data about the implementation of the programme, submission of AAPs, release of funds, etc. resulting in delay in approval of AAPs, release of funds and planning process.

The Department stated (November 2017) that as soon as the Ministry developed and improved the software for MIS and imparted training to the States, the data into the MIS software would be populated.

➤ **Awareness programme:** Programme guidelines (Para- 4.2) stipulated keeping 1.5 per cent of allocation by the State Government for purpose of monitoring, training, evaluation, logistic support, and media publicity, etc. Audit noticed that though the Department kept ₹ 1.35 crore for this component during 2012-17, awareness generation programme was not conducted at all. The available fund was instead incurred towards engaging third party monitoring, logistic support and other administrative expenses. The Department in its reply stated (December 2017) that awareness programme would be taken up in the current financial year (2017-18) with support from the DLCs and local area representatives.

➤ **Social Audit mechanism not instituted:** According to programme guidelines (Para-9.1), Social Audit system was to be instituted by the State Government for verifying the records relating to BADP. Audit noticed that Social Audit system was not put in place by the State Government as of March 2017. As a result, verification of implementation of the programme by the stakeholders was not forthcoming.

The Department assured (November 2017) conducting of awareness campaign and setting up of social audit mechanism during the current financial year with support from the DLCs and local area representatives.

➤ **Third Party Monitoring:** Programme guidelines (Para-9.1) stipulated commissioning of third party inspection for an independent feedback on the quality of the works and other relevant issues. The Department accordingly engaged (July 2011) NABARD Consultancy Services (Pvt.) Ltd., a subsidiary of NABARD as Third Party Inspection Agent (TPIA) for monitoring of 67 works for a period of three years on quarterly basis from 2011-12 at a contractual price of ₹ 30 lakh.

Audit noticed that the Department engaged the TPIA for physical monitoring of works excluding the quality aspects of works. The TPIA conducted five monitoring visits to cover 67 works as against the requirement of 12 visits indicating shortfall of seven visits. Contrary to the agreement to monitor the ongoing works, monitoring by the TPIA was done on already completed works (2 works), works which had not commenced at the time of monitoring visits (4 works) and works which had not been awarded to the contractors for execution (4 works). In case of nine works, monitoring was done by TPIA without obtaining background information relating to sanction, DPR, detailed drawings etc. from

the Department. Thus, the third party inspection carried out by the TPIA were deficient and inadequate despite incurring ₹ 30 lakh on the contract.

While accepting the Audit contention, the Department stated (November 2017) that the audit observations would be taken into consideration while renewing the agreement on Third Party Monitoring.

Absence of a robust monitoring mechanism resulted in delayed execution of works, execution of inadmissible works and execution of works in non-border blocks/villages, etc. Moreover, in the absence of proper monitoring, quality aspects of works executed could not be ascertained in audit.

#### **5.3.8.5 Programme evaluation**

As mentioned in Para- 5.3 of this Report, the BADP was launched by the GoI to meet the special needs of the people living in the remote and inaccessible areas situated near the international border and to saturate the border areas with the required essential infrastructure through convergence of schemes and to promote a sense of security amongst local population. Evaluation of the BADP was not initiated by the Department to ascertain as to whether the programme objective of meeting the special needs of people living in the border villages in the State were fulfilled by provisioning of adequate infrastructure pointed out in Baseline Survey and promote sense of security, except one by GoI during 2015 (NITI AAYOG). Audit checks revealed that programme objectives were not achieved in full as disclosed from the following:

- **Filling of critical gaps:** Baseline survey 2010 highlighted various critical gaps in the border villages especially relating to absence of Junior High Schools, Sr. Secondary Schools in Premlakha and Singaneybas border villages of East district and Litching and Tsozo border villages of West district; inadequacy of safe drinking water in Lachen, Lachung and Chungthang border villages in North district. The Department had not initiated adequate steps to fulfil the above gaps as commented in Para- 5.3.8.3.
- **Evaluation by NITI AAYOG:** The programme evaluation (2015) of BADP was carried out by NITI AAYOG for all the north eastern States including Sikkim. The study report (June 2015) revealed that 80 *per cent* of inhabitants felt that the programme had not yielded the desired results as a large population of people living in the border villages continued to face inadequacy of infrastructural facilities. Although no migration of people living in border villages were noticed during 2012-17, 78 *per cent* of people of Sikkim living in border villages did not feel secure. However, the State Government had not initiated any tangible action to address the issues pointed out in the Study report (June 2015) as of July 2017.

