सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Economic, Revenue and General Sectors for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

GOVERNMENT OF SIKKIM

Report No. 2 of 2019

Report of the
Comptroller and Auditor General of India
on
Economic, Revenue and General Sectors
for the year ended March 2018

Government of Sikkim

Report No 2 of 2019

TABLE OF CONTENTS

LIST OF APPENDICES

PREFACE

1. This Report for the year ended March 2018 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

2. The Report contains significant results of the performance audit and compliance audit of the departments of the Government of Sikkim. It covers the Economic, Revenue and General Sectors including the departments of Roads and Bridges; Rural Management and Development; Land Revenue and Disaster Management; Urban Development and Housing; Information Technology and Police. It also covers public sector undertaking, viz. Sikkim State Co-operative Supply and Marketing Federation Limited and Sikkim Power Investment Corporation Limited.

3. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

EXECUTIVE SUMMARY

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

This Report contains two Performance Audits, fourteen Compliance Audit Paragraphs and one Follow-up Audit besides the introductory chapters. The Performance Audits, Compliance Audit Paragraphs and Follow-up Audit were sent to the Secretaries of the Departments concerned by the Accountant General (Audit) with request to furnish replies within six weeks. Replies received have been suitably incorporated in the Report. Reply was not received for one Compliance Audit Paragraph relating to the Roads and Bridges Department (Paragraph 1.4 A).

ECONOMIC SECTOR

The Chapter on Economic Sector consists of one Performance Audit on 'Development of Manufacturing Industries in Sikkim' and six Compliance Audit Paragraphs.

PERFORMANCE AUDIT

Development of Manufacturing Industries in Sikkim

Despite notification of the State Industrial Policy in December 1996 more than two decades ago, the Commerce and Industries Department (C&ID) lagged in implementation of the policy objectives there being no specific plan for developing, creating or maintaining basic infrastructure for promoting industrial growth in co-ordination with the concerned line departments. The C&ID also had neither defined 'Green State' image nor prescribed any norm for maintaining a specific area within each industry as green area. The State had a long way to go in ensuring employment to its people in the industries as only 43 per cent local people were found employed in the industries, that too, mostly in the unskilled category.

The benefits derived by the State from the phenomenal growth of manufacturing sector post implementation of the North East Industrial and Investment Promotion Policy (NEIIPP), 2007 by the Government of India remained unclear as no study had been conducted by the C&ID to evaluate such benefits. The huge growth of manufacturing industries inflated the per capita income (PCI) of the State by 60 to 64 per cent but failed to contribute to either the State's revenue or the income of the local people as the revenues from the industries went to the manufacturing companies based outside the State.

The C&ID also failed to ensure contribution towards Corporate Social Responsibility (CSR) activities by the industrial units and to realise the industrial development fund which could have been used for creation/maintenance of industrial infrastructure. There *was short contribution on CSR activities of ₹ 176.51 crore by 15 units and short realisation of industrial development fund of ₹11.10 crore from 40 units.*

The benefit envisaged from Development of an industrial Growth Centre at Marchak, East Sikkim could not be realised as implementation of the scheme was characterised by non-transparent allotment of land without fixing standard norms and procedures, excess expenditure on purchase of unsuitable land (₹2.67 crore), recurring loss of ₹2.87 crore per annum due to low allotment rate etc.

The C&ID also was ineffective in monitoring the operations of the industrial units as it failed to follow up with the industrial units for submission of the prescribed reports and returns. Neither any study had been conducted so far about the status and impact of industrialisation in the State nor any exit strategy formulated for handling the infrastructure and manpower engaged by the industries, after conclusion of the GoI.

(Paragraph 1.3)

COMPLIANCE AUDIT

The Roads and Bridges Department failed to provide connectivity to five interior villages of South Sikkim despite incurring ₹ 11.32 crore and releasing ₹ 61.18 lakh to contractor towards Security Deposit (₹ 35.91 lakh) and outstanding bills (₹ 25.27 lakh) on rescinding of contract instead of retaining the same to partially make up the additional cost. Besides, steel bars valuing ₹ 24.20 lakh for the work were never put to use.

(Paragraph 1.4)

The Roads and Bridges Department failed to ensure productive use of steel bars leading to idling of stores of ₹ 46.18 lakh for more than six years. Prolonged storage of steel bars in an open area without any protection from natural elements would make them useless due to corrosion and would also entail further expenditure to make them reusable.

(Paragraph 1.5)

The award of works by Roads and Bridges Department to various Co-operative Societies without ascertaining their credential and capacity led to abandonment/non-completion of works after incurring ₹ 6.08 crore besides non-recovery of Mobilisation Advances to the tune of ₹ 1.15 crore and non-imposition of penalty of ₹ 1.40 crore.

(Paragraph 1.6)

The Rural Management and Development Department included contractors profit and overhead charges twice for stone aggregates, first during the preparation of basic rates and again while determining item rates of construction of Granular Sub Base and Water Bound Macadam grading II and III leading to excess payment of ₹ 1.28 crore to three contractors in 23 works.

(Paragraph 1.7)

Out of ₹ 34.38 crore transferred from the Cess fund to the Health Care, Human Services and Family Welfare Department, the Department utilised only ₹ 1.05 crore for bio-medical waste management system for protection and improvement of environment while the balance of ₹ 33.33 crore was irregularly utilised for construction of the 1000 bedded hospital at Sichey against the intent of the Sikkim Ecology Fund and Environment Cess Act, 2005.

(Paragraph 1.8)

The decision of the Urban Development and Housing Department to proceed with the acquisition of Star Cinema Hall Complex at Gangtok for construction of Multilayer Car Park-cum-Commercial Complex despite being aware of the tenants' occupying the building led to infructuous expenditure of ₹ 6.49 crore on acquisition, continued occupation of the building by tenants without payment of any rent, and non-commencement of work of construction of Multilayer car park cum Commercial Complex.

(Paragraph 1.9)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

The Chapter on Economic Sector (Public Sector Undertakings) consists of four Compliance Audit Paragraphs.

COMPLIANCE AUDIT (PSUs)

Sikkim Power Investment Corporation Limited failed to undertake due diligence before infusing second tranche of borrowed funds into 120 MW Rangit IV Hydroelectric project leading to blockage of ₹ 25 crore and consequent avoidable interest expenditure of ₹ 15.14 crore.

(Paragraph 2.2)

Sikkim Power Investment Corporation Limited failed to service the loan with the Independent Power Producer (IPP) on monthly basis and also reimbursed penal interest to IPP leading to extra expenditure of ₹ 2.21 crore.

(Paragraph 2.3)

For procurement of Double Seated Desk and Bench, Sikkim State Co-operative Supply and Marketing Federation Limited posted the tender advertisement only on its own website and restricted the bid to only its registered suppliers resulting in additional expenditure of ₹ 0.60 crore.

(Paragraph 2.4)

Sikkim State Co-operative Supply and Marketing Federation Limited purchased a building with unauthorised construction for office purposes.

(Paragraph 2.5)

REVENUE SECTOR

The Chapter on Revenue Sector contains one Compliance Audit Paragraph. This Chapter also gives an overview of revenue receipts which shows an increase of ₹ 238.51 crore on account of tax and non-tax receipts. The analysis of arrears of revenue as on 31 March 2018 showed that ₹ 310.09 crore was outstanding, of which, ₹ 155.60 crore was outstanding for more than five years.

COMPLIANCE AUDIT

Non-compliance of Model Agreement issued by Government of India and provisions of Sikkim Financial Rules in contracts with Marketing Agents of online lotteries by the Directorate of Sikkim State Lotteries led to loss of Government revenue of ₹ 1.07 crore.

(Paragraph 3.10)

GENERAL SECTOR

The Chapter on General Sector consists of one Performance Audit on 'Utilisation of Thirteenth and Fourteenth Finance Commission Grants' and three Compliance Audit Paragraphs.

PERFORMANCE AUDIT

Utilisation of Thirteenth and Fourteenth Finance Commission Grants

The Thirteenth Finance Commission (TFC) and the Fourteenth Finance Commission (FFC) were constituted on 13 November 2007 and 02 January 2013 respectively by the President of India to give recommendations to strengthen fiscal condition of the states by way of tax devolution and Grant-in-aid to the states for the period 2010-20 (five years each). The TFC recommended General and State Specific Grant for Sikkim and FFC recommended only General Grant. A total of ₹ 888.87 crore (₹ 569.58 core of General grant and ₹ 319.29 crore of state specific grant) was released by GoI on the recommendations of TFC and FFC up to March 2018 and an expenditure of ₹ 888.54 crore (₹ 569.27 core general grant and ₹ 319.27 crore State Specific grant) was incurred by the State Government.

Performance Audit on Utilisation of Thirteenth and Fourteenth Finance Commission Grant disclosed various areas of concern which needed attention of the State Government viz.,: non-fulfilment of the conditions prescribed by the TFC which led to curtailment of funds to Local Bodies, delay in completion of Skywalk project and Village Tourism projects beyond award period leading to short release of fund from GoI, diversion of funds from the State Disaster Relief Fund (SDRF), General Basic Grant and the work Skywalk at Bhaley Dhunga, idling of residential quarters of Police Department even after completion of the works and absence of modalities for functioning of Rural Tourism Facilitation Centres. Monitoring of utilisation of funds was limited to assessing progress of works without any follow up action.

(Paragraph 4.3)

COMPLIANCE AUDIT

Failure of the Information Technology Department to ensure conformity to the required design and specifications in construction of the call centre infrastructure by the Building and Housing Department and its negligence to follow up with private agencies for setting up the call centre in Gangtok led to wasteful expenditure of ₹ 54.77 lakh besides defeating the objective of providing a viable source of employment to local youth.

(Paragraph 4.4)

Implementation of the project 'Construction of 2nd and 3rd IRB Complex at Mangley' by the Police Department was characterised by commencement of the project by the State by unauthorised diversion of project funds of ₹ 4.74 crore, inordinate delay of more than two years in completion of project and idling of completed works of ₹ 6.26 crore for more than a year.

(Paragraph 4.5)

Failure to ensure hindrance free site before start of work and inordinate delay in completion of the project 'Restoration, Renovation and Modernisation of Lower Lagyap Hydel Project' by the Energy and Power Department led to loss of potential revenue of ₹ 81.24 crore to the State.

(Paragraph 4.6)

FOLLOW UP AUDIT

Report on Performance Audit on "Acquisition and Allotment of Land" for the period 2006-11 covering two Departments, viz. Land Revenue and Disaster Management Department (LRDMD) and Urban Development and Housing Department (UDHD) was included in the Audit Report of the Comptroller and Auditor General of India (C&AG) for the year ended 31 March 2011 (Report No. 2). The Report was discussed by the Public Accounts Committee of the State Legislature of Sikkim in July 2016.

The Audit Report comprised of four audit recommendations containing 13 actionable points. Follow up Audit on the above actionable points revealed that the departments had implemented the audit recommendation regarding notification of the Sikkim State Site Allotment Rules, 2012 duly incorporating reservation for weaker sections, SC/ST, land less labour, etc. and indicating maximum and minimum ceiling limit of area for allotment of house sites, notification of Block rates for determining market rate of land and streamlining the system of checking of assessment of land compensation.

