

**CHAPTER III**  
**ECONOMIC SECTOR**



## CHAPTER III ECONOMIC SECTOR

### 3.1 Introduction

This chapter of the Audit Report deals with audit observations on the functioning of the Government departments under Economic Sector.

The names of the departments and the total budget allocation and expenditure of the Government under Economic Sector during the year 2019-20 are given in the table below:

**Table 3.1: Details of budget allocation and expenditure**

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1	Animal Husbandry & Veterinary Services Department	85.61	74.23
2	Buildings and Housing Department	85.77	76.46
3	Commerce and Industries Department	62.55	61.97
4	Co-operation Department	17.88	16.98
5	Power Department	328.63	306.29
6	Agriculture Department	225.11	139.72
7	Forest & Environment Department	271.03	156.19
8	Horticulture Department	171.11	86.46
9	Water Resources Department	54.11	41.76
10	Mines & Geology Department	7.04	6.52
11	Roads and Bridges	601.98	380.64
12	Rural Development Department	861.05	351.32
13	Tourism and Civil Aviation	74.49	61.99
14	Transport Department	89.79	79.14
15	Urban Development Department	409.70	203.84
16	Public Health Engineering Department	196.74	102.00
17	Food & Civil Supplies Department	40.03	22.69
<b>TOTAL</b>		<b>3,582.62</b>	<b>2,168.20</b>

(₹ in crore)

Source: Appropriation Accounts 2019-20.

Besides, the Government of India had been transferring funds directly to the implementing agencies under the Economic Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

**Table 3.2: Details of funds directly transferred to the implementing agencies**

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1	Tourism and Civil Aviation	Domestic Promotion and Publicity including Market Development Assistance	Sikkim Tourism Development Corporation Ltd.	50.00
2	Forest and Environment	Environmental Education, Awareness and Training	State Environment Agency	71.19
		Environmental Information Systems	-do-	70.54
		Pollution Abatement	State Pollution Control Board Sikkim	7.00

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
3	Tourism and Civil Aviation	Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan)	Sikkim Tourism Development Corporation Ltd.	302.93
4	Animal Husbandry & Veterinary Services	Rastriya Gokul Mission	Sikkim Livestock Development Board	677.98
5	Power Department	Small Hydro Power – Grid Interactive	Sikkim Power Development Corporation Ltd.	5.00
6	Transport/ Urban Development	Transport Planning and Capacity Building in Urban Transport	Sikkim Urban Development Agency	46.44
7	Commerce and Industries Department	Ambedkar Kasthshilp Vikas	Sikkim Handloom & Handicrafts Dev. Corporation Ltd. (SHHDC)	9.80
		Human Resource Development - Handicrafts		32.28
		Marketing Support Services		6.81
		National Handloom Development Programme		26.16
		NER Textiles Promotion Scheme		20.90
		Promotional Services Institution and Programmes I	Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO)	2.45
<b>Total</b>				<b>1329.48</b>

Source: Finance Accounts 2019-20

### **3.2 Planning and conduct of audit**

Audit process starts with the assessment of risks faced by various departments 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 required 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. The 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 for taking further appropriate action.

Test audits were conducted involving expenditure of ₹ 1294.26 crore (including expenditure of ₹ 202.50 crore of previous years) of the State Government under Economic Sector. The details of year-wise break-up are given in **Appendix 3.1**.

This Chapter contains four Compliance Audit Paragraphs.

## COMPLIANCE AUDIT PARAGRAPHS

## DEPARTMENT OF ANIMAL HUSBANDRY AND VETERINARY SERVICES

## 3.3 Doubtful procurement of piglets under Piggery Distribution Programme

*Department of Animal Husbandry and Veterinary Services purchased piglets costing ₹ 158.48 lakh without inviting tenders from three SHGs based outside Sikkim. Two of these SHGs were not functioning and the purchase from the third SHG was 10 times more than its available stock. The entire payments were made in cash and ₹ 1.90 lakh paid for transportation of piglets was at uniform rate per irrespective of load and distance covered. No entry fee was collected for entry of the piglets into Sikkim.*

The State Government implemented Piggery Distribution Programme during 2018-19 with the objectives: (i) to support the weaker section of rural farmers with an effort to uplift their per-capita income; (ii) to inculcate entrepreneurship among the rural based farmers to bring upto professional level and sustainable livelihood; (iii) sourcing piglets and pork to meet the increasing demand; and (iv) to step up to fulfil the National Mission of doubling the rural economy by 2022-23.