The Department stated (November 2017) that observations of the NITI AAYOG Report would be taken into consideration while considering projects under BADP. Further, inadequate allocation of funds was an impediment for development of border areas. The reply of the Department was not tenable as considerable time had lapsed with expenditure of ₹ 231.63 crore since the implementation of the programme in the State of Sikkim.

However, the Department had not initiated the criteria for declaring saturation of border villages as of October 2017.

Thus, the main objective of meeting the special development needs and well-being of the people living in the remote and inaccessible areas situated near the international border remained largely unachieved. This was due to non-completion of projects within the stipulated time, failure in filling the critical gaps of the border villages and failure to instil a sense of security amongst the residents.

### 5.3.9 Conclusion

*Implementation of BADP in the State contributed towards creation of a number of durable assets in the border villages to provide benefits to people living in the border villages. Many deficiencies in implementation of BADP were however, noticed during audit. It was noticed that the planning process was not adequate as PP was not prepared to capture critical gaps of the border areas. Baseline survey data conducted in 2010 was not updated even once during 2012-17. There was absence of prioritisation of projects sector-wise. System of declaring saturation of the border villages had not been instituted.*

*The programme management was characterised by absence of provisioning of funds for maintenance of assets, non-adherence to sector-wise minimum allocation, non-release of State share, execution of ineligible schemes, delay in completion of works and idling of assets. Due to these defects, economy and effectiveness in implementation of the programme was compromised.*

*Monitoring mechanism needed further strengthening as monitoring at the district and the block levels was inadequate, display boards were not erected in most of the work sites, etc. While evaluation study of the implementation of the programme in the State was not carried out during 2012-17, action had not been initiated to address the lacunae pointed out in the Evaluation study carried out by NITI AAYOG during 2015. The programme objectives to meet the special needs of the people living in the border villages, providing required essential infrastructure and to promote a sense of security amongst the people in border villages were largely not achieved. This was due to the fact that critical infrastructure such as Jr. High Schools and Sr. Secondary Schools, water supply schemes and PHSCs/PHCs were not sanctioned during 2012-17. Infrastructural projects were not completed within the stipulated time frame. Seventy eight per cent of people living in the border villages in Sikkim did not feel secure even after implementation of the programme since 1998-99 and incurring a considerable fund of ₹ 231.63 crore.*

### 5.3.10 Recommendations

The Government may consider:

- Initiating immediate action to prepare a Perspective Plan and to update baseline survey data to ensure capturing of critical gaps in the social and physical infrastructure in the border blocks/villages.

- Initiating suitable action to ensure implementation of only permissible works in the identified border villages.
- Initiating advance action to ensure obtaining statutory clearances, expeditious completion of works and proper utilisation of assets created under the programme.
- Initiating a monitoring mechanism as prescribed in the guidelines to avoid recurrence of the deficiencies pointed out in audit.

## FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

### 5.4 Sikkim Integrated Financial Management System (SIFMS)

*The Finance, Revenue and Expenditure Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Senior Deputy Accountant General (Accounts & Entitlements), non-mapping of business rules and orders. The Department obtained approval of the Chief Minister in March 2017 to develop a new system. However, as of November 2017 neither concrete action was taken to develop the new system nor corrective action undertaken to set right the defects in the existing system even after a lapse of eight months. Thus, the objectives envisaged were not achieved.*

#### Highlights

**Lack of satisfactory documentation not only created void in understanding the system with respect to ‘what it should be’ but also hindered trouble free operation and maintenance of the system.**

**(Paragraph 5.4.7.1.1)**

**Non-application of various controls and non-conducting of third party test indicated weak system control mechanisms in the SIFMS.**

**(Paragraph 5.4.7.2)**

**Non-mapping of applicable rules into the system had resulted in short realisation of Government revenue.**

**(Paragraph 5.4.7.3.3)**

**The objective of integrating the latest technology in Government accounting for improved transparency and accuracy and to get the status of receipts and payments on real time basis to get the cash balance available with the Bank, was not fully achieved.**

**(Paragraph 5.4.7.4)**

### 5.4.1 Introduction

The Finance, Revenue and Expenditure Department (FRED) with support of the National Informatics Centre (NIC) had developed (1998) the Pay and Accounts software for use in all the district Pay and Accounts Offices (PAO). To overcome shortcomings in the PAO software, Sikkim Integrated Financial Management System (SIFMS) project was initiated in 2008-09.