Substantial implementation was also noticed relating to mutation of Government land and centralised monitoring system for Government land. However, the State Government had not achieved much progress relating to formulation of State Land Policy, obtaining stability and vulnerability report from Mines, Minerals and Geology Department before acquisition of land, instituting penalty against encroachers of Government land, formulation of Departmental Code and Manual and maintenance of comprehensive data bank for urban land.

(Paragraph 5.3)

Chapter I
Economic Sector

CHAPTER I
ECONOMIC SECTOR

1.1 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 2017-18 are given in the table below:

Table 1.1.1
Details of budget allocation and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1	Animal Husbandry, Livestock, Fisheries and Veterinary Services	63.22	53.38
2	Buildings and Housing	111.80	109.89
3	Commerce and Industries	89.83	83.26
4	Co-operation	20.80	20.12
5	Energy and Power	382.03	286.73
6	Food Security and Agriculture Development	99.64	49.66
7	Forest, Environment and Wildlife Management	219.37	120.00
8	Horticulture and Cash Crops Development	167.45	79.76
9	Water Resources and River Development	182.40	45.54
10	Mines, Minerals and Geology	5.12	4.96
11	Roads and Bridges	445.50	388.68
12	Rural Management and Development[1]	651.92	574.63
13	Tourism and Civil Aviation	146.18	88.23
14	Transport	70.79	69.37
15	Urban Development and Housing	307.46	248.75
16	Water Security and Public Health Engineering	157.41	81.43
	TOTAL	**3,120.92**	**2,304.39**

Source: Appropriation Accounts 2017-18.

Besides, the Central Government 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:

[1] *The budget allocation and expenditure under RMDD do not include Rural Housing Scheme which comes under social sector*

Table 1.1.2
Details of funds directly transferred to the implementing agencies

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1	Co-operation	Capacity Building and Publicity	Sikkim State Cooperative Union	9.90
2	Forest, Environment and Wildlife Management	Establishment Expenditure AYUSH	State Forest Development Agency, Sikkim	318.56
3	Science and Technology	Schemes of North East Council - Special Development Projects	Sikkim Manipal Institute of Technology	4.12
4	Science and Technology	Science and Technology Institutional and Human Capacity Building	Sikkim Manipal Institute of Technology	11.47
5	Science and Technology	Space Technology	Sikkim Manipal Institute of Technology	0.50
	TOTAL			**344.55**

Source: Finance Accounts 2017-18

1.2 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 ₹1,319.74 crore (including expenditure of ₹1,302.36 crore of previous years) of the State Government under Economic Sector. The details of year-wise break-up is given in **Appendix 1.1**.

This Chapter contains Performance Audit on 'Development of Manufacturing Industries in Sikkim' and six Compliance Audit Paragraphs.

COMMERCE AND INDUSTRIES DEPARTMENT

1.3 Development of Manufacturing Industries in Sikkim

Sikkim has been progressively moving towards industrialisation from the traditional activity of subsistence farming. After merger of Sikkim with India (May 1975), State Government created Directorate of Industries in 1977 with the objective of promoting and developing industries in the State. The Directorate was later converted (August 2003) into a full-fledged Department and renamed as Commerce and Industries Department (C&ID). With the creation of a full-fledged Department, the State Government aspired to attract investors to the State and thereby ensure economic prosperity for its people besides addressing the unemployment problem.

With the announcement of the GoI's package of incentives to the North Eastern Region through North East Industrial and Investment Promotion Policy, 2007 various manufacturing industries started setting up their units in Sikkim. Prior to 2007, there were only 16 manufacturing industries. As on date, there are 122 major manufacturing industries in the State.

A Performance Audit on development of manufacturing industries in Sikkim revealed that the C&ID was not adequately equipped to carry forward the policy objectives of industrialisation in the State as even the basic data of the industrial units, such as, complete list of industries, area occupied by each industry, investment in land, buildings, plant and machinery, date of commercial operation, number of persons employed, annual turnover, net profit earned, amount of incentives enjoyed from different sources, etc. *was not available with the Department. The Department did not carry out any study/survey regarding the benefits that accrued to the State as well as improvement in the wellbeing of the people of the State due to enhanced industrial activities.*

The C&ID's efforts were wanting in terms of collecting Infrastructure Development Fund (IDF) from the industrial units and ensuring earmarking of funds by industrial units for mandated Corporate Social Responsibility activities in the State. Allotment of Government land in the Growth Centre (GC) and industrial area at Mining[2], Rangpo was done in a non-transparent manner disregarding the actual requirement of land by the allotees. The monitoring of industrial activities in the State was lax as even the periodical submission of prescribed returns and reports by the industrial units was not followed up nor ensured by the Department.

[2] *An area under Mamring Block in East District*

Highlights

- ***Although the State had notified the State Industrial Policy more than two decades ago in December 1996, the C&ID had devised no overarching plan or strategy for synergy with different line departments for developing, creating and maintaining basic infrastructure like roads, power network and water supply to facilitate industrial growth in the State.***

  {Paragraph 1.3.7.1 (i)}

- ***The manufacturing industries inflated the per capita GSDP (PCG) of the people of the State by 60 to 64 per cent without making any significant contribution to either the State's revenue or the income of the people of the State as the revenues from the industries went to the manufacturing companies based outside the State.***

  {Paragraph 1.3.8}

- ***The total funds to be earmarked towards CSR activities by 15 companies during the period 2014-18 was ₹211.57 crore; out of which, the companies utilised ₹35.06 crore only resulting in short contribution of ₹176.51 crore.***

  (Paragraph 1.3.8.1)

- ***Out of ₹ 11.10 crore due towards industrial development fund (IDF) from 48 industrial units, only eight units paid ₹1.10 crore to the State leaving ₹10 crore as outstanding from 40 units.***

  (Paragraph 1.3.8.2)

- ***The percentage of local employment in 29 industries for which employment data was provided was to the extent of 43 per cent of the total employment mostly at the unskilled level. Out of the total skilled workforce, the percentage of locals was only 24 per cent indicating that the State still had a long way to go in skilling its unemployed youth.***

  (Paragraph No 1.3.8.3)

- ***The Development of a Growth Centre at Marchak, East Sikkim with central funding was stopped midway and was characterised by purchase of unsuitable land (₹2.67 crore), recurring loss of ₹2.87 crore per annum due to low allotment rate and non-transparent allotment of land to users without fixing standard norms and procedures.***

  (Paragraph 1.3.9)

1.3.1 Introduction

With the objective of promoting growth of industries in the State, the Sikkim Government notified the State Industrial Policy (SIP) in December 1996. The major objectives of the policy *inter alia* included creation of conducive environment for industrial growth; maintenance of Green State image; rapid development of basic infrastructure; human resource development through skill and entrepreneurship development programmes and behavioural training at all levels to meet the emergent skill requirements of the State within a stipulated time frame; protection and promotion of interest of the local people especially at the unskilled and semi-skilled levels by defining norms for a minimum percentage of employment to the local people in the industrial units and encouraging joint ventures between local entrepreneurs and industrialists from outside the State for setting up of industries within the State. The Commerce and Industries Department (C&ID) was responsible for the promotion and development of industries in the State.

With inclusion of Sikkim as the eighth State in the North East Region (NER), GoI extended (April 1997) the North East Industrial Policy (NEIP 1997) to Sikkim with various incentives upto March 2007. In April 2007, the North East Industrial and Investment Promotion Policy (NEIIPP) was announced by the GoI with a comprehensive set of subsidies, concessions and tax/duty exemptions. The NEIIPP brought a major turnaround in the growth of manufacturing sector in Sikkim. The types of industries existing in the State as of March 2018 were as under:

Table 1.3.1
Details of industries in Sikkim

Sl No	Type of industrial units	Number
1	Pharmaceutical/ Cosmetics Industries	56
2	Distilleries & Breweries	08
3	Food Processing	05
4	Ancillary and other units[3]	53
Total Manufacturing Industries		**122***
5	Tourism & Hospitality (Hotels/Resorts)[4]	105
6	Hydropower projects	07
	TOTAL	**234**

*Source: C&ID/State Pollution Control Board, Sikkim. * 16 units established prior to NEIIPP & 106 units thereafter.*

1.3.1.1 Incentives for industries

The State introduced certain incentives in the form of subsidy on cost for purchase of captive power generating sets, subsidy on transportation of Plant and Machinery, reimbursement of wage bill for local employees (30 *per cent*), reimbursement of training cost of local employees in State approved institutes (50 *per cent*) *etc.* under the Sikkim Industrial Promotion and Incentive Act[5], 2000 (SIPI). The incentives, however, were provided only for five years (2007-12) amounting to ₹ 78.15 lakh. Thereafter, during 2013-18, there were no State incentives for promotion of industrial growth in the State. This was due to introduction of a comprehensive package of incentives by the GoI for the NER under the NEIIPP, effective from 01 April 2007. The NEIIPP covered the seven NER States[6] and Sikkim.

Under the NEIIPP, all new as well as existing industrial units which had done substantial expansion[7] and which commenced commercial production within the 10 year period from the date of notification of NEIIPP were eligible for the following incentives for a period of 10 years from the date of commencement of commercial production: (a) 100 *per cent*

[3] *Mono-cartons, packaging materials, corrugated boxes, aluminium foil, electronics/electrical, goods etc.*
[4] *Two- Star and above.*
[5] *Initially notified in July 2000 and amended subsequently in August 2003 and May 2007.*
[6] *Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura.*
[7] *An increase by not less than 25 per cent in the value of fixed capital investment in plant and machinery.*

Excise Duty exemption on finished products; (b) 100 *per cent* Income Tax exemption; (c) Capital Investment Subsidy of 30 *per cent* of the investment in plant and machinery; (d) Interest Subsidy @ three *per cent* on working capital loan; (e) Reimbursement of 100 *per cent* insurance premium; and (f) Central Transport Subsidy[8] on the same terms and conditions as envisaged under North East Industrial Policy, 1997.

Prior to implementation of NEIIPP by the GoI, the State had only 16 manufacturing units. After introduction of NEIIPP, 106 new manufacturing units were added. Thus, implementation of NEIIPP by the GoI was a major contributing factor for growth of manufacturing industries in the State. While C&ID did not have any system of capturing and compiling the total investment of newly established industrial units in the State, Audit observed from data compiled from the industrial units that 58 major units established after introduction of NEIIPP had made a total investment of ₹ 1,962.70 crore in the State.

1.3.2 Organisational Set-up

The C&ID, as nodal Department for development of industries in the State, was mandated to implement and regulate the industrial development schemes and programmes in Sikkim. The C&ID is headed by a Principal Secretary and was supported in his day to day functions by a Secretary, two Joint Secretaries, two General Managers (DICs[9]), two Deputy Secretaries, an Accounts Officer, two Under Secretaries, and other sub-ordinate staff.