The Department of Animal Husbandry and Veterinary Services, Government of Sikkim sought approval of the State Cabinet on three occasions (in August and November 2018 and January 2019) to procure 4022 piglets for distribution to the beneficiaries in the State under Piggery Distribution Programme during 2018-19. In the proposals submitted to the Cabinet, the Department proposed for procurement of piglets aged two months and above. In the Cabinet Memorandum dated 1 August 2018, it was stated that the piglets would be sourced from hill tracts of West Bengal, Assam Border, Border areas of Nepal and purchase of piglets by the Department itself was to be done to ensure the quality of piglets; whereas as per remaining two memoranda the piglets were to be sourced from Sikkim and West Bengal.

The proposal-wise details of piglets to be procured, breed and sex of piglets, ratio of distribution and beneficiaries is give as under:

Table 3.3: Details of proposal submitted to the Cabinet

Date of Cabinet approval	Breed of piglets	Sex ratio of piglets to be distributed to each beneficiary and their rate	Total number of beneficiaries	Total piglets to be procured			Total cost (₹ in lakh)
				Male	Female	Total	
1 Aug. 2018	Hampshire, Saddleback, Yorkshire, Largeback	Ratio-One male: one female Rate-Male @ ₹ 4500, Female @ ₹ 3500	580	580	580	1180	47.20
				(plus 20 for mortality)			
28 Nov. 2018	-do-	Ratio-One male: two females Rate-@ ₹ 4000 (Rates not mentioned separately)	150	150	300	460	18.40
				(plus 10 for mortality)			

Date of Cabinet approval	Breed of piglets	Sex ratio of piglets to be distributed to each beneficiary and their rate	Total number of beneficiaries	Total piglets to be procured			Total cost (₹ in lakh)
				Male	Female	Total	
30 Jan. 2019	-do-	Ratio-One male: one female Rate: @ ₹ 4000 (Rates not mentioned separately)	1176	1176	1176	2382 (One extra not explained)	95.28
	<b>Total</b>		<b>1906</b>			<b>4022</b>	<b>160.88</b>

Accordingly, the Department withdrew an amount of ₹ 145.50 lakh through three Abstract Contingent Bills.

Audit observed serious irregularities in procurement and transportation of these piglets as mentioned in following paragraphs:

a. Scrutiny of records (January 2020) revealed that the Department had purchased 3962 piglets from three Self Help Groups (SHGs) based in Darjeeling District of West Bengal without inviting tenders. This was gross violation of Rule 127 of Sikkim Finance Rule (SFR) 1979 which states that the purchase costing more than ₹ 10 lakh, should be made after inviting open tenders by giving wide publicity.

b. The Department had not issued any Supply Orders for procurement of piglets and made the payments based on six bills submitted by the suppliers as shown in table below. It was seen that none of the bills, against which 3962 piglets were shown procured, specified the breed and age of piglets, and four bills, against which 2,782 piglets were shown procured, did not mention sex of piglets. The 2,782 piglets, whose sex was not mentioned, were purchased at uniform rate of ₹ 4,000 per piglet. The following table shows the details of suppliers, number of piglets and rates as given in the bills.