The SIFMS was designed to provide real-time financial position of the State through online updation and consolidation of receipts and expenditure of the State Government. It was envisaged that all the key divisions, i.e. PAOs, Budget, General Provident Fund, Accounts, self-cheque drawing departments relating to state finances would be linked together to a centralised system, which could ultimately be made available in a consolidated format on real time basis. The major modules of SIFMS are- (i) Budget Module to enable the user to enter the head wise budget provision for the year, (ii) Pay and Accounts Module wherein on receipt of bills from the Drawing and Disbursement Officers of the State Government, Departmental bills are processed and cheques generated for payment (iii) Loans and Borrowings Module for maintenance of Loans and Borrowings activities of the Government and (iv) Compilation Module to generate various reports regarding expenditure and receipts of the Government. Besides, an additional module for Pension, Group Insurance and Provident Fund (PGIPF) was also developed and integrated to SIFMS. A trial run of the SIFMS was carried out on 1 December 2012 in all the PAOs and self-cheque drawing departments. Results of trial run was not on record. The Department reported that the system has been operational since the trial run, except the Loans and Borrowings Module. Deficiencies noticed in the operation of the system have been brought out under Audit findings.

The system was developed by M/s HK Infoware Pvt. Ltd., Kolkata and annual maintenance was also done by the same company upto March 2015, after which it was taken over by the IT cell of FRED.

The SIFMS project was implemented at a total cost of ₹ 6.66 crore comprising ₹ 1.66 crore for computerisation of FRED, funded by Department of Information Technology under Ministry of Communication and Information Technology, GoI and ₹ 5 crore for setting up of Employees and Pensioners Database implemented by Directorate of Pension, Group Insurance and Provident Fund (PGIPF) under FRED funded by the Thirteenth Finance Commission.

The SIFMS application was developed using .NET Technology - VS 2008 with the Database in SQL SERVER 2008 R2. The database and the application was hosted at the State Data Centre, Gangtok.

#### 5.4.1.1 Objectives of SIFMS

The objectives of SIFMS were as follows:

- To integrate latest technology in Government accounting to make Government accounting more transparent and accurate;

- To get the status of receipts and payments immediately and thus the cash balance available with the bank;
- To get department-wise financial information as and when required for submission to the Ministry of Finance;
- To get detailed information on receipt and expenditure for reconciliation of expenditure with the records maintained in the Office of the Accountant General; and
- To get scheme-wise information.

#### **5.4.2 Organisational set-up**

The Principal Secretary, FRED assisted by the Controller of Accounts, the Principal Director and the Additional Director (SIFMS) was responsible for implementation of SIFMS.

#### **5.4.3 Audit objective**

The Audit of SIFMS was conducted with the objective to assess whether:

- Planning and budgeting, including system development process and procedures were adequate and effective;
- Information Technology (IT) controls were adequate and effective thereby ensuring data completeness, accuracy, reliability and integrity;
- Business rules, as stipulated by the Sikkim Financial Rules, Hand books and other relevant rules and orders were correctly mapped on to the computerised system; and
- Objectives of SIFMS were achieved.

#### **5.4.4 Audit criteria**

Audit findings were benchmarked against the criteria in the following documents:

- Sikkim Service Rule, 1979 as amended;
- Sikkim Public Works Department Code and Manual, 2009;
- Notification and circulars issued by the State Government /Department from time to time;
- User Requirement Specifications; and
- System Requirement Specifications.

#### **5.4.5 Scope of Audit and Audit methodology**

The audit on implementation of SIFMS covering the period from 2012-13 to 2016-17<sup>10</sup> was conducted through scrutiny of records and data extraction/data analysis at the

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<sup>10</sup> Initially covered 2012-13 to 2015-16, and later updated upto 2016-17.

Secretariat Office, all five PAOs, PGIPF and Offices of user departments<sup>11</sup>. An entry conference with the Principal Secretary and officers of FRED was held on 22 June 2016, wherein audit objectives, scope of audit, audit methodology and audit criteria were explained. An exit conference was held on 08 November 2016 with the Principal Secretary and officers of FRED. The audit was updated upto 2016-17 during July-September 2017. The replies received have been appropriately incorporated at appropriate places in the Report.

#### 5.4.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the FRED in providing necessary access to data, information and records for audit.