1.3.3 Audit Objectives

The Performance Audit (PA) on 'Development of Manufacturing Industries in Sikkim' was taken up with the objective to assess and evaluate:

- the effectiveness of planning and implementation of the State industrial policy and regulatory mechanisms put in place for development of industries in the State;
- the benefits derived by the State from establishment of industries and the development of growth centres and industrial areas; and
- the effectiveness of monitoring, supervision and evaluation of industrial development.

1.3.4 Audit Criteria

The audit observations were benchmarked against the following criteria:

1. Objectives of State Industrial Policy,1996;
2. Provisions of State Industrial Promotion and Incentive Act, 2000;
3. Terms and conditions incorporated in the North East Industrial Investment Promotion Policy (NEIIPP), 2007;
4. Provisions of Companies Act, 2013 and Companies (CSR Policy) Rules, 2014;

---

8 *Subsidy is on transport of raw materials and finished goods on transport costs between the location of the industrial units in the State and the rail head of Siliguri @ 50 per cent on transport cost of both the raw materials as well as finished goods for new industrial units and existing industrial units (in case of substantial expansion or diversification).*

9 *District Industries Centre.*

5. GoI notifications/orders on establishment of Growth Centres and Industrial Estates;
6. Various notifications and orders issued by the C&ID and Land Revenue & Disaster Management Department; and
7. Provisions of Environment (Protection) Act/Rules, 1986 and other extant rules, regulations, norms and guidelines laid down for protection of environment and control of pollution by the State and GoI from time to time.

1.3.5 Scope of Audit

The PA covering the period 2013-14 to 2017-18 focussed on the major manufacturing units availing various incentives provided by the GoI under NEIIPP and facilities provided at growth centres and industrial areas established with Government funding.

The audit objectives, audit criteria and methodology adopted for drawing the audit conclusions were discussed with the Departmental authorities in an Entry Conference (20 April 2018) with the Principal Secretary, C&ID and his team of officers. Records maintained at the Departmental Headquarters at Gangtok and the DICs located at Gangtok (North and East districts) and Jorethang (South and West districts) were examined. Besides the C&ID, Audit also obtained information relating to environment clearances and pollution management consents from the Forest, Environment and Wildlife Management Department and State Pollution Control Board. For subsidies, incentives and tax exemptions, information was sought from the North Eastern Development Finance Corporation (NEDFi), Central Excise and Customs Department and Central Board of Direct Taxes (Income Tax).

1.3.6 Audit Sampling

Out of 122 major manufacturing industries[10] (59 large manufacturing units, 24 medium category units and 39 small scale units) in the State, 53 industries (30 large manufacturing units, 11 medium category units, 12 small scale units) were selected for detailed examination in audit using Simple Random Sampling With Out Replacement (SRSWOR). Besides, one Growth Centre and two, out of four, industrial areas were also selected for detailed examination as detailed in **Appendix 1.2**.

Audit findings were discussed with the Departmental Officers in an Exit Conference (04 December 2018). The views and replies of the Department have been taken into account appropriately while finalising this PA.

---

[10] *Large Industries-investment in Plant & Machinery (P&M) above ₹ 10 crore; Medium Industries-investment in P&M above ₹5 crore up to ₹10 crore; Small Industries-investment in P&M above ₹25 lakh up to ₹5 crore.*

1.3.7 Audit Findings

Audit Objective 1: To assess and evaluate the effectiveness of planning and implementation of State industrial policy and regulatory mechanisms put in place for development of industries.

1.3.7.1 Implementation of Industrial Policy, 1996

The State's Industrial Policy (1996) had the core objective of promoting growth of industries in the State by *inter alia* providing a conducive environment for industrial growth; promoting the maintenance of Green State Image while promoting industrialisation; facilitating rapid development of basic infrastructure to facilitate industrial growth; facilitating human resource development; and encouraging joint ventures between local entrepreneurs and industrialists from outside the State.

However, Audit noticed that the efforts of the State Government towards materialising the objectives were wanting as brought out below:

➢ The C&ID had devised no overarching plan or strategy for synergy with different line departments for developing, creating and maintaining basic infrastructure like roads, power network and water supply to facilitate industrial growth in the State. Audit noticed that the investors who were primarily attracted to the State due to availability of huge concessions and incentives under the NEIIPP of the GoI established their units primarily in East (88 units) and South (34 units) Districts where basic infrastructure like roads and power network already existed. No effort was made by the State to develop infrastructural facilities in the West and North Districts and also within the inner pockets of East/South Districts with a view to ensuring balanced industrial development of all the regions and districts in the State. Audit also noticed that although the State Industrial Policy was more than 20 years old, it had never been reviewed to keep up with the new developments *vis-à-vis* Central incentives and the rapid growth of industries in the State. Further, no institutional mechanism such as 'Single Window System' was put in place for speedy and hassle free grant of consents and clearances for establishing industries in the State.

The C&ID admitted (November 2018) that with the launch of GoI's incentives under NEIIPP, 2007, the State's own policy was pushed to the back burner as all industrial activities got largely covered by the GoI policy. However, action would be initiated to revisit the industrial policy to frame a new one in keeping with the current requirements. Based on the audit observations, a single window system for issuing clearances within fixed time frame was also being introduced by the C&ID, apart from implementing the 'Ease of Doing Business' plan of the GoI based on the norms of Department of Industrial Promotion & Policy.

➢ The C&ID's Memorandum of Understanding (MOU) signed with the industrial units had a clause 'Green Mission Issues' which envisaged (i) maintenance of greenery by the industrial units; (ii) earmarking a day in the year for plantation works in the factory/ industrial compound; and (iii) utilising the approach road and open available land for building greenery as contribution to the Green Mission as part of its social responsibilities.

Audit, however, noticed that the C&ID had not instituted any mechanism to verify the compliance of the conditions laid down in the MOU and to gauge the extent of contribution by the industrial units towards State Green Mission. The industrial units, however, did maintain green areas within their complexes as depicted in the photographs placed alongside. Audit also observed that 24 out of the 57 industrial units examined had earmarked a specific day during the year for plantation activities.

Image 1.3.1

Intas Pharmaceutical Limited Complex

Image 1.3.2

Alkem Lab Complex

The C&ID responded (November 2018) that in order to maintain the Green image, the State did not permit any highly polluting industries like thermal power plants, chemical industries, *etc.* The C&ID while acknowledging that there was no specific prescription for maintaining green belt also stated that each industry maintained green area by planting various species of trees/ flowers. However, no compiled data was available in this regard.

Image 1.3.3

Cipla Pharma Complex

➢ We noticed that the Department had not taken any initiative towards encouraging joint ventures between local entrepreneurs and industrialists from outside the State although envisaged under State's industrial policy.

The C&ID stated (November 2018) that there were a few joint Ventures (JVs) with outside firms while a few more were expected to be entered into in the coming years *(HEBA Pharma, Shangrila Pharma, etc.).* The Department further added that generally, the local people were not driven to enter into JVs with large firms based outside the State due to lack of experience, uncertainty associated with such ventures and also due to the sheer size of the capital investment required, and rather preferred opening and running hotels.

Thus, the implementation of the State's Industrial Policy was riddled with deficiencies including absence of an updated overarching plan and strategy in synergy with the line departments concerned; a mechanism for compliance of Green Mission Issues and creation of basic infrastructure; and encourage Joint ventures.

Recommendations (1, 2 & 3):

The C&ID may

- *expedite formulating an overarching strategy in coordination with the line departments for promotion of industrial development in the State;*
- *expedite the establishment of an institutional mechanism for creation and maintenance of basic infrastructure; and*
- *set up specific norms for maintaining the Green State Image of the State and to ensure compliance by the industrial units and to maintain required data in this regard.*

1.3.7.2 Regulation of industrial development

A robust mechanism for exercising due diligence with a well-defined hierarchy of duties and responsibilities and a proper system of recording receipt of proposals, their examination and vetting is an essential element for regulating the process of establishment of industries in the State. Audit observed the following deficiencies in the regulation of industries existing in the C&ID:

(i) Recording and processing of proposals

➢ Even more than 20 years after notification of the Industrial Policy, the C&ID had neither put in place a mechanism for vetting proposals nor did it have any departmental Manual/Hand Book delineating the process for grant of consent for establishment of industries in the State.

➢ The C&ID did not have complete and updated information on proposals received, processed, proposals rejected and proposals for which final consents were granted. Although a register to record the proposals was maintained, the dates of receipt of proposals, grant of final consent, commencement of commercial production and current status of the units were not recorded in the register. Further, the register had columns for entering data on employment, details of products proposed to be manufactured and the investment proposed to be made by the investor. These columns had not been filled in.

➢ As per the register, 138 applications seeking consent for establishment of industries had been received since 2004-05; out of which, approval for establishment of 95 industrial units had been granted, while, there was nothing on record as to whether the remaining 43 applications were approved or rejected, and if so, the reasons thereof. Audit also noticed[11] that there were 27 units functioning as on date whose details were not available in the register.

(ii) Grant of permissions

- There was no prescribed policy/norms for grant of consent to the applications/ proposals for establishment of different categories of industries within a reasonable

[11] *White Paper on industries prepared by the C&ID (February 2018) and information obtained from the industrial units.*

timeline. Examination of the process[12] of grant of consents in 38 cases pertaining to 53 sampled units revealed that the Principal Secretary granted consent in five cases, the Minister concerned in 29 cases and the Chief Minister (CM) in four cases. Further, the time taken for grant of consent ranged from 10 to 400 days[13] indicating lack of transparency and ad-hocism in grant of consent. Audit analysed a case where more than 100 days were taken for grant of consent and it was noticed that the reason for delay was the time taken in issue of consent letter which was issued 99 days after the Minister's approval which was accorded only after nine days of receipt of the proposal/application.

While agreeing to the Audit observation, the C&ID stated (November/December 2018) that it had initiated the process of putting in place a system to avoid unnecessary delays in future through an IT based system of recording proposals received, processed and approved. The Department further stated that it was also working on devising a Departmental Manual specifying the duties, responsibilities, powers and functions of the staff/officers for regulating its activities and streamlining its functioning.

Thus, the regulation of industries by the C&ID was marked by deficiencies due to the absence of a robust mechanism with well-defined systems and procedures duly supported by Departmental Manuals for processing and vetting of proposals and grant of consent.

Recommendation (4):

- *The C&ID may expedite the process of instituting a robust system of procedures with a well-defined hierarchy of duties and responsibilities for regulating the industries through its proposed IT application and also to expedite preparation of a Departmental Manual of the new system, besides prescribing timeframe within which various proposals and requests should be dealt with to avoid delays.*

Audit Objective 2: To assess and evaluate the benefits derived by the State from establishment of industries and the development of Growth centers and industrial areas.