**Table 3.4: Details of pigs procured**

Sl. No.	Name SHG	Date of Bill	Details of piglets						Total amount (₹ in lakh)
			Male	Rate	Female	Rate	Sex not mentioned	Rate	
1.	Janakalyan SHG, Pul Bazar, Darjeeling	29 Sep. 2018	300	4500	300	3500	Nil	--	24.00
2	Janakalyan SFG, Pul Bazar, Darjeeling	9 Feb 2019	--	--	--	--	672	4000	26.88
3	Janjagaran, SHG, Pul Bazar, Darjeeling	20 Sep 2018	290	4500	290	3500	Nil	--	23.20
4	Janjagaran, SHG, Pul Bazar, Darjeeling	23 Feb 2019	--	--	--	--	870	4000	34.80
5	Shree Junga SHG, Pul Bazar, Darjeeling	25 Feb. 2019	--	--	--	--	400	4000	16.00
6	Shree Juga SHG, Pul Bazar, Darjeeling	31 Feb 2019	--	--	--	--	840	4000	33.60
	<b>Total</b>		<b>590</b>		<b>590</b>		<b>2782</b>		<b>158.48</b>

c. As per cross verification by Audit, two SHGs viz. Janakalyan SGH and Janjagran SHG from whom 1,272 piglets and 1,450 piglets respectively were purchased by the Department in September 2018 and February 2019, were not functioning during 2018-19. Meanwhile, the total availability of piglets with the third

SHG viz. Shree Junga SHG, from whom 1,240 piglets were purchased, was only 20 piglets during 2018-19.

d. The Department had paid the amounts as shown in Table 3.4 in cash to the respective SHGs which was a gross violation of financial rules.

e. It was seen that trip-wise delivery challans for transporting the piglets were not available in the records, and the Department had paid transportation charges on the basis of hand receipts. Though the piglets were to be distributed all over the State, yet transportation charges were paid at uniform rate of ₹ 5000 per trip irrespective of the distance. The details of vehicles/ number trips and payment made is shown below:

**Table 3.5: Details of vehicles hired for transporting piglets**

Date of hand receipt	Registration No. of Vehicle	Registering authority			Make and model of vehicle	No. of trips (number of piglets)	Total amount paid (in ₹)
		<i>(Information extracted from VAHAN)</i>					
25 Feb 2019	WB 73E6 867	Siliguri	ARTO	West Bengal	Bolero Pickup	4(460)	20,000
	SK 04 D 1075	Jorthang	Sikkim		Bolero Pickup		
23 Feb 2019	WB 73 D 0732	Siliguri	ARTO	West Bengal	Mahindra Pickup	23(2382)	115,000
	WB 73 E 0002	Siliguri	ARTO	West Bengal	Mahindra Pickup		
Not mentioned	WB 73 E 0661	Siliguri	ARTO	West Bengal	Mahindra Pickup	11(not mentioned)	55,000
<b>Total</b>							<b>1,90,000</b>

f. As per the Notification No.103/AH&VS (Adm) dated 19 June 2018, entry fee of ₹ 25 per piglet was fixed by the State Government. The Check Points of the Department at Rangpo and Melli allow entry of livestock into the State only after realising of entry fee. There was no evidence in records of the Department to show the payment of entry fee (₹ 0.99 lakh) for these piglets.

Thus, the Department incurred a total expenditure of ₹ 166.83 lakh towards purchase of piglets (₹ 158.48 lakh), transportation (₹ 1.90 lakh), cash incentives (₹ 6.00 lakh) and pig fodder (₹ 0.45lakh) for the above three programmes. Thus, irregularities, inconsistencies, discrepancies as pointed out in the preceding paragraphs raise serious doubts about the genuineness of purchase of the piglets and expenditure on the other components thereof.

Matter was brought to the notice of Department (February 2020), to which the Department replied (March 2021) that it implemented that programme successfully and also provided the details of vehicles, monitoring and evaluation reports, and photographs.

Cross verification from the Police and Transport Departments (April 2021) by Audit showed that none of the vehicles had entered the State with livestock, hence raising the doubt on transportation of piglets from West Bengal.

**Recommendation:** State Government should investigate the irregularities and procurement process and fix responsibility of the erring officials within a specified time frame.