#### 5.4.7 Audit findings

##### 5.4.7.1 Planning

###### 5.4.7.1.1 Systems Development

System Development Life Cycle (SDLC) is a structured approach that divides an information system development project into distinct stages from establishing the feasibility to carrying out post implementation reviews and this is used to convert a management need into an application system. While developing an IT system, it is necessary to adopt a SDLC approach with a methodology governing the process of developing, acquiring, implementing, evaluating and maintaining computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that there was no evidence to suggest that any structured approach for development of SIFMS was adopted. Non-adoption of structured approach to project development resulted in non-involvement of the users as no User Requirement Specifications (URS) were prepared. Source code, which is vital to modify the programme as and when required, was also not available with the Department. Absence of these mandatory records and lack of documentation created a void in understanding of the system with respect to “what it should be”. It also hindered trouble free operation and resulted in a number of deficiencies affecting the functioning of the system which failed to deliver the intended objectives as brought out in the succeeding paragraphs. Audit could not assess the adequacy and effectiveness of the system development process and procedure comprehensively. Further, the user requirements or the proposed architecture of the software could not be verified by Audit.

The FRED responded that the Department did not have any of the above documents referred to by audit. Hence, it had issued letter to Information Technology Department for copies of the required documents. However, till August 2017 only the soft copy of the User Manual and System Requirement Specifications were produced to Audit.

<sup>11</sup> Raj Bhawan (Governor), Land Revenue and Disaster Management, Sikkim Legislative Assembly, Sikkim State Lotteries, Sikkim Nationalised Transport.

### *5.4.7.2 System security and control mechanism*

#### *5.4.7.2.1 Logical Access Controls*

Logical access controls are the measures and procedures aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts in the system.

Scrutiny of the system controls revealed the following:

- There was no documented Information System Security Policy and Password Policy.
- The SIFMS did not have the provision to restrict the number of invalid login attempts which exposed the system to the risk of unauthorised use.
- “Session time out” application should be effectively set in order to invalidate a user session after a certain interval of inactivity in order to safeguard against any unauthorised access. But there was no such provision in the system as observed by Audit during testing of system.

The FRED stated (July 2017) that on the basis of the suggestions and queries raised by Audit, the Department felt it necessary to replace the present SIFMS application. Accordingly, Chief Minister’s token approval for development of a new SIFMS application was obtained (March 2017).

#### *5.4.7.2.2 Physical Controls*

Physical control of a system is required to prevent unauthorised access and interference to IT services. To meet this objective, computer equipment and the information should be protected from unauthorised users and protected from environmental damages caused by fire, water etc.

Scrutiny of the IT Cell of FRED and PAO offices revealed the following:

- Preventive measures like fire extinguishers, air conditioned machines, etc. were not available. Fire extinguishers were found in place only in PAO (HQ).
- Physical access to the site and individual personal computers were not regulated.

The FRED stated (October 2016) that the requirements pointed out by Audit had been noted. However, till August 2017, only an AC system was provided to the IT Cell of FRED.

#### *5.4.7.2.3 Change Management Controls*

To minimise the likelihood of disruption, unauthorised alterations and errors getting into the application package, a management system which provided for the analysis, implementation and follow-up of all changes requested, was to be in place. However, no such system was put in place with details of requirement for change and their completion.

The FRED accepted the audit point and added that the records had been maintained using axosoft application. However, details regarding the request for change, specification of change, completion of acceptance testing, etc. were not available in axosoft application. Further, till the date of audit (August 2017), no document was maintained by the Department.

#### **5.4.7.2.4 System testing was not done**

Only System Developers who had created the software were able to test the program. No third party independent testing of the system to identify design flaws was performed for better assurance on the reliability.

The FRED stated that independent testing of the software would be done at a later stage as some modules were still pending. However, till August 2017, such testing had not been done.

#### **5.4.7.2.5 Business Continuity Plan and Disaster Recovery Plan**

The objective of having a Business Continuity and Disaster Recovery Plan is to ensure that the organisation can accomplish its mission and it will not lose the capability to process, retrieve and protect information in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities.

Audit noticed that while the database and the application had been hosted at the State Data Centre, Gangtok, the disaster recovery site of State Data Centre was created at the National Data Centre, New Delhi. However, they were not tested periodically in disaster simulation exercises to determine whether recovery plans would work as intended. IT personnel were also not trained to respond effectively in emergency situations.

The FRED stated that the Information Technology Department handles all aspects of disaster management and that it would organise a mock drill on disaster management and recovery plans with proper documents. Further, FRED stated (September 2017) that the State Data Centre (SDC) at Gangtok was shut down due to massive landslide of 21 July 2017. However, the data had been successfully retrieved from the National Data Centre, New Delhi and they could run the SIFMS through NIC within two days after the occurrence of the natural calamity. Audit noticed that as per the report submitted by IT Cell of FRED, the SIFMS application was restored after four and not two days. Further, no time was stipulated for recovery exercise.