1.3.8 Contribution of Manufacturing Sector to State's economy

Gross State Domestic Product/Per Capita GSDP vis-à-vis Manufacturing sector

After implementation of NEEIIP by the GoI, the State witnessed a quantum leap in its GSDP[14] and Per Capita GSDP (PCG[15]) due to growth of huge number of manufacturing companies in Sikkim. The growth of manufacturing sector *vis-à-vis* the GSDP during 2007-18 is depicted in the tables below. Two tables have been prepared as the GSDP was

---

[12] *The initial vetting of proposals was done by the Inspectors and escalated to the levels of Deputy Secretary, Joint Secretary, Director/ Secretary, Pr. Secretary and finally, to the Minister, C&ID and in some cases to the Chief Minister.*

[13] *23 cases- 10 to 50 days; 6 cases- 50 50 100 days; 7 cases- 3 to 10 days 2 cases- 100-400 days.*

[14] *GSDP is the final value of the goods & services produced within the geographic boundaries of a State during a year and is an important indicator of the economic performance of a State. GSDP is the total value of everything produced by all the people and companies in a State irrespective of whether the people belong to the State or not or the companies are owned by people of the State or outside the State.*

[15] *The PCG is calculated by dividing the GSDP by the population.*

worked out by the State for the period 2007-08 to 2011-12 using 2004-05 as the base year and for 2011-12 to 2017-18 using 2011-12 as the base year.

Table 1.3.2

GSDP *vis-à-vis* contribution of Manufacturing sector to GSDP 2007-08 to 2011-12 (base year 2004-05)

Year	GSDP (₹*in crore*)	Increase in GSDP (*per cent*)	Contribution of Manufacturing Sector to GSDP (₹*in crore*)	Increase of Manufacturing Sector (*per cent*)	Contribution of Manufacturing Sector to GSDP (*per cent*)
2007-08	2,506.09	15.96	106.11	22.84	4.23
2008-09	3,229.08	28.85	118.96	12.11	3.68
2009-10	6,132.76	89.92	1,811.16	1,422.49	29.53
2010-11	7,411.57	20.85	2,888.48	59.48	38.97
2011-12	8,906.64	20.17	3,525.55	22.06	39.58

Source: Directorate of Economic Statistics, Monitoring & Evaluation

Table 1.3.3

GSDP *vis-à-vis* contribution of Manufacturing sector to GSDP 2011-12 to 2017-18 (base year 2011-12)

Year	GSDP (₹*in crore*)	Increase in GSDP (*per cent*)	Contribution of Manufacturing Sector to GSDP (₹*in crore*)	Increase of Manufacturing Sector (*per cent*)	Contribution of Manufacturing Sector to GSDP (*per cent*)
2011-12	11,165.10	-	4,306.23		38.57
2012-13	12,338.42	10.51	4,625.62	7	37.49
2013-14	13,861.90	12.35	5,268.56	14	38.01
2014-15	15,406.72	11.14	5,866.06	11	38.07
2015-16	18,033.94	17.05	7,038.51	20	39.03
2016-17	20,020.46	11.02	7,766.50	10	38.79
2017-18	22,247.91	11.13	8,569.78	10	38.52

Source: Directorate of Economic Statistics, Monitoring & Evaluation

It can be seen from the above tables that the GSDP *vis-à-vis* Manufacturing sector witnessed a quantum leap in 2009-10 at 90 *per cent* and 1422 *per cent* growth respectively. This was the time when the major Pharma companies (Sun pharma, Zydus, Golden Cross, Intas, Cipla, Alkem, *etc.*) commenced their commercial production for the first time in the State. The growth continued after 2009-10 as more units commenced their commercial production. The contribution of the manufacturing sector to the State's GSDP rose from ₹ 106.11 crore in 2007-08 to ₹ 8,569.78 crore in 2017-18; an increase of 7,976 *per cent* over the decade 2007-18.

The manufacturing sector, which was the major contributor to GSDP, accounted for 37 to 40 *per cent* of the GSDP[16]. The high GSDP of the State gave rise to a very high PCG.

The State's GSDP *vis-à-vis* its population and corresponding PCG of the State was as under:

Table 1.3.4

GSDP *vis-à-vis* population and per capita GSDP

Year	GSDP (₹*in lakh*)	Population (*in lakh*)	Per Capita GSDP (₹)
2011-12	11,16,510	6.14	1,81,842
2012-13	12,33,842	6.21	1,98,686

[16] *The second highest contributor to the GSDP was electricity, gas and water supply, which accounted for 13 to 18 per cent followed by the Agriculture sector which accounted for 8 to 11 per cent.*

Year	GSDP (₹ *in lakh)*	Population *(in lakh)*	Per Capita GSDP (₹)
2013-14	13,86,190	6.27	2,21,083
2014-15	15,40,672	6.33	2,43,392
2015-16	18,03,394	6.40	2,81,780
2016-17	20,02,046	6.47	3,09,435
2017-18	22,24,791	6.53	3,40,703

Source: Directorate of Economic Statistics, Monitoring & Evaluation.

The PCG of the State rose by 87 *per cent* from ₹ 1,81,842 to ₹ 3,40,703 over the period 2012-13 to 2017-18. The PCG of the State in 2017-18 was 262 *per cent* of the per capita GDP of India which stood at ₹ 1,29,800. The contribution of manufacturing sector to the State's GDP raised the State to among the first three States with highest PCG in the country.

When the contribution of the manufacturing sector is deducted from the GSDP, the corresponding GSDP *vis-a-vis* PCG would be as under:

Table 1.3.5
Per capita GSDP including and excluding manufacturing sector

Year	GSDP *(with manufacturing sector)*	GSDP *(less manufacturing sector)*	Population (in lakh)	Per Capita GSDP (₹)		Percentage difference *(5-6)**100/6
				Inclusive of manufacturing sector(2/4)	Without manufacturing sector(3/4)	
1	*2*	*3*	*4*	*5*	*6*	*7*
2011-12	11,16,510	6,85,887	6.14	1,81,842	1,11,708	63
2012-13	12,33,842	7,71,280	6.21	1,98,686	1,24,200	60
2013-14	13,86,190	8,59,334	6.27	2,21,083	1,37,055	61
2014-15	15,40,672	9,54,066	6.33	2,43,392	1,50,721	61
2015-16	18,03,394	10,99,543	6.40	2,81,780	1,71,804	64
2016-17	20,02,046	12,25,396	6.47	3,09,435	1,89,397	63
2017-18	22,24,791	13,67,813	6.53	3,40,703	2,09,466	63

Source: Directorate of Economic Statistics, Monitoring & Evaluation.

Although, manufacturing sector enhanced the PCG of the State by 60 to 64 *per cent*, its actual contribution in real terms to either the State's revenue or the income of the people of the State remained vague and notional as the revenues from these industries went to the manufacturing companies which were based outside the State. Thus, the high PCG of the State gave only a theoretical picture of prosperity of the State.

1.3.8.1 Corporate Social Responsibility

The Ministry of Corporate Affairs, GoI notified Section 135 and Schedule VII of the Companies Act, 2013 as well as provisions of the Companies (Corporate, Social Responsibility Policy) Rules, 2014 which came into effect from 01 April 2014. Accordingly, every company, private or public limited, which either has a net worth of ₹ 500 crore or a turnover of ₹ 1,000 crore or net profit of ₹ five crore, needed to spend at least two *per cent* of its average net profit for the immediately preceding three financial years on CSR activities.

CSR activities included eradicating hunger, poverty and malnutrition, promoting preventive healthcare, education, gender equality, setting up homes for women, orphans and the senior citizens, *etc.* while giving preference to the local areas around it for spending the amount earmarked for CSR activities.

The State Government, accordingly, issued (May 2015) notification to streamline contribution towards CSR activities by the industrial units which stipulated all industrial units including hydropower projects to submit every year before 30th September details of net profit earned by the industrial units in the preceding three years, funds earmarked for CSR activities and works/activities undertaken/proposed to undertaken under CSR in the year. All the industrial units were required to submit Annual Report on CSR Activities by 10 April every year. Any agency/organisation/ Department, that wished to avail benefits under the CSR was required to submit to the C&ID their requirement by 30 September every year. The C&ID would monitor, supervise, review and evaluate the CSR activities, allocate CSR funds available for the year as declared by the industrial units to works/ activities based on demands received and priority, need, urgency, extent of benefit to the public, *etc.* with the approval of the Government.

Audit, however, observed as under:

(i) there was no record of the industrial units ever submitted the annual reports on CSR activities to the C&ID;

(ii) there was also no record of the C&ID having monitored or supervised the CSR activities carried out by any of the units; and

(iii) the C&ID had also not assigned specific responsibilities to any officer/official for overseeing/supervising or reviewing the CSR activities undertaken in the State.

After being pointed out (February/May 2018), the Principal Secretary brought out (May 2018) an office order assigning responsibilities on matters relating to the CSR activities to two officers (a Deputy Secretary and an Under Secretary). However, till January 2019, neither the amount to be earmarked towards CSR activities by the industrial units had been worked out nor were the details of CSR activities undertaken by the units within the State available with the C&ID.

Thus, the C&ID did not have any data relating to the size of annual turnover, net worth or net profit of any company in the State. Audit analysis of data on annual turnover and net profit obtained from 58 industrial units through C&ID revealed that there were 15 industrial units in Sikkim with net profit above ₹ five crore per year during 2014-18, which were liable to contribute towards CSR activities. The total amount to be earmarked for CSR activities and amount actually spent in the State during 2014-18 by these 15 units are depicted in the table below:

Table 1.3.6

Details of contribution towards CSR activities

(₹ in crore)

Sl. No.	Year	Amount to be earmarked	Amount actually spent	Shortfall
1	2014-15	15.92	1.27	14.65
2	2015-16	19.69	0.96	18.73
3	2016-17	79.99	10.76	69.23
4	2017-18	95.97	22.07	73.90
TOTAL		**211.57**	**35.06**	**176.51**

Source: Data obtained from the industrial units through the C&ID.

While the total amount to be spent on CSR activities by the 15 companies was to the tune of ₹ 211.57 crore (detailed in **Appendix 1.3**), the companies claimed to have spent only

₹ 35.06 crore on purchase of ambulances, organising health camps, assistance to Government schools (boundary fencing, providing computers, water filters, *etc.*) and contribution to local festivals as part of their contribution towards CSR activities. Thus, the C&ID failed to persuade the eligible industrial units to earmark funds as per the Act, towards CSR activities and to ensure that these funds were utilised to bridge the gaps in the existing social infrastructure to optimise the benefits for the local populace.

The C&ID stated (November 2018) that details of CSR activities were being collected and meetings were being conducted with the industrial units to impress upon them the need to meet their legal obligations such as CSR.

Recommendation (5):

The C&ID may take immediate steps to (i) ensure compliance with the provisions contained in the Companies Act, 2013 relating to CSR activities by the industrial units; and (ii) ensure that optimal benefits accrue to the State.

1.3.8.2 Short realisation of Industrial Development Fund

The State Government notified (June 2010) a model MOU to be executed by the investors before making investment in Sikkim in terms of which all investors who proposed to set up industrial units (IUs) in Sikkim with investment of more than ₹ five crore in plant and machinery were required to contribute ₹ five lakh per annum as Industrial Development Fund (IDF). The MOU was slightly modified in May 2015 whereby, all IUs should contribute to the IDF from the date of signing MOU irrespective of the date of establishment of such IUs,

The IDF could be utilised for acquisition/development of land for industrial purposes, maintenance of infrastructure at the existing growth centres, promotional activities for investment and industrial development and any other related activities as approved by the Government.