## RURAL DEVELOPMENT DEPARTMENT

### 3.4 Irregular allotment of works and undue benefit to contractor

**Awarding CMRHM Phase-I project costing ₹ 379.20 crore to a contractor on single tender that too with unreasonably high tender premium of 43.60 per cent above the estimated cost and allotting CMRHM Phase-II project costing ₹ 443.49 crore to the same contractor without calling tenders in gross violation of financial rules, led to undue benefit ₹ 63.31 crore to the contractor. In addition, excess payment of ₹ 120.47 crore was also made to the contractor with 35 per cent of the work of Phase-II still to be completed.**

Section 9.6 (vi) of The Sikkim Public Works (SPW) Manual 2009 stipulates participation of at least three tenders to make the tender process more competitive and for proper evaluation of the rates offered by the contractors. Tenders received in less than three valid tenders shall be summarily rejected and fresh tender shall be invited. Further Section 9.6 (i) of SPW Manual states that all works proposed for execution by contract will be notified in a form of invitation to tender.

Scrutiny of records (June 2021) of Rural Development Department (RMD) revealed that the Cabinet had approved and sanctioned (May 2016) construction of 3000 RCC houses under 'Chief Minister's Rural Housing Mission Phase-I' at an estimated cost of ₹ 264.00 crore, with the objective of converting the Sikkim "Kutch House free State" by 2018-19.

Accordingly, the RMD invited Expression of Interest (EoI) from reputed entrepreneurs by publishing in leading local and national newspapers<sup>6</sup> during 12 June 2016 to 17 June 2016. In response, three firms<sup>7</sup> submitted EoIs and the Department evaluated all three firms pre-qualified for participation in tender comprising of both technical and financial bids. The RDD published Notice Inviting Tender (NIT) in December 2016 from these three pre-qualified firms, however, only one firm participated in the bidding process. The rate quoted by the firm was ₹ 395.39 crore i.e., 49.75 per cent above the estimated cost (₹ 264.00 crore).

The Department instead of rejecting the same and inviting a fresh tender as per provision of the SPW Manual, accepted the tender. While justifying the acceptance of single tender, the Department stated in the Cabinet Memo that the scheme is a time bound policy decision of the Government to make State Kutch House Free and House for all and also considering the intended purpose and larger interest, the Government has accorded approval in principle to accept the single tender duly

<sup>6</sup> Indian Express and Economics Times

<sup>7</sup> Engineering Projects (India) Limited; MV Omni Projects (India) Limited; & Mungipa Trade Links (P) Limited and Sunil Kumar Agrawal (Joint Venture)



relaxing the Clause 9(6)(vi) of the General Directions and Conditions of the Contract. However, the Department restricted the cost of work to estimated Wholesale Price Index (WPI) of December 2017 *i.e.*, 43.60 *per cent* above the SoR of 2012 and submitted the proposal to the Cabinet for acceptance of single tender at total cost of ₹ 379.20 crore @ ₹ 12.64 lakh per unit. The Department further justified the premium of 43.60 *per cent* citing scattered location of houses, difficult terrain and technical workability analysis. In view of the justifications provided by the Department, the Cabinet approved (February 2017) the proposal.

The work was awarded (March 2017) to the contractor at a total cost of ₹ 379.20 crore on *turnkey basis* with the stipulated date of completion by March 2019. All the 3000 houses have been completed by August 2020 and an amount of ₹ 481.45 crore has been paid to the contractor as of October 2020, an excess payment of ₹ 102.25 crore over the approved cost. Further scrutiny revealed that even after providing premium of 43.60 *per cent* over the estimated cost, the Department provided cost escalation to the contractor without the approval (February 2017) of the Cabinet, leading to irregular payment to the contractor.

Further, the contention of the Department for time bound completion of the project is not justified as only 1,340 houses (45 *per cent*) of houses were completed by the targeted date of completion *i.e.*, March 2019.

