

EXECUTIVE SUMMARY

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

This Report contains 28 audit paragraphs (including 13 general paragraphs and 15 draft paragraphs) and three performance audits. According to the existing arrangements, copies of the draft compliance audit paragraphs and draft performance audits were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies received have been suitably incorporated. Replies were not received for five paragraphs (1.4, 2.7, 2.8, 2.9 and 2.11).

SOCIAL SECTOR

The Chapter on Social Sector includes results of audit on 'National Social Assistance Programme' and two Compliance Audit Paragraphs.

COMPLIANCE AUDIT

National Social Assistance Programme (NSAP): The number of beneficiaries who benefited from NSAP rose from 19,517 to 23,565 during 2012-17. However, implementation of NSAP was riddled with inadequacies as the Department did not follow the prescribed procedures enshrined in the programme guidelines regarding awareness generation, selection of beneficiaries and verification of eligibility of beneficiaries.

Programme implementation revealed that the Department had not taken up any initiative to reach out to all eligible people for rendering assistance and efforts for assessing of total number of potential beneficiaries. The Department neither took any proactive action for identification of beneficiaries nor carried out any verification of the eligibility of beneficiaries while accepting the list of beneficiaries recommended by the Gram Panchayats. Annual verification of the beneficiaries as required under the guidelines was also not done. Payment of assistance to ineligible beneficiaries was noticed. The monitoring mechanism was inadequate as State level Committee met only twice against the requirement of 10 meetings. Social Audit, one of the important checks of ensuring control mechanism, was not accorded due importance. Hence, Audit could not vouchsafe whether all eligible beneficiaries who belonged to the weakest section of the society had actually been covered and benefited as envisaged under the programme.

(Paragraph 1.3)

The Sikkim Building and Other Construction Workers' Welfare Board incurred irregular expenditure of ₹ 3.03 crore out of total expenditure of ₹ 11.21 crore from the cess fund exclusively meant for the benefit of labours and their families/dependents for whom the cess was actually collected.

(Paragraph 1.4)

Diversion of ₹ 0.83 crore out of ₹ 1 crore earmarked for construction of Ashram School defeated the objective of creating a permanent structure for the school.

(Paragraph 1.5)

ECONOMIC SECTOR

The Chapter on Economic Sector consists of two Performance Audits on ‘National Rural Drinking Water Programme’ and ‘Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System’ and seven Compliance Audit Paragraphs.

PERFORMANCE AUDIT

National Rural Drinking Water Programme

Implementation of the National Rural Drinking Water Programme in Sikkim was riddled with deficiencies in planning, programme execution and monitoring. The Five-year comprehensive plan was not prepared which resulted in water supply schemes being taken up without an integrated approach. The Department failed to constitute the Source Finding Committee. As of March 2017, the Department was able to cover only 737 habitations as Fully Covered (40 litre per capita per day, though the target for Fully Covered habitation was 55 litre per capita per day by March 2017) while the remaining 1,347 habitations (65 per cent) had not been covered even after the implementation of revised scheme in 2009. There were instances of short-release of State share and delay in release of funds by State to State Water and Sanitation Mission. Out of 462 projects, 105 projects had not been completed recording delay between three and four years beyond the stipulated date of completion. Programme implementation had been characterised with non-commencement of work, abandonment of work, tapping of water from non-perennial source, lack of co-ordination with other State Government Departments, etc. This was mainly due to ineffective monitoring and evaluation of physical and financial performance and management of the water supply by the State Water and Sanitation Mission. The water quality monitoring and testing for detection of chemicals and bacteriological contamination was only one to five per cent in a year. Discrepancies between data in the Integrated Management Information System and that maintained by the implementing agencies undermined the reliability of the system as a viable tool for monitoring.

(Paragraph 2.3)

Sikkim Nationalised Transport Division including implementation of the Integrated Depot Management System

The Sikkim Nationalised Transport (SNT) had not prepared a long term plan and strategy keeping in perspective its mandate. As a result, no specific targets had been set for its various functions. The SNT was unable to meet the huge demand of public transport in the State despite its virtual monopoly within the State on public bus transport.

The SNT incurred huge recurring expenditure (₹ 213 crore) on salaries, allowances, office expenses, repair and maintenance which constituted 97 per cent of the budgeted expenditure, while only 3 per cent of the budgeted expenditure of ₹ 220.15 crore was spent on creation of assets. Although, there was slump in revenue collection during 2013-15, the SNT improved its earnings from 2015-16 onwards and made revenue collection of ₹ 48.76 crore in 2016-17.

Supervision charge, a non-transport revenue, which the SNT imposed on load carrying private trucks/tankers crossing the border check-posts at Rangpo and Melli constituted upto 57 per cent of the total revenue. The SNT was found lagging with regards to weighing load carrying vehicles at the check posts for determining weight of load and realising appropriate supervision charges. The weigh bridges installed at the check-posts at substantial cost were mostly non-functional. Further, supervision charges were not being collected from private trucks within the State carrying sand, stone, stone aggregates, etc., leading to loss of revenue.

The Integrated Depot Management System, which was expected to contribute substantially to improve operational efficiency of the Sikkim Nationalised Transport had not delivered the desired result. There was no scope in the Integrated Depot Management System to capture many vital data required for monitoring the functions of the Sikkim Nationalised Transport by the top management. There were instances of incorrect data feed due to absence of standardised mode of data entry and data authentication. Reliability of available data in the system was therefore low.