There were 48 industrial units in the State with investment above ₹ five crore in plant and machinery (ranging between ₹ six crore and ₹ 200 crore) which were liable to pay the IDF. Out of the 48 industrial units, only eight IUs had paid ₹ 1.10 crore to the State between 2012-13 and 2017-18. As of July 2018, the total IDF due from the industrial units, calculated from the year of Notification (2010-11)/year of signing MOU was ₹ 11.10 crore.

Audit noticed that on a proposal for realisation of IDF from the defaulting units in April 2017, the Principal Secretary suggested (June 2017) that a meeting was to be held with the defaulting units for resolving the issue. However, follow up action on the decision and subsequent meeting with the units, if any, were not available in the records.

Audit also noticed systemic flaws in administration of the IDF relating to determination of rate, collection, custody, penalty provision and utilisation of the IDF. Audit is of the opinion that the fixation of contribution towards IDF @ ₹ five lakh per unit was lopsided and favoured the big corporates at the cost of smaller units. It is therefore, recommended that the contribution towards IDF should be fixed at a percentage of the turnover to give a fair treatment to large as well as small enterprises.

Further, no officer in the C&ID had been delegated with specific duty of overseeing collection, custody and utilisation of the IDF and no penalty prescribed for non-payment. The IDF collected was being credited into the Consolidated Fund of the State. Audit noticed that there was no mechanism in place to allot these funds to the C&ID for utilising the same for the purpose for which IDF was conceived.

Although, the notification for MOU covered hydropower projects also, there was no data with the C&ID about the size of investment in plants and machinery in hydropower projects installed by private investors and the corresponding amount of IDF to be collected.

The shortcomings relating to administration of the IDF were indicative of lack of earnestness on the part of the C&ID in implementation of the IDF. Only after being pointed out in Audit (May 2018), the C&ID issued an office order (May 2018) assigning responsibility of dealing with matters relating to the IDF to an Under Secretary and a Deputy Secretary.

The C&ID replied (November 2018) that it had initiated action on payment of IDF from the remaining units and was likely to realise the amounts due during 2018-19. The C&ID had written a letter to the Energy and Power Department and the Sikkim Power Development Corporation about the liability of the hydropower companies to pay the IDF. The C&ID further added that the audit suggestion on penalty for non-payment of IDF and proportionate rate of IDF instead of a blanket amount was also being processed for Government approval. The C&ID will also be approaching the Finance Department for permission to utilise the IDF for the intended objectives of promotion of industrial growth and development by creating an appropriate mechanism for the accounting and utilisation of the fund.

Recommendation (6):

- *The C&ID may (i) explore the possibility of creating a dedicated fund, similar to the State Disaster Relief Fund, etc. in the Government Accounts to ensure intended use of IDF and (ii) fix the contribution to IDF as a percentage of turnover to give a fair treatment to big as well as small enterprises.*

1.3.8.3 Employment to local people

Unemployment is a serious issue in Sikkim with unemployment rate of 181 persons per 1000 persons during 2015-16 as per the employment-unemployment survey[17] conducted by the Ministry of Labour, GoI in 2015-16. Yet, there was no plan in the C&ID for human resource development through appropriate skill/ entrepreneurship development programmes to optimize the level of employability of the people in the newly established industrial units. The MOU notified (July 2010) by the State Government to be signed between the State and the industrial units envisaged that the investor should give priority for employment to local people and all posts should be given to *bona fide* local residents. It also envisaged that the Department concerned should organise necessary trainings for which expenditure should be borne by industrial units which should then employ the skilled manpower. The appointment of non-locals should be made only till such time as needed

[17] *The All India unemployment rate was much lower at around 50 during 2013-14 and 2015-16.*

for the training to be completed and qualified *bona fide* local residents are trained and absorbed.

Audit noticed that despite the above provisions in the MOU, out of 6,401 employees in 29 industrial units from which manpower data was made available to Audit, only 2,748 (43 *per cent*) employees were locals of Sikkim while 3,653 employees (57 *per cent*) were non-local as depicted in the table below:

Table 1.3.7

Employment of locals vis-à-vis non-locals in the State's manufacturing industries

No. of Units	Total Employees			Local Employees		Non-local employees	
	Local	Non-local	Total	Skilled	Unskilled	Skilled	Unskilled
29	2,748	3,653	6,401	610	2,138	1,958	1,695

Source: Information obtained from the industries through the C&ID

Thus, the prospect of the State benefiting from industrialisation by ensuring maximum employment to local persons in the industries remained largely unachieved as more than half of the employees (57 *per cent*) in the industries were non-locals. In the unskilled category, non-local employees comprised 44 *per cent* while in the skilled category, the local employees constituted 24 *per cent.* As the State had never assessed the status of employment of its people in the industries, the reason for (i) high percentage of non-locals even in the unskilled category as well as (ii) very low percentage of locals in the skilled category could not be ascertained in audit.

The Government/C&ID had not instituted any mechanism to implement and ensure employment of locals in the industrial units beyond laying down the condition in the MOU. It had neither carried out any need assessment of skill in the industrial units in consultation with the latter nor had it arranged capacity building measures either with its own resources or through the industrial units to make the locals employable. Till date, the C&ID did not even have consolidated data of local employees in the industrial units even though employment formed a key objective of the State Industrial Policy.

The C&ID stated (November 2018) that it has initiated action by holding meeting with the plant heads of the industrial units in coordination with the Labour Department to discuss issues on local employment. Subsequent to the Audit observation, the Government issued (August 2018) notification through the Labour Department for employment of local persons to the extent of 90 *per cent* in any establishment. A committee was also constituted (October 2018) with the plant heads of five large pharma companies in coordination with the Labour Department to develop further plans for capacity building through the Institute of Chartered Financial Analysts of India (ICFAI) University to skill the State's youth for employability in the State's industries.

Recommendation (7):

- *The C&ID/Government may ensure effective implementation of the employment related provisions of the MOU.*

1.3.9 Development of Growth Centre and Industrial Areas

The C&ID had a total of 76.58 acres of Government land located at different places in the State which were earmarked for development of industries as detailed below:

Table 1.3.8
Land owned by Department for development of industries

Sl. No.	Location of Government Industrial Area	Size (acre)
1	Tadong Industrial Area, 5th Mile, Tadong, East Sikkim	13.65
2	Rohtak, West Sikkim	1.40
3	Samardung, South Sikkim	2.00
4	Rangpo, Mining, East Sikkim	17.53
5	Growth Centre, Marchak, East Sikkim	42.00
	TOTAL	**76.58**

Source: Departmental figure

Development of industries at the Growth Centre, Marchak (East Sikkim) and industrial areas at Samardung (South Sikkim) and Rangpo, Mining (East Sikkim) were sampled in audit for detailed examination. Audit findings are elaborated below:

(i) Development of Growth Centre

The Scheme towards development of Growth Centre (GC) for industrial development was announced by GoI in June 1988 and came into operation in 1991. Under the scheme, GCs were to be set up to attract industries to the backward areas by creating infrastructural facilities at par with the best available facilities in the country, particularly in respect of power, water, telecommunication and networking. Central assistance up to ₹ 15 crore was available under the Scheme for NE States for setting up each GC.

Audit noticed the following deficiencies in the development of GC:

➢ ***Absence of survey/investigation***

The C&ID prepared (December 2002) DPR through a Consultant[18] for setting up a GC at Marchak, East Sikkim and Salghari, South Sikkim over an area of six lakh sq. mtr (148.26 acre). As per the DPR, 54 *per cent* of the area was to be used for industrial units, 23 *per cent* for housing, one *per cent* for trade and commerce, 17 *per cent* for roads and five *per cent* for open spaces.

Audit noticed that no survey/ investigation had been conducted by the C&ID to ascertain availability of land of size 148.26 acre for establishing the GC, before formulating DPR. Although 148.26 acre area was originally targeted in the DPR for GC, only 86.10 acre area was included in the detailed estimate for the project. Even the reduced area of 86.10 acre was further whittled down to 42 acres only, the project being finally proposed to be developed in only one location (Marchak, East Sikkim). The reduction in size of the GC at a later stage was due to non-availability of adequate suitable land for the project and rejection of the second site at Salghari, South Sikkim by the C&ID due to high cost of laying power line and water supply system in the location.

[18] *Chief Consultant of Gujarat Growth Centre Development Centre.*

➢ ***Diversion of land for establishing Central Agricultural University***

Out of the 42 acre land acquired at Marchak for establishment of Industrial Growth Centre, the State transferred 17 acre land for establishment of a Central Agricultural University (CAU). Establishment of CAU did not form part of the GC scheme in terms of the DPR approved by the GoI for the project. Diversion of 17 acre land from the GC for establishment of CAU was unauthorised and irregular as it did not conform to the objective of setting up of the GC as envisaged in the DPR approved by the GoI. On being asked further about modalities of transfer, justification and terms & conditions on the basis of which the land was transferred to the CAU and approval of GoI, the Department failed to produce the relevant file and it was stated during Exit Conference (November 2018) that efforts would be made to furnish the file.

➢ ***Acquired land not utilised***

Even after more than 14 years (as on March 2018) of acquisition of land for the GC at Marchak, 15.14 acre land (36 *per cent*) acquired at a cost of ₹ 2.67 crore within the GC was not put to use for its intended purpose with no recorded reason for the land remaining unused.

Audit noticed that while justifying the purchase of land for the GC at Marchak during the inception stage of the project, the Secretary of the Department had impressed upon (January 2003) the GoI that the land at Marchak was a prime land located in a valley consisting of paddy fields on both sides of National Highway and was highly suitable for development of an industrial growth centre. Audit observed that major portion of the acquired land was neither allotted nor any initiatives taken in this regard. Moreover, Audit did not find any effort on the part of the Government to develop the GC including organising meetings with entrepreneurs and investors, advertising about the availability of land for establishment of industrial units and facilities at GC in print and electronic media, *etc.* as discussed in the succeeding paragraph.

On being asked by Audit, the C&ID replied (November 2018) that due to the State's topography, it was not possible to get flat land in the State and the land acquired consisted of mixture of suitable and unsuitable portions. The land remaining idle in the GC was located in the fringes of the GC near the river bank. The C&ID planned to conduct proper survey of the area in association with the Land Revenue and Disaster Management Department (LRDMD) and thereafter, demarcate the vacant lands and divide such lands into plots and auction the same for the use of prospective investors.

The reply furnished by the Department was misleading as it was a ploy to hide their inefficiency in view of the assurance given to the GoI regarding the prime nature and suitability of the land at the time of sourcing funds for the project. Moreover, the bifurcation of the acquired land into suitable and unsuitable portions was factually incorrect as Central Agriculture University has been constructed on the land allotted, as discussed in the preceding sub-paragraph, and has been made functional as well.

Thus, due to lack of due rigour by the Department, the intended objective of GC remained unachieved even after more than two decades of its acquisition.