Acceptance of single tender contrary to the provision of the SPW Manual and that too with tender premium of 43.60 *per cent* above the estimated cost on the pretext of time bound construction of houses, led to extension of undue benefit ₹ 49.10 crore<sup>8</sup> to the contractor as another work<sup>9</sup> was awarded (June 2017) at 25 *per cent* above the estimated cost during the same period. Besides, irregular payment of ₹ 102.25 crore towards cost escalation which was over and above cabinet approval (February 2017) was also made.

(b) Subsequently, RDD proposed (December 2018) to construct another 3000 houses under CMRHM Phase-II. The RDD, in gross violation of SFR, did not call any tender for this work instead proposed to treat it as extension of CMRHM Phase-I and execute this work through the same firm at same rate *i.e.*, 43.60 *per cent* above the estimated cost with the same design, plan specification as per terms and conditions of CMRHM Phase I. However, the unit cost had been increased from ₹ 12.64 lakh to ₹ 14.78 lakh without any justification.

RDD submitted (December 2018) this proposal to the Cabinet, without any justification for the increase in the unit cost from ₹ 12.64 lakh to ₹ 14.78 lakh, which was approved in January 2019. The work order was issued the same firm in January 2019 at a cost of ₹ 443.49 crore @ ₹ 14.78 lakh per house within 24 months (January 2021). As on February 2022, only 1,949 houses (65 *per cent*) have been completed and an amount of ₹ 461.71 crore (104 *per cent* of the total estimated cost) has already

<sup>8</sup> ₹ 379.00 crore x 18.60%(43.60%-25%)=₹ 49.10 crore

<sup>9</sup> Construction of Block Administrative Centre at Chongrang, West Sikkim

been paid to the contractor. Thus, excess and irregular payment of ₹ 18.22 crore was made to the contractor without approval of the Cabinet. The quantum of this excess payment is bound to increase as 35 per cent of the houses are still to be completed and even with a conservative estimate, the total irregular payment would be ₹ 173.56 crore<sup>10</sup>.

Awarding the CMRHM Phase-II works without calling tenders was against provisions of SPW Manual and compromised the principles of transparency and fair competition. It was seen that RDD had six works to various contractors with tender premium ranging between 37.50 per cent to 39.00 per cent during November 2020 to January 2021, which were 6.10 per cent to 4.60 per cent lower as compared to tender premium allowed for CMRHM Phase II projects. This led to undue benefit of ₹ 14.21 crore<sup>11</sup> to the contractor in respect of CMRHM Phase-II project. Thus, in all, undue benefit of ₹ 63.31 crore (₹ 49.10 crore+₹ 14.21 crore) was extended to the contractor and excess payment of ₹ 18.22 crore has been made with 65 per cent of Phase-II completed.

The fact that the contractor had agreed to execute the CMRHM Phase-II, at the rates of Phase –I, (43.60 per cent above the estimated cost) even after gap of two years confirms the Audit contention that the rate of Phase-I was unreasonably high. Further, the justifications put forth by the Department to accept the single tender for the CMRHM Phase-I, i.e. it was a time bound programme and retendering would make it difficult to achieve the target of the Kutcha House Free State by 2018-19 were not justified as the target dates of completion of Phase-I were not met and CMRHM Phase-II project under which additional 3000 houses were to be constructed was awarded only in January 2019.

The matter was reported to the Department (August 2020 and June 2021); reply was awaited (April 2022).

**Recommendation:** State Government may follow the prescribed procedure given in Sikkim Public Works Manual while executing any scheme/works to ensure transparency and financial propriety.