(Paragraph 2.4)

COMPLIANCE AUDIT

Delay in installation of power supply resulted in idling of Fish Feed Mills worth ₹ 1.16 crore for more than three years and led to non-production of fish feed of ₹ 12.00 crore.

(Paragraph 2.5)

Setting up of a new bio-fertiliser production unit at a cost of ₹ 1.29 crore at the same site of an existing unit whose products the Department was unable to utilise was unwarranted. This was also irregular as the approval from the national mission for sustainable agriculture was for state of art bio-pesticide unit and not for bio-fertiliser unit.

(Paragraph 2.6)

Delay in execution/completion of work due to prolonged tendering process and belated action for obtaining statutory clearances for encumbrance free land and shifting of power and electrical utilities led to avoidable payment of cost escalation of ₹ 1.40 crore.

(Paragraph 2.7)

Failure to exercise due diligence by the Roads and Bridges Department in executing the deposit work led to abandonment of project by user agency and consequent unwarranted burden of ₹ 24.58 crore on the State exchequer.

(Paragraph 2.8)

There was excess payment of (i) ₹ 0.60 crore to the contractor on haulage charge of non-stock materials and (ii) ₹ 0.64 crore towards labour on resizing and carriage of stones beyond requirement despite availability of stone at the work site.

(Paragraph 2.9)

Lack of proper planning to provide encumbrance free site prior to issue of work order resulted in delay in commencement of the work leading to cost escalation of ₹ 1.22 crore on account of increase in material and labour cost.

(Paragraph 2.10)

Failure to award the declaration under Section 11 of the Land Acquisition Act 1894 due to absence of budgetary provision for land acquisition and subsequent revision of compensation resulted in avoidable committed liability of ₹ 23.73 crore.

(Paragraph 2.11)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

The Chapter on Economic Sector (Public Sector Undertakings) consists of a Performance Audit on 'Functioning of State Bank of Sikkim.

PERFORMANCE AUDIT

Functioning of State Bank of Sikkim

There was scope for improvement in the functioning of the State Bank of Sikkim (SBS) with regards to planning, operations and internal control mechanism. SBS did not prepare any strategic plan for its operation. In the absence of a clear lending policy and detailed credit appraisal mechanism, the sanction of credit facilities was not based on objective criteria. SBS did not have any comprehensive procedure for post sanction/disbursement monitoring and follow-up of loan assets leading to Gross NPAs to the extent of 45.75 per cent of total loans assets of SBS as on 31 March 2017.

There was room for further expansion in the number of Automated Teller Machines (ATMs) as there were only eight ATMs of SBS in the State. The internal control mechanism of SBS needed strengthening as there was no system for preparing Bank Reconciliation Statements (BRS) for inter branch/inter-bank transactions. SBS neither had a system of internal audit nor was there any formal arrangement for regulating the activities of SBS through oversight functions or through administrative supervision by GoS. Instances of non-

compliance with the provisions of the State Bank of Sikkim Proclamation, 1968 and good practices as per Reserve Bank of India (RBI) guidelines were also observed.

(Paragraph 3.2)

REVENUE SECTOR

The Chapter on Revenue Sector contains three Compliance Audit Paragraphs. This Chapter also gives an overview of revenue receipts which shows an increase of ₹ 124.39 crore on account of tax and non-tax receipts. The analysis of arrears of revenue as on 31 March 2017 showed that ₹ 279.48 crore was outstanding, of which ₹ 142.69 crore was outstanding for more than five years.

COMPLIANCE AUDIT

Incorrect billing of 33 out of 167 Bulk Supply consumers for the periods when their electric meters remained defective resulted in short collection of revenue of ₹ 4.11 crore.

(Paragraph 4.10)

Short levy of demand charges contrary to the tariff provisions resulted in extension of undue benefit to two HT consumers with corresponding loss of revenue of ₹ 2.54 crore.

(Paragraph 4.11)

Failure in collection of water tax resulted in loss of revenue of rupees one crore.

(Paragraph 4.12)

GENERAL SECTOR

The Chapter on General Sector consists of the results of audit of 'Border Area Development Programme' and IT Audit report on 'Sikkim Integrated Financial Management System'.

COMPLIANCE AUDIT

Border Area Development Programme (BADP): 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 Perspective Plan 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. Prioritisation of projects sector-wise was not done. System of declaring saturation of the border villages was not instituted.

The programme management was characterised by absence for provisioning of funds for maintenance of assets, non-adherence to sector-wise minimum allocation, non-release of

State share, execution of impermissible 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 was inadequate as monitoring mechanism at district and block level was inadequate, display boards were not erected in most of the work sites, etc. Evaluation study of the implementation of the programme in the State was not carried out during 2012-17. No action was 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 through convergence and participatory approach 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 Junior High Schools and Senior Secondary Schools, water supply schemes and Public Health Sub Centres/Public Health Centres were not sanctioned during 2012-17. Infrastructural projects were not completed within the stipulated time frame.

(Paragraph 5.3)

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. 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. The System had weak control mechanisms as it lacked various controls, and third party test of the system was not conducted. Non-mapping of applicable rules into the system had resulted in short realisation of Government revenue. 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, had not been fully achieved.

(Paragraph 5.4)