Recommendation (8):

- *C&ID may initiate immediate action to (i) fix responsibility for the purchase of unsuitable land (ii) conduct survey to identify all vacant plots in the GC within a time frame (iii) initiate suitable action to allot vacant plots to prospective entrepreneurs in a fair manner and, (iv) ensure proper survey, investigation and feasibility study in all cases of future acquisition of land.*

➢ ***Stoppage of funding and stalling of project***

The GoI approved (November 2003) the proposal of the C&ID for setting up the GC at Marchak, East Sikkim at a cost of ₹ 31.76 crore[19] for which central assistance was ₹ 15 crore and balance ₹ 16.76 crore was to be provided by the State. In terms of GoI directives, the State Government was required to make the GC functional by March 2009. A total of ₹ 16.66 crore had been released for the project *(GoI Share[20]; ₹ 8 crore[21] and State ₹ 8.66 crore[22])* up to March 2010. Thereafter, no fund was released for the project either by the State or the Centre, thereby, stalling the project mid-way.

An earlier audit para *(Para 2.1 of the Audit Report on Government of Sikkim for 2009-10)* had brought out the issue of delay in completing the GC and failure of the C&ID in securing funds in time and completing the project. In its response to the Public Accounts Committee (PAC), the C&ID had submitted (March 2016) that despite fund constraints, the C&ID had managed to make the GC functional with all basic facilities (roads, water supply, power supply and fencing), plots had been allotted to seven units in the GC and the C&ID was collecting revenue of ₹ 10 lakh *per annum*. Further, with the establishment of the GC, many investors had come into the State and established their units providing employment and entrepreneurship opportunities to the people of Sikkim. The PAC had expressed satisfaction over the reply of the C&ID and had decided not to pursue the matter further.

However, Audit noticed during joint physical inspection (December 2018) of the GC with the Departmental authorities that the state of the GC was far from satisfactory. The approach road and the internal roads in the GC were in very poor condition with worn out surface and boulders jutting out at places as corroborated by the photographs below:

Image 1.3.4	**Image 1.3.5**
	
Damaged internal/approach road	

---

[19] *Land and site Development: ₹8.57 crore; Industrial infrastructure:₹20.19 crore and contingencies: 3 crore.*

[20] *Through North Eastern Development Finance Corporation Limited (NEDFi), Guwahati.*

[21] *January 2004: ₹5 crore; December 2005: ₹1 crore and ₹2 crore during August 2008.*

[22] *2005-06:₹3.27 crore; 2006-07:₹1 crore; 2007-08: ₹0.64 crore and 2009-10:₹0.80 crore.*

There was no evidence of any water supply system within the complex. The plots allocated to different units had not been demarcated with clear boundaries and there were vacant spaces within the complex whose status was not known. Photographs below depict the vacant spaces within the GC and the absence of clear boundaries to demarcate the plots.

Image 1.3.6

Image 1.3.7

Vacant and un-demarcated spaces within the Growth centre

Out of the seven units[23] to whom plots were allocated in the GC, four units[24] were functional, two units[25] which had built buildings and installed some machinery were non-functional while one unit[26] was at the construction stage. There was no evidence in the C&ID to indicate that the C&ID had made any efforts to help the struggling units to make them functional. The present status of the GC as revealed in the joint physical inspection was thus indicative of the C&ID's neglect of the operation, upkeep and monitoring of the activities in the GC and hence its failure to ensure the benefits for which the GC project was originally conceived and executed. Hence, reply of the C&ID to the PAC was misleading and gave an incorrect impression about the status of the GC.

Recommendation (9):

- *The C&ID may initiate immediate steps to assess the status of the GC, revive it and make it fully functional in a time bound manner.*

➢ ***Non-submission of Utilisation Certificates (UC) to GoI***

The C&ID created the following infrastructure in the proposed GC at Marchak:

Table 1.3.9
Infrastructure created in the Growth Centre at Marchak

Sl No	Item of expenditure	Amount (₹in crore)
1	Construction of Road	2.02
2	Water Supply	3.17
3	Power Supply	1.35
4	Boundary fencing etc.	1.09
	TOTAL	**7.63**

Source: Departmental figure

As on date the total expenditure incurred on the project was ₹ 15.31 crore[27] leaving a balance of ₹ 1.35 crore, out of the last instalment of ₹ 2 crore released by the GoI in August

23 *Out of the available 25 acre land at the GC, 9.86 acre land to seven agencies on lease basis for 33 years.*
24 *M/s Glenmark (Pharma), M/s Greenways (Packaging materials), M/s Marchak Manufacturing (Packaging materials), M/s Explore Sikkim (Packaging materials).*
25 *M/s Amber Enterprises and M/s Suraj & Company (both non-functional).*
26 *M/s Kanishka Enterprises (under construction).*
27 *₹7.68 crore on purchase of land (25 acre of land for ₹4.41 crore from GoI share and 17 acre of land for ₹3.27 crore from State share) and ₹7.63 crore on creation of roads, water supply etc.*

2008. The C&ID had not sent utilisation certificate (UC) for the last instalment of ₹ two crore released by the GoI, despite repeated reminders (August-2004 and 2006). Finally, the GoI instructed the State (May 2015, June 2016 and 2017) to refund the unspent amount. No steps had been taken by the C&ID to address the GoI as of March 2018.

The C&ID replied (November 2018) that it would send UC for the balance amount of ₹ two crore to GoI after obtaining details from the Roads & Bridges Department (RBD). Audit, however, observed that the RBD had already submitted the UC for ₹ two crore to the C&ID in February 2008. However, the UC submitted by the RBD did not pertain to the last instalment of ₹ 2 crore released by the GoI in August 2008 for which the UC was still due. This indicated absence of control mechanism in the C&ID relating to UC submission.

Recommendation (10):

- *The C&ID may initiate immediate steps to revisit all transactions relating to the GC, identify the status of utilisation of the last instalment released by the GoI, expedite the pending UC and settle the matter within a targeted date.*

➢ ***Absence of fair and transparent system for allotment of land in the GC***

The C&ID had allotted[28] (as of March 2018) 9.86 acre land (39 *per cent*) to seven agencies on lease basis for 33 years out of the available 25 acre land at the GC. However, the availability of land and associated facilities for establishment of industries in the GC was never made public through either print or electronic media. Rather, land was allotted to the seven agencies on the basis of applications directly submitted by them to the Chief Minister. The total number of actual applicants requesting plots in the GC could not be ascertained in audit due to absence of system in the C&ID to record and capture details of all the applications received.

The C&ID had thus not put in place any fair system and methodology for allotment of land to entrepreneurs within the GC. Audit also observed that there was no scale of allotment of land in the GC. Land plots ranging between 5,393 sqft to 2,70,507 sqft were allocated to different agencies without any modality and justification to determine the size of land required by the agencies to set up their units.

The C&ID, while accepting the Audit observation, replied (November 2018) that it had been allotting land to industries based on perception of viability and first come first serve basis and would henceforth set up a system of allotment of land in future GCs/Industrial estates after an appropriate Authority has notified for administering such matters.

➢ ***Recurring loss due to fixation of low allotment rate - ₹2.87 crore per annum***

The rate of allotment of plots for industrial units in the GC was determined at ₹ 70.26 per sq ft[29] in terms of the rates incorporated in the DPR prepared by the C&ID. However, during the course of allotment of plots in the GC, the C&ID applied (June 2011 onwards) the allotment rate of ₹ 3.40 per sq ft[30], which was far less than the proposed allotment rate

---

[28] *Between April 2007 and October 2013.*
[29] *₹756 per Sq. mtr.*
[30] *₹1.40 per sq ft before June 2011.*

with no recorded justification for the same. Fixing of the allotment rate way below the proposed rate resulted in loss of revenue to the tune of ₹ 2.87 crore[31] *per annum* to the State exchequer. The C&ID stated (December 2018) that it was uncertain about the reasons for the huge difference in the rate of allotment of plots incorporated in the DPR (₹70.26 per sq. ft per year) and the actual rate at which plots were allocated later (₹3.40/sq ft/year) due to the huge time lag, since the event took place more than a decade ago. It was bound by the Government notification of June 2011 to allot plots in the GC at ₹ 3.40 per sq ft per year. The reply was not acceptable as the C&ID had notified the low rate of allotment of plots in the GC completely ignoring the proposed rate mentioned in the DPR submitted to the GoI.

Recommendation (11):

- *The C&ID may review the entire process of fixation of rate of plots at the GC and fix responsibility for allowing a very nominal allotment rate as compared to the rate incorporated in the DPR and approved by the GoI.*

➢ ***Failure to utilise revenues from GC for development and upkeep of infrastructure***

In terms of the GoI stipulation for establishment of GC, the revenue from the GC was to be utilised for development and upkeep of industrial infrastructure at the GC. Audit noticed that while revenue collected from lease rent from the GC at Marchak was being credited into the general revenue of the State, no plan or modality had been worked out by the C&ID towards creation of appropriate budget head and expenditure of commensurate amount for fulfilling the intended objective. During the period 2005-18, the C&ID collected revenue to the tune of ₹ 53.18 lakh from the GC which had been credited into the State's revenue.

The C&ID stated (November 2018) that it would move a proposal to the Government to utilise the lease rent realised from the GC for the intended purpose after constituting an appropriate Authority (such as Industrial Development Authority).

Recommendation (12):

- *The C&ID may expedite the process for enabling it to use the lease rent realised for the maintenance and upkeep of the GC.*

➢ ***Encroachment of Land***

One agency (M/s Explore Sikkim), which had been allotted (October 2008) 26,850 square feet land had actually occupied 37,550 sqft area, thereby, irregularly occupying 10,700 sqft in excess of its allotted share. This was due to the fact that the C&ID had no system of clearly demarcating areas allocated to different agencies within the GC and no mechanism to keep proper vigil over the activities in the GC. Neither had any action been taken by the C&ID to reclaim excess land occupied by the errant agency, nor was any penalty prescribed in the lease deed/ agreement for occupying area beyond the allotted share.

The C&ID stated (November 2018) that the agency informed (April 2016) that it had actually occupied 37,550 sqft land against 26,850 sqft allocated to it after survey through a private surveyor. The C&ID was proposing to conduct a proper survey in coordination with

---

[31] *Total allotment area:4,29,483 sq ft x ₹66.86 (₹70.26-₹3.40)= ₹2,87,15,233*

the LRDMD to confirm the fact. The reply of the C&ID corroborated the audit observation that the C&ID had no system of clear demarcation of areas allocated to different agencies within the GC and no system of keeping vigil over the happenings within the GC to prevent encroachment of land by any agency.

Recommendation (13):

- *The C&ID may initiate immediate action to conduct a detailed survey of the entire GC area, measure and demarcate individual allocated sites with clear boundary markers and remove all unauthorised encroachments.*

(ii) Industrial Area, Sikkim Mining Corporation (SMC) Complex, Rangpo, Mining

➢ ***Unplanned and irregular allocation of lands at the SMC Complex, Mining***

The erstwhile Sikkim Mining Corporation (SMC) located at Rangpo, Mining, East Sikkim was wound up by the State Government in January 2007. The SMC complex occupied an area of 17.53 acre developed prime land. While the process of closure of the SMC was still underway, the State Government commenced allocating lands in the SMC complex to private investors for developing industries and by August 2009, the entire land (17.53 acre) was allocated to three agencies based on applications received from them, without working out any criteria, modality or norms of allocation. As per their records, M/s C.G. Foods Pvt. Ltd used the premises for manufacturing noodles (Wai Wai), M/s Sign Sikkim, spices and M/s Shangrila, pharmaceutical formulations.