## RURAL DEVELOPMENT DEPARTMENT AND LAND REVENUE AND DISASTER MANAGEMENT DEPARTMENT

### 3.5 Loss of revenue

***Due to the lack of proper co-ordination among the departments, whereabouts of standing properties (Trees & bamboos) valuing ₹ 5.07 crore could not be ascertained in Audit resulting in loss of government revenue to that extent.***

Land required by the Government departments and other organisations/ bodies. etc., for various purposes is acquired by concerned District Collectors functioning under the administrative control of the Land Revenue and Disaster Management Department

<sup>10</sup> 1051 houses X ₹ 14.78 lakh+₹ 18.22 crore=₹ 173.56 crore

<sup>11</sup> ₹ 308.84 crore (Estimated cost without premium of 43.60%) x 4.60%(43.60%-39%)

(LRDMD) after assessing value of the land on the basis of prevailing market rate of the land surrounding the area of the land to be acquired. In addition to values of the land, the compensation for standing properties is assessed and paid to the owners of the land based on the rate of standing properties (Trees & Bamboos) time to time fixed by the Forest Department.

The Rural Development Department (RDD) acquires land through concerned District Collectors for construction of roads under Pradhan Mantri Gram Sadak Yojana (PMGSY) scheme by following due procedure. Accordingly, the compensation for the land as well as for the standing properties (trees, bamboos, broom grass bush, fodder, other structures like cow sheds etc.) on the land so acquired is paid to the land owners. On payment of compensation, the land along with the standing properties becomes properties of the Government.

Scrutiny of the land acquisition records for construction of five roads for PMGSY scheme by the RDD during March 2017 to March 2020 revealed that in addition to land compensation, ₹ 6.94 crore was paid to the land owners towards the cost of standing properties including properties like broom grass bush (amliso), fodder, cowshed etc. having meagre or no sale value. A further compensation of ₹ 5.07 crore paid for other substantially valued properties such as trees, and bamboo poles as detailed in *Appendix 3.2*.

During the course of Audit, physical verification (March 2021) of four works<sup>12</sup> out of these five works was conducted in the presence of departmental officers to verify the status of works and existence of standing properties in work sites and it was found that all the four road construction works were already completed and there were no records of safe custody and subsequent sale of standing properties valued at ₹ 5.07 crore.

In this connection, reply was sought from land acquiring Department (RDD) and value of land and standing properties assessing Department (LRDMD) for the above works. RDD in its reply stated that the Forest & Environment Department (F&ED) is fully responsible for felling and disposing off the standing properties (Trees & bamboos). It was, further, stated that if the standing properties were not taken away by the concerned authority, then the usual practice is that the land owners take the standing properties themselves. The LRDMD also stated that the F&ED is responsible for removal, sales and realisation of sales proceeds from standing properties (trees and bamboos) on the land acquired by various State Government Departments.

The F&ED in its reply stated that the land acquiring department (RDD) as of January 2022 had not made any correspondence with F&ED for removal, sales and realisation of revenue from standing properties (Trees and Bamboos) involved in any PMGSY road construction works.

<sup>12</sup> (i) Mangalbarey to Arubotey, (ii) Chakung-Khaniserbong SPWD road to Lower Khaniserbong, (iii) Upper Gelling to Middle Gelling and (iv) Chakung-Khaniserbong SPWD Road to Mendogaon

Further, a similar audit observation (Paragraph no. 2.4) pertaining to Roads and Bridges Department had featured in Audit Report 2013-14 on which the Public Accounts Committee had recommended vide its 126<sup>th</sup> Report (presented to the house on 02 April 2022), that the Department should work out a mechanism in consultation with Finance Department and Forest & Environment Department for proper realisation of Government revenue.

Thus, due to the lack of proper co-ordination among the departments, revenue from sale of these Trees & bamboos valued at ₹ 5.07 crore was lost.