#### **5.4.7.2.6 Training and man power management**

The Management, in a computerised environment, must ensure that the organisation ran with sufficient, competent and trustworthy data management personnel because IT personnel who were aware of control weaknesses could alter transaction/data with an ulterior motive. IT cell in the FRED was constituted to enable instant support and updation to SIFMS and to provide support in cases of failure of hardware, network related issues, antivirus and other system failures. IT cell for SIFMS was manned by Joint Director (additional charge), Senior Scientist-C from NIC, Assistant Director (IT), two Accounts Clerks and four programmers (on temporary basis). The vital IT cell, responsible for handling the data of finances of the entire State being manned by temporary programmers was fraught with the risk of interfering in the security and integrity of the data. The SIFMS deserves the services of full time IT programmers with knowledge on financial and Government accounting rules.

The FRED assured that they would explore the possibility of appointing regular manpower in the IT cell. However, till November 2017 the Department had not initiated any action for appointment of regular manpower in the IT cell.

### **5.4.7.3. System design deficiencies**

#### **5.4.7.3.1 Absence of validation checks in the application**

Prior to passing of bills, thorough verification of sanction orders, powers of sanctioning authority and necessary documentary proof etc. were to be examined. The System however, had no provision in the application to indicate whether validation checks have been carried out or not before passing the bills.

The FRED stated that all the required measures for validation and controls would be adopted by IT cell to overcome such defects. However, no measures were taken for validation and control by the Department till the date of audit (August 2017).

#### **5.4.7.3.2 Data inconsistencies**

The IT application should have in-built controls which automatically check whether the data entered is accurate and valid. The accuracy of data input to system can be controlled by incorporating computerised validation checks on the data presented to the system. Analysis of various data of SIFMS (August 2017) revealed that invalid and incorrect data were entered into the system due to lack of validation checks in the software as detailed below:

##### **GPF Master**

- In 15 cases (out of 28,863 cases), the date of birth was same as date of appointment.
- In 95 cases, date of appointment was before the date of birth.
- Employee ID is a system generated unique number. However, in 3,097 cases, Employee ID was blank. In 4,611 cases, basic pay was zero.
- Department ID No: 99 denotes unknown departments which was assigned to 75 subscribers as their attachment to the Department was not known.

##### **Bill Master**

- Bill date was later than the voucher date in 358 cases (out of 1,58,359 cases) during 2014-15, 615 cases (out of 1,52,023 cases) during 2015-16 and 515 cases (out of 1,48,868 cases) of during 2016-17.
- Bill amounts were less than amount paid in three cases during 2014-15, six cases each in 2015-16 and 2016-17.
- Bill receipt date was later than the voucher date in 281 cases during 2014-15, 87 cases during 2015-16 and two cases during 2016-17.

##### **Demand view information table**

- In demand view information table, the surrendered amount was more than the budget provision (scheme amount including supplementary) in seven cases (out of 994

surrendered cases) during 2014-15, eight cases (out of 1,228 surrendered cases) during 2015-16 and 42 cases (out of 1,262 surrendered cases) during 2016-17.

### Department Master Table

- Human Resources Development Department (HRDD) was allotted more than one Department ID (i.e. Dept ID 7162 and 164).

The FRED stated that PGIPF would take up the issue for needful action and also stated that departmental ID for HRDD was 7 and the ID No. 162 and 164 found in the database were the trial data and needed cleansing. This indicated that instead of migrating the new features after testing in test environment, the production server was being used for testing.

Thus, there was lack of validation checks to reject entry of invalid and inaccurate data rendering the data incomplete and unreliable.

#### 5.4.7.3.3 *Business rules not mapped*

Incorporating business rules to computerised processes helps to establish a direct correlation between computerised systems and business activities besides ensuring compliance with applicable rules. The following instances of violation of business rules were noticed:

##### (i) *General Provident Fund (GPF)*

GPF subscriptions in 1,479 out of 4,12,355 cases (2014-15) and 1,395 out of 3,99,486 (2015-16) was more than the basic pay and in 4,332 cases (2014-15) and 3,012 cases (2015-16) was less than the prescribed rate of 6 *per cent* of the basic pay.

The FRED stated (October 2016) that the less/excess deductions of GPF as pointed by Audit was noted and data was rectified by the concerned PAOs in conformity with the prevailing norms. Audit observed that, instead of the rectification of erroneous data, the application should have been modified with proper mapping of rules so that excess/less GPF subscription would be rejected by the system itself. Thus, the problem persisted as during 2016-17 also, in 293 cases (out of 4,55,141 cases), GPF subscription was more than basic pay and in 373 cases, GPF subscription was less than 6 *per cent* of the basic pay.