During similar period when lands were being allotted in the industrial estate at Mining, the C&ID had applied (2004-2011) the lease rent at the rate of ₹ 60,984[32] per year for allotment of land on lease basis for 30 years at Government industrial complexes (GC at Marchak) in the State. Compared to the location and other features of the GC at Marchak, the Industrial area at Mining was more favourably placed, being flat land located close to the border (Rangpo) and connected to the National Highway.

The dates of allocation of lands to the three agencies, areas of lands allocated, period of lease, lease rent applied and the actual lease rent applicable in terms of the lease rent applied at the GC at Marchak is detailed in the table below:

Table 1.3.10
Details of land allocated to industrial units at Mining

Name of Agency	Date of allotment	Size of land allotted (acre)	Total lease period for which land allotted	Details of lease rent per acre per year (in ₹)		Difference of Rate per acre (₹)	Loss per year(₹)	Loss to State during the entire lease duration of 30/90/99 years (₹)
				Actually applied	Applicable in terms of C&ID norms			
a	b	c	d	e	f	g=f-e	h=c*g	i=d*h
M/s C.G. Foods Pvt. Ltd	04.10.2004	6.61	90	19,803	60984	41,181	2,72,206	2,44,98,540
M/s Sign Sikkim	11.10.2004	1.00	30	10,000	60984	50,984	50,984	15,26,820
M/s Shangrila Industries	18.08.2009	9.92	99	7,071	60984	53,913	5,33,739	5,28,40,131
						TOTAL	**8,56,929**	**7,88,65,491**

Source: C&ID

[32] *1 acre = 43,560 sq ft. ₹1.40 per sq ft = ₹1.40 x 43,560 per acre = ₹60,984 per acre.*

Audit observed that the C&ID/Government commenced allocating land in the SMC complex without preparing any plan or strategy for systematic development of the land into an industrial area with proper road map delineating the number of industrial units to be accommodated in the area, size of plots to be allotted to each type of industry, publicity of availability of lands for industrial purposes and the modality to be followed for allotment of sites. While M/s C.G. Foods Private Limited was allotted land for 30 years lease period with unconditional renewal for another two terms of 30 years each making the actual lease duration 90 years, M/s Shangrila was allotted land for a lease period of 99 years in stark violation of the C&ID's own allotment norms.

Thus, the unplanned allocation of Government land without publicity about availability of such land for industrial purposes, non-invitation of open applications from potential investors and the allotment of different sizes of lands to a few agencies at different lease rates much lower than the applicable rates for varying time periods revealed the irregular, arbitrary and random action of the C&ID/Government in making public land allotments which caused a loss of ₹ 7.89 crore during the entire lease duration of 30/ 90/ 99 years (₹ 8.57 lakh per year).

The C&ID replied (November 2018) that the issues pointed out in audit were factual statements which pertained to a period nine to 14 years back and hence it had no submission to make. The C&ID was pursuing action to constitute an authority under appropriate rules to obviate the discrepancies in future allocations of land.

Recommendation (14):

- *The C&ID may initiate urgent action to examine the cases of land allotments done so far, take action to revert back lands occupied in excess of requirement and lay down fair and transparent mechanism for allotment of Government lands in future.*

➢ ***Undue favour due to allotment of large tracts of land without need analysis***

Audit observed that the C&ID had not carried out any assessment of the size of land essential for running the operations of the two agencies M/s C.G. Foods and M/s Shangrila, which were allotted huge lands measuring 6.61 acre and 9.92 acre respectively. Large companies like the Alkem *(in terms of turnover and manpower size)* had arranged lands on their own from private land owners and established their production units in lands of much smaller sizes up to 5.23 acre, as detailed below:

Table 1.3.11

Land acquisition by the industrial units *vis-à-vis* allotment by the Department

Name of Firm	Location	Area (acre)	Turnover (crore) (2017-18)	Manpower employed
Alkem Health Science- I	Samardung	4.28	474	669
Alkem Health Science-II	Samardung	5.23	282	1,015
Alkem Laboratories	Kumrek	5.53	1,077.75	642
Shangrila Pharma	Mining	9.92	1.49	42
C.G. Foods	Mining	6.61	NA	NA

Source: Figure furnished by the industrial units

The allotment of huge chunks of public lands to M/s C.G. Foods (6.61 acre) and M/s Shangrila (9.92 acre) which were much smaller in terms of turnover and manpower, than other units like Alkem, without examination and assessment of the size of land required for their production units and without considering their contribution to the State through generation of employment opportunities and contribution to CSR funds was unjustified and constituted undue favour to these two agencies.

Some of the lapses noticed were as follows:

- In terms of the DPR submitted by M/s Shangrila to the C&ID, its requirement of land was only for four acres. However, while applying for allocation of land, it scaled up its requirement to 9.92 acres, without any justification. Incidentally, the size of land available at the SMC complex at Mining at the time and the area M/s Shangrila applied for allocation of land was exactly 9.92 acres. This raised the probability that M/s Shangrila had inside information about the exact details of land available in the industrial area, pointing to the probability of collusion of the Departmental authorities with the private agency.
- M/s Shangrila was required to set up its unit within two years[33] of grant of consent, failing which the consent would be withdrawn. Although the agency was allotted land in August 2009, it obtained consent to establish its unit only in April 2010 and started commercial production in March 2017, seven years after the grant of consent. However, the company sought time extension of five years to set up the unit in July 2015, more than five years after grant of consent and the C&ID without due diligence granted the time extension of five years instead of withdrawing the consent to the unit for occupying public property for such long duration without any productive activity.
- Thus, the entire process of allotment of land to M/s Shangrila and grant of undue extension of time for establishing its unit smacked of undue bias in facilitating the private agency to acquire more than double the size of prime public land actually required by it at a low price and for a long lease duration of 99 years.
- Similarly, the land originally earmarked (July 2004) for allotment to M/s C.G. Foods was 1.79 acres which was later increased to 5.79 acres by addition of another four acres on the agency's plea (September 2004) for establishing production units for noodles, cheese balls, potato chips, other foods products, beverages and for future expansion. The revised area of 5.79 acre was again increased (October 2004) to 6.61 acres at a later stage and leased out for 30 years with provision for two subsequent renewals of 30 years each. The justification for this further increase of area was not recorded. As on date (November 2018), the unit was producing only noodles and not the other items for which it had sought additional allocation of land. Thus, this too was a case of extension of undue favour to the agency M/s C.G. Foods.

The C&ID replied (November 2018) that due to absence of a technical wing in the Department, it was not possible for it to take up need analysis of land required by different

---

[33] *In terms of a notice issued by the C&ID (December 2010) for regulating time period for establishment of industries in the State.*

industries. The C&ID proposed to constitute an authority equipped with technical manpower to handle technical works as in the case of other States. The C&ID further stated that the Audit observation was a factual statement and it would amend the notification to provide for penalty with a view to preventing the delays in establishment of industrial units.

The reply was not acceptable as allocation of land based on the rates and lease terms notified by the Government was basically administrative functions which did not call for any technical expertise.

(iii) Industrial Area, Samardung (Industrial Infrastructure Upgradation Scheme)

GoI launched a scheme 'Industrial Infrastructure Up-gradation Scheme (IIUS)' in 2003 which was modified and re-cast for further continuation during the Eleventh five-year plan period (2007-12) and also during the Twelfth five-year Plan period (2012-17). The IIUS scheme was to be implemented by a State Implementing Agency[34] (SIA) nominated by the State Government. The SIA would prepare Detailed Feasibility Reports (DFR) covering technical, financial, institutional and implementation aspects. The scheme armed to enhance competitiveness of the industries located in the existing industrial clusters with high growth potential by providing quality infrastructure. The scheme did not permit creating industrial estates because of convenience of doing so due to availability of land or other reasons. Instead, viable site was to be selected.

In terms of the modified IIUS, in case of a Special Category State (SCS), the Central grant would be 80 *per cent* of the project cost *(*subject to a ceiling of ₹ 50 crore*)* with a minimum contribution (10 *per cent)* of the State. Projects with beneficiary industry contribution (minimum 10 *per cent)* would be given priority.

In contravention to the GoI stipulation that the IIUS was to be implemented in existing industrial cluster, the C&ID purchased a vacant plot of land measuring two acres at Samardung, South Sikkim at ₹ 91.31 lakh in October 2011. The C&ID also had neither nominated the SIA for implementing the project nor had they initiated action to prepare Detailed Feasibility Report (DFR) for it till date (November 2018). The C&ID, thus, missed the opportunity to avail GoI funding of up to ₹ 50 crore available for the project due to wrongful start of the project by purchasing vacant land instead of identifying existing industrial cluster for implementation of the scheme. While skirting the issue of delays and failure to take up the project in right earnest till date, the C&ID stated (November 2018) that it was proposing to constitute an authority equipped with technical manpower which would act as the State Implementing Agency for the project at Samardung.

Recommendation (15):

- *The C&ID may initiate immediate action to (i) nominate SIA for implementing the IIUS project (ii) prepare Detailed Feasibility Reports (DFR) covering technical, financial, institutional and implementation aspects, and (iii) commence implementation of the project within a target date.*

---

[34] *e.g., State Industrial Development Corporation.*

Audit Objective 3: To assess and evaluate the effectiveness of monitoring, supervision and evaluation.

1.3.10 Monitoring and Supervision

For effective monitoring of its mandated activities in the State, it was essential that the C&ID put in place a robust implementation mechanism having adequate and skilled manpower with specific delegation of duties, prescribed regular returns and reports to keep vigil over the functioning of the Department and its various wings and maintain a reliable data management system.

Audit noticed deficiencies on various aspects of monitoring and supervision activities of the C&ID as elucidated below.

- The C&ID did not have any monitoring mechanism in place with specific delegation of duties to its various officers for carrying out periodical inspections and monitoring of the industrial units.

- No regular returns and reports had been prescribed to be submitted by the subordinate offices (DICs) with a view to obtaining regular information on the functioning of the sub-ordinate offices.

- In terms of the C&ID's notification of May 2015, all industries were required to send quarterly statements showing total number of employees, status of employment (local/non-local), scale of pay and total take away salary of each employee to the C&ID and copies of appointment letters. The C&ID, however, could not furnish the quarterly statements sent by the investors indicating that there was no system in the C&ID to follow up, collect, consolidate, examine and act on the reports received from the investors.

- The various reports and returns prescribed specifically for monitoring the CSR activities in terms of the notification of May 2015 were never followed up as no officer was delegated with the specific duty of ensuring the receipt of such reports/returns. Details regarding this have been highlighted under para 1.3.8.1 above.

The C&ID stated (November 2018) that monitoring in terms of the MOU was not possible due to absence of a full-fledged Directorate under the C&ID. Work profile for the Directorate was being worked out for notification.