**Recommendation:** *The F&ED should be immediately informed for felling and disposal of standing properties whenever land is acquired by Government Departments, etc. for construction works.*

## URBAN DEVELOPMENT DEPARTMENT

### 3.6 Loss of revenue

***Due to non-handing over of Restaurant and Public Plaza to a firm to whom the allotment order to run these facilities on rent basis had been duly issued, resulted in loss of government revenue amounting to ₹ 47.06 lakh.***

With a view to bring about coherent improvement in city life of Gangtok, which is major eco-tourism destination, the Urban Development Department (UDD), Government of Sikkim constructed 'Construction of Walkways, Viewpoint including Allied works at Namnang, Gangtok' at a cost of ₹ 17.54 crore which was subsequently revised (February 2014) to ₹ 22.59 crore. As a part of project, a Restaurant and Public Plaza were also constructed in order to service the users of the Walkway. The project was completed during March 2017. The UDD conducted the valuation for these facilities during July 2017 for renting out to entrepreneurs. Accordingly, the offset price for letting out these facilities on rent was assessed at ₹ 1,24,039 per month (Restaurant and Public Plaza at ₹ 88,157 and ₹ 35,882 per month respectively).

As per records available in the UDD, six entrepreneurs had submitted (May 2017) applications requesting the UDD to allot these facilities. Thereafter the UDD invited quotations from these five entrepreneurs in October 2017. However, against five entrepreneurs, the quotation from only three entrepreneurs<sup>13</sup> were received and the quotations were opened in November 2017. The rate quoted by M/s Cacao Bakery (Firm) was found to be highest at ₹ 1.81 lakh per month. Thereafter the proposal for allotment of the facilities at monthly rent of ₹ 1.81 lakh along with Security Deposit of ₹ 4.47 lakh to the firm for period of 10 years was approved on 01 December 2017.

Audit scrutiny revealed (January 2020) that the order for allotment of the facilities on rental basis for 10 years (from the date of signing of agreement) in favour of the firm was issued in January 2018, and the firm was asked to deposit ₹ 4.47 lakh as Security

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<sup>13</sup> M/s Cacao Bakery, Mr Jigme Dorjee Bhutia and Mr Karma Wangdi Bhutia

Deposit. The firm accepted the allotment order in January 2018 and paid the Security Deposit in February 2018. However, for two years, the UDD did not hand over the facilities to the firm.

After two years, the Department cancelled the allotment in March 2020 and initiated the process for re-allotment of the facilities through Notice Inviting Tender (05.11.2020). Initially there was no taker for the offer of NIT. The Department retendered (07.12.2020) the two separate properties Restaurant and Open Cafeteria and based on tendering, Restaurant was allotted (June 2021) to the highest three bidders at a monthly rental of ₹ 47,000. Further, the Open Cafeteria was handed over to a Self-Help Group i.e. DAY /NULUM, UDD was the Nodal Department of DAY NULUM for period of ten years commencing from 31 January 2022. Hence, the monthly estimated rentals were reduced by ₹ 1.34 lakh.

The Department, however, stated (August 2021) that the firm failed to execute the agreement and cancelled the allotment in March 2020. The Department added that the agreement could not be executed due to enforcement of Model Code of Conduct for Assembly Election in the beginning of the 2019, and the lockdown in the State due to Covid-19 in 2020.

The reply of the Department is self-contradictory and reasons advanced by the Department for non-execution of agreement were not factually correct as both the events<sup>14</sup>i.e., Model Code of Conduct for Assembly Election (during 2019) and the Covid-19 (during 2020) had occurred more than one year after issue of allotment letter to the selected firm.

Thus, due to non-allotment of the facilities, even though the allotment order for renting the Restaurant and Public Plaza had been issued, resulted in loss of revenue amounting to ₹ 47.06 lakh (₹ 1.81 lakh per month x 26 month from February 2018 to March 2020) upto March 2020 and a recurring loss of ₹ 16.08 lakh per annum<sup>15</sup> for the next eight years.

**Recommendation:** *The Department may fix responsibility of the authorities concerned in a time bound manner for loss of revenue to the State Exchequer.*

<sup>14</sup> Model code of conduct for Assembly Elections and lock down for Covid 19 were enforced from March 2019 and March 2020 respectively.

<sup>15</sup> ₹ 16.08 lakh for 8 years = 1.81 lakh – 0.47 lakh = 1.34 lakh loss per year for 12 years