##### (ii) *Service Rule*

State Government servant retires on the last day of month after he/she attains 58 years. However, this was not mapped in the system. Hence, the system could not restrict entry of service details of Government servant even after attaining 58 years of age. Ideally, the system should also have a provision for exception of the said control through authorisation in case of extension of service of any Government employee. Scrutiny of records at PGIPF revealed that nine persons (five and four persons during 2015-16 and 2016-17 respectively) received salary even after the due date of retirement.

##### (iii) *Profession Tax*

Salary bill data of 2015-16 revealed that in 962 cases (out of 3,99,486) profession tax was deducted less than what was stipulated under the Act.

The FRED stated (October 2016) that less deduction of profession tax as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required where the system itself calculates on the basis of the salaries/wages paid. However, the application was not modified (August 2017) as evident from the fact that during 2016-17, in 895 cases (out of 4,55,141) profession tax was deducted less than what was stipulated under the Act.

**(iv) Licence Fee**

Analysis of salary bill data of 2014-15 and 2015-16 revealed that in 3,590 cases (out of 4,12,355) and 2,731 cases (out of 3,99,486) respectively, licence fees were not deducted as per rule from the salary bills of employees concerned who were not paid house rent allowances.

The FRED stated (October 2016) that less deduction of licence fee as pointed by Audit would be recovered from the employees in subsequent payment. Reply was not acceptable as modification of the application is required so that any bill with less licence fee was rejected by the system itself or else the licence fee would be calculated by the system itself on the basis of the class of quarter allotted to the Government servant. Further scrutiny revealed (August 2017) that the Department had not modified/rectified the application as in 2,306 cases (out of 4,55,141) licence fees were not deducted from the employees who were not paid house rent allowances during 2016-17.

**(v) Advances**

No control was mapped in SIFMS for the forfeiture of travelling allowance (TA) advances or recovery from the pay in respect of those who failed to claim within the prescribed time limit as per SFR 216(2). Resultantly, a considerable amount of TA advances were lying unadjusted for more than one year.

The FRED stated (October 2016) that measures would be taken to overcome the defect. However, till the date of audit (August 2017) measures had not been taken to overcome the defect.

**(vi) Contributory pension scheme**

Improper mapping of the salary bill with Government rules resulted in deduction of less than 10 *per cent* monthly contribution for pension scheme for all the new Government employees (i.e. employed under Defined Contributory Pension Scheme since 1 April 2006) in 24,200 cases (out of 4,12,355) in 2014-15 and 25,360 cases (out of 3,99,486) in 2015-16.

Scrutiny revealed (August 2017) that the Department had not modified/rectified the application for deduction of monthly contribution for pension scheme as, monthly contribution for pension scheme was less than 10 *per cent* in 24,234 cases (out of 4,55,141) during 2016-17.

**5.4.7.3.4 Budgetary control**

Sikkim Financial Rules provides for control of expenditure against the sanctioned grants and appropriations. Further, the control of expenditure within the approved grant or

appropriation was one of the major functions of the SIFMS. However, SIFMS could not administer effective budgetary control.

*(i) Excess expenditure*

➤ As per Appropriation Accounts of 2015-16, there was excess expenditure over the budget provisions as shown below:

(i) Grant 3-Building and Housing Department (Heads of Account-4059-01-51-03-31-Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas): There was excess expenditure of ₹ 1.35 crore due to acceptance of surrender of ₹ 25.63 crore by the System as against the actual saving amount of ₹ 24.28 crore on the last working day (31 March 2016) which resulted in erroneous recording of excess surrender which was not restricted by the system.

(ii) Grant-12 Forestry and Environment Management (Wild Life Preservation): There was excess expenditure of ₹ 21.95 lakh (2015-16) due to wrong budget provision mapped in SIFMS i.e. increase in budget provision which allowed expenditure beyond actual budget allotment.

The FRED stated (October 2016) that utilisation was made against the provision under the vote on accounts while no provision was made in the budget under the same head of accounts resulting in excess expenditure. The FRED also added that the software was in the development stage and the Department would address the issue during further development of the software. The reply was not tenable since the excess was due to excess surrender/expenditure as elaborated in the above para. Further, it was seen that the Department had not taken any steps to rectify the software as there were excess expenditure over the budget provision noticed in the Appropriation Accounts of 2016-17 as shown below:

(i) Grant -34 Roads and Bridge (Head of Account-3054-04-105-052-71 maintenance and Repairs of road machineries): There was an excess expenditure of ₹ 1.10 lakh.

(ii) Grant-38 Social justice, Empowerment and Welfare (Heads of Account-2236-02-101-Special Nutrition Programmes): There was excess expenditure of ₹ 1.58 lakh.

(iii) Grant-41 Urban Development and Housing (Head of Account-4217-03-051-78-Project Schemes for benefit of N.E. Region and Sikkim): There was excess expenditure of ₹ 5.64 lakh.

(iv) Grant- 43 Panchayati Raj Institutions (Head of Account-2515-101 Panchyati Raj): There was excess expenditure of ₹ 4.41 lakh.

➤ Analysis of SIFMS data of Demand View Information for the year 2016-17 revealed that there were excess expenditure on Capital Outlay in 8 cases. Similarly there were excess Revenue Expenditure (excluding Salaries, Wages, and Muster Rolls) in 227 cases during 2016-17.

**(ii) Incorrect re-appropriation**

As per Rule 85(1) of Sikkim Financial Rules, re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation shall be sanctioned by the FRED at any time before the close of the financial year to which such grant or appropriation relates. Thus, the transfer of funds should be equal. However, as per 'Demand View Information Table', re-appropriation for the year 2014-15 and 2015-16 was not equal in six grants<sup>12</sup> and four grants<sup>13</sup> respectively. This should have been checked and disallowed by the System.

The FRED stated (October 2016) that the software was in the development stage and the Department would address the issue during further development of software. However, it was seen that the system was not rectified as re-appropriations were not equal in the 'Demand View Information Table' in respect of three grants<sup>14</sup> during 2016-17.

**5.4.7.4. Reliability of Data**

PAOs had been submitting monthly accounts to the Senior Deputy Accountant General (Accounts & Entitlement) based on which monthly accounts of the State Government were compiled and subsequently Finance and Appropriation Accounts were prepared each year. Cross checking of the returns for the years 2015-16 and 2016-17 submitted to the Senior Deputy Accountant General (A&E) with the data generated by the SIFMS disclosed various discrepancies as detailed below:

- The Receipts and expenditure figures tallied as per Form 80 (Monthly Accounts) submitted to the office of Senior Deputy Accountant General (A&E) except in four cases (two cases during 2015-16 and two cases during 2016-17) in the SIFMS. However, the system instead of giving warning on non-tallying of data, generated the wrong statement. The cases of receipt and expenditure where the data did not tally in the SIFMS was attributable to non-depiction of reissued cancelled cheque in the SIFMS and depiction of wrong amount of profession tax.
- Progressive expenditure figure shown in Form 74(A) (Classified Abstract of Expenditure) submitted to Senior Deputy Accountant General (A&E) differed with Form 74 generated by SIFMS.
- Form 79 (Schedule of Deposits) submitted to Senior Deputy Accountant General (A&E) differed from those generated through SIFMS.
- Deductions of storage charges pertaining to departments with no stores were made and shown credited to head of account: 0059.80.800.02.00.00 (Other Receipts) i.e. Public Works Department in Form 80 generated by SIFMS instead of other receipts of concerned Department. This was due to non-provision of other receipts in the Form generated by the SIFMS.

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<sup>12</sup>Grants.- 10-Finance Revenue and Expenditure Department, 11- Food, Civil Supplies and Consumer Affairs Department, 15- Horticulture & Cash Crops Management Department, 34- Roads and Bridges, 41-Urban Development and Housing Department and 43-Panchayati Raj Institutions.

<sup>13</sup> Grants 6- Ecclesiastical, 8- Election, 10-Finance Revenue and Expenditure Department and 34- Roads and Bridges.

<sup>14</sup> Grants-14- Home, 28- Personnel, Administrative reforms, Training and PG and 31-Energy and Power.

- In 'Demand View Information' the budget provision under head of account: 2202-80-001-60-00-50 during 2015-16 was shown as ₹ 9.77 crore whereas in Form 74(A) generated by SIFMS it showed ₹ 9.81 crore. Further, expenditure in Form 74(A) was shown as ₹ 0.88 lakh whereas as per 'Demand View Information', the expenditure was ₹ 9.77 crore. Similarly, during 2016-17 under head of account 2702-60-45-74, the budget provision in 'Demand View Information' was shown as ₹ 1,600 crore. However, in Form 74(A) generated from SIFMS, it was shown as ₹ 2.28 crore. Further, the expenditure in Form 74(A) was shown as ₹ 50.83 lakh whereas as per Demand View Information, the expenditure was ₹ 224.38 crore. All these cases pointed to compilation error in SIFMS.
- There were discrepancies in Form 51 (Schedule of monthly settlement with bank) generated by SIFMS as against the manually prepared Form 51 submitted to Senior Deputy Accountant General (A&E). This was due to absence of linkages between SIFMS and the bank.
- CPAO (HQ) submitted works accounts showing an adverse balance of ₹ 61.00 crore (negative) in Form 51 in respect of Tourism (Plan) pertaining to the month of February 2016. Further, similar adverse opening balance was earlier noticed in the month of September 2015 amounting to (-) ₹ 60.09 crore. Erroneous depictions of adverse balances ought not to have been accepted/generated by the SIFMS and should have been warned before generation.

The FRED admitted (October 2016) that there were some discrepancies in the report modules. It also assured that the issue would be taken care of and rectified accordingly. However, similar discrepancies in the forms generated by SIFMS were noticed during March 2017 for an amount of (-) ₹ 13.46 crore.

- Expenditure data of 38 selected Major Heads extracted from 'Bill Master' for the year 2016-17 were compared with the amount booked in the Office of the Senior Deputy Accountant General (A&E). However, expenditure in 34, out of 38 Major Heads, did not tally. Voucher wise analysis revealed that the difference was mainly due to three reasons in the Bill Master: (i) the total bill amount (advance plus balance amount) as shown in detailed contingent bills was incorrectly reflected in the gross amount field instead of reflecting only the balance amount (i.e., total bill amount – advance), (ii) deductions from salary bills (i.e., GPF, recovery of excess payment or advances etc.) were not included in the gross amount and (iii) some of the vouchers were not captured while extracting the actual expenditure from SIFMS due to some technical reasons.

Thereafter, IT Cell of FRED also extracted the expenditure of 38 Major Heads from various table of SIFMS and found that the expenditure in respect of only 24 Major Heads tallied with the books of the Senior Deputy Accountant General (A&E).

Further, even the expenditure data of 'Bill Master' and 'Demand View Information' (both within the SIFMS) did not tally.

This indicated that SIFMS which was expected to generate or give financial information accurately and conveniently as and when required did not deliver the required information.

#### 5.4.7.5 Other deficiencies in System

- The Treasury interface was not linked with Voucher Level Computerisation (VLC) database in the Senior Deputy Accountant General (A&E). Due to this, there was duplication of work in the office of the Senior Deputy Accountant General (A&E) where monthly accounts figures submitted by the Treasuries have to be re-entered into the VLC system instead of processing from soft copies.
- In four cases in South district for the year 2015-16, payments were made from the head of account: 2851-00-003-61-45-14 (Rent, Rates and Taxes) relating to East district and in four cases, expenditure was incurred from the head of accounts: 2851-00-003-61-60-14 (Rent, Rates and Taxes) which was not found in Demand for Grants.

The FRED accepted (October 2016) the Audit observation and noted it for future compliance.

#### 5.4.8 Current status of SIFMS

FRED stated (September 2017) that the new version of SIFMS, based on audit observations, was being developed. Accordingly, it obtained (March 2017) token approval from the Chief Minister to develop a new version of SIFMS.

Audit, however, observed that neither details of modus-operandi nor the cabinet approval was obtained by the Department as of November 2017. Hence, the Department did not take appropriate action to either rectify the deficiencies pointed out in the system by Audit or to develop the new system as approved by the Chief Minister even though eight months had lapsed. Thus, the system as of November 2017 failed to fulfil the objectives of providing real-time data and make the accounting system transparent and accurate.

#### 5.4.9 Conclusion

*The Department initiated SIFMS in 2008-09 with the objective to provide real-time data and to make the accounting system of the Government more transparent and accurate. Audit disclosed that the objective of SIFMS had not been achieved as of November 2017 due to non-linking/interface of SIFMS with bank and VLC database of Sr. Deputy Accountant General (A&E), non-mapping of business rules and orders. The Department obtained token approval of the Chief Minister to develop a new system. However, as of November 2017 neither concrete action to develop the new system nor corrective action to rectify the defects in the system were taken even after a lapse of eight months. Thus, the objective envisaged had not been achieved.*

#### 5.4.10 Recommendation

The Department should initiate urgent measures to expedite the development of the new SIFMS to achieve its intended objective to provide real-time data and to make the accounting system of the Government more transparent and accurate.