The reply was not tenable as the C&ID should have taken action much earlier to equip itself with adequate manpower to take up the monitoring work.

Recommendation (16):

- *The C&ID may take immediate time bound action to put in place a robust monitoring mechanism with adequate manpower having specific qualifications and job experience for regular and effective monitoring and supervision of industrial and entrepreneurial activities in the State.*

The failure of monitoring mechanism in the C&ID was a result of absence of proper human resource need analysis, capacity building and training activities and proper data management, as highlighted below.

(i) Absence of need analysis of manpower

The C&ID including its two DICs located at Gangtok and Jorethang had 83 people *(72 regular and 11 temporary)* on its roll as of 31 March 2018. The C&ID, however, had not carried out any need analysis of manpower requirement with a view to distributing jobs and responsibilities appropriately to ensure efficient functioning. The C&ID was clueless about the total strength of manpower required *vis-a-v*is the cadre-wise strength sanctioned by the Government for performing the mandated functions. The C&ID's Directorate had just one Director with no sub-ordinate directors (*Additional/Joint/Deputy/Assistant Directors)* to perform the directorial functions. Even the Director's post had been lying vacant since May 2018 rendering the entire Department devoid of any Director to handle the function of the Directorate. The C&ID was thus, unaware about the need and size of its organisational strength due to absence of well-defined posts and sanctioned strength of manpower based on job analysis and need assessment.

(ii) Absence of need analysis of training of manpower

Audit also noticed that the C&ID had not carried out any training need analysis of its manpower. During the period 2007-18, training of only seven out of 83 staff was undertaken at the Administrative and Accounts Training Institute (AATI), Gangtok, besides, one officer (Under Secretary) being sent for a five-day training course on advance leadership development training programme at Mussorie. These trainings were basically on matters of administration. No officer/staff of the C&ID had ever been sent on training on any specialised subjects related to business development, trade, commerce or industry, nor did the C&ID organise any special programme on skill development with subject experts to upgrade and hone the skill of its employees regarding handling of issues of industries and their development. There was also no system of providing in-house training by the C&ID to its manpower.

Thus, from the perspective of training and capacity building exercises undertaken so far, the C&ID appeared ill-equipped to perform its functions and fulfil its mandate of promoting trade, commerce and industry in the State.

The C&ID replied (November 2018) that the matter for strengthening the Directorate of Industries was brought before the notice of the Government and a Director had already been appointed. An authority under the C&ID to manage technical works was also being proposed to be created. Due to shortage of manpower, the C&ID was unable to depute people for technical training in required numbers. Once sufficient manpower was posted, appropriate capacity building/training would be conducted.

Recommendation (17):

- *The C&ID may carry out training need analysis in respect of the available manpower based on which a cadre-wise training calendar may be implemented.*

(iii) Management of Data

Data/records kept by a Department constitute one of its most important management tools and it was essential that basic data were kept and updated regularly for the Department to assess its progress, monitor its activities effectively, measure its achievements and ascertain the activities to be undertaken in the future. Hence, the Department needed to put in place an accurate, reliable, consistent, user friendly and simple data management and record keeping system. This would help the Department with basic information for taking decisions, monitoring progress of various activities, measuring its performance, highlighting risk areas and formulating strategies to mitigate those risks.

Audit examination, however, revealed that the C&ID did not have a complete and consolidated basic data system of the industrial units with data, such as, complete list of industries in the State, documents relating to land acquisition for establishment of industries, land area occupied by each industry, built up area, investment in land, buildings, plant and machinery, date of commercial operation, number of persons employed, annual turnover, net profit earned, size of various incentives enjoyed from different sources, amount of funds allocated under CSR, activities undertaken under CSR, status of operation of the industries at a given point of time (whether functioning/closed) *etc.*

Thus, despite its existence since 1977, the C&ID was not equipped to provide consolidated authentic information to the stake-holders/Government due to absence of a proper system of data management and record keeping in the Department.

The C&ID stated (December 2018) that it was working on developing an MIS using appropriate software applications with a view to capturing and managing the entire data relating to the industries and thereby to enable proper functioning of the regulatory and monitoring functions of the Department.

Recommendation (18):

- *The C&ID may expedite the process of development of an appropriate data management system with a view to capturing and managing the entire data relating to the industries and thereby to enable proper functioning of the regulatory and monitoring functions of the Department.*

(iv) Pollution monitoring

The GoI pre-categorised (March 2016) various types of industries into Red, Orange, Green and White categories based on their potential to cause pollution. The Red category industries were rated as the most polluting followed by Orange, Green and White *(least polluting)*. The State Pollution Control Board (SPCB) notified the GoI categorisation of industries in the State in March 2017. The SPCB, however, till date (May 2018), had not categorised each industry in the State into the various categories notified by the GoI in terms of their pollution potential. However, in terms of the GoI categorisation, it could be seen that there was only one Red category industry in the State (Lahag Spirits). All other industries were either orange (pharmaceutical formulations) or green (ancillary units for manufacturing packaging materials).

➢ In terms of the Water (Prevention and Control of Pollution) Act, 1974 and Hazardous Waste (Management and Handling) Rules, 1989 every industrial unit using water above 30,000 kilo litre per day is required to submit an Environment Statement (ES) in *Form V* providing information on raw materials used, finished items produced, water consumption, pollution discharge and hazardous and solid wastes generated along with their disposal practices.

- Out of 61 industrial Units to which the ES was applicable, only 22 industries had submitted the ES in the prescribed Form providing the required information during the period 2015-18.

- There was no provision for penalising the defaulter units by the SPCB in the Water (prevention and control of pollution) Act.

- The 22 units that had submitted the ES in Form V enclosed test reports of effluents etc. issued by Labs from all over the country[35] accredited to the National Accreditation Board for Testing and Calibration (NABL). The SPCB, however, did not conduct any test on its own to verify the sanctity of the reports submitted by the units. The existing lab of the SPCB did not have adequate facility/infrastructure to conduct the tests themselves despite its establishment since 1992.

- The SPCB collected the following fees annually from various polluting units operating in the State: (i) Consent fees for establishment and operation of the units and, (ii) Monitoring fees from hydro power projects. The collection of the fees amounted to about ₹ 1.72 crore annually. The Board had not delineated the purpose and modality for utilisation of the fund generated. The Forest Department utilised (October 2017) ₹ 1.36 crore, out of the funds, for furnishing, fitting and finishing of the Japan International Cooperation Agency funded Sikkim Bio-diversity Conservation and Forest Management Project (SBFP) taking advantage of the absence of regulation for utilisation of the fund. Thus, while the SPCB lacked basic infrastructure and facilities to conduct tests of effluents and other polluting discharges from industries, its funds were being diverted for unrelated purposes.

- In terms of office order dated January 2017 issued by the SPCB, the SPCB was required to conduct periodical inspection of the industries to check compliance of the norms laid down for protection of environment. Prior to issue of the office order, the SPCB did not have any reports of inspections conducted till 2016-17. During 2017-18, it conducted inspection[36] of only six industries. None of the six industries recorded satisfactory performance relating to environmental protection issues. Four industries[37] were recorded to have poor performance; one industry[38] recording very poor performance and one industry[39] moderate performance. No penalty had been prescribed for unsatisfactory performance of the industrial units and hence no action had been initiated against the performance of the units by the SPCB as of March 2018.

---

[35] *Shri Krishna Analytical Service,New Delhi; Envirotech East (P) Ltd., Kolkata; SGS India (P) Ltd., Kolkata, TUV Sud South Asia (P) Ltd. Mumbai, etc.*

[36] *The parameters in terms of which the inspections were to be conducted, were, (i) valid consent to operate (ii) establishment of ETP (iii) valid authorisation for generation of hazardous waste and its management (iv) permitted products & production capacity (v) zero liquid discharge (vi) scrap management (vii) green belt development etc.*

[37] *M/s Alkem Health Science, Unit-III, M/s Alkem Laboratories Ltd., M/s Zuventus Pharma Pvt. Ltd., and M/s Indchemie Health Specialities Pvt. Ltd Unit-V*

[38] *M/s Ideal Cures (Sikkim) Pvt. Ltd.*

[39] *M/s Cipla Ltd. Unit -I*

Recommendation (19):

- *The SPCB may initiate immediate action to (i) ensure regular submission of Environmental Statement in prescribed form by all industries using water above 30,000 kilo litre per day (ii) work out penalty provisions for non-compliance (iii) establish proper lab facilities for testing of effluents (iv) use fees collected for pollution monitoring/checking activities and, (v) conduct periodical inspection of industries to ensure compliance to the various environment protection norms laid down by it.*

1.3.11 Evaluation

The C&ID had not conducted any study about the status and impact of industrialisation in the State so far. No roles had been assigned by the C&ID to any officials/officers to take up such evaluation work.

Recommendation (20):

- *The C&ID may take up immediate action to assign specific roles to its officers to take up regular evaluation and assessment of the industrial activities in the State.*

1.3.12 Exit Strategy

The establishment of industries by private developers in Sikkim was the result of the benefits made available under the NEIIPP. The incentives under NEIIPP were available for commencement of commercial production for a ten-year period from April 2007 to 31 March 2017. Thus, all incentives under NEIIPP would be available upto 31 March 2027.

The table below indicates the year-wise position of commencement of commercial production under NEIIPP since 2007-08 upto 2016-17 in respect of 55 industries for which data could be sourced from the C&ID.

Table 1.3.12
Year-wise status of commencement of commercial production vis-a-vis availability of incentives

Year	No. of units which commenced commercial production during the year under NEIIPP	Year of conclusion of incentives under NEIIPP
2007-08	2	2017-18
2008-09	3	2018-19
2009-10	3	2019-20
2010-11	2	2020-21
2011-12	3	2021-22
2012-13	4	2022-23
2013-14	1	2023-24
2014-15	2	2024-25
2015-16	3	2025-26
2016-17	32	2026-27
TOTAL	**55**	

Source: C&ID/Information obtained from the industrial units through the C&ID.

Audit noticed that 32 out of 55 units for which data was made available, had commenced commercial production during the penultimate year 2016-17 of NEIIPP 2007 in order to avail benefits for a ten year period upto 2026-27. Audit also observed that the original industrial units opened up new units on completion of the ten year incentive period in order to maximise the advantage under NEIIPP. Data available in respect of seven such units is given below:

Table 1.3.13

Statement of opening of new units by existing units for availing benefits under NEIIP

Sl. No.	Main unit (First Unit)	Date of commercial Production	Date of closure of subsidy	Subsequent units	Date of commercial Production	Period of subsidy
1	Alkem Laboratories	08.08.2007	07.08.2017	Alkem Health Science – I,	18.10.2012	17.10.2022
				Alkem Health Science – II,	09.03.2017	08.03.2027
				Alkem Health Science – III,	09.03.2017	08.03.2027
2	Zydus Wellness (P) Ltd - I	06.04.2011	05.04.2021	Zydus Wellness Pvt Ltd - II	20.03.2017	19.03.2027
3	Zydus Health Care-I	27.09.2007	26.09.2017	Zydus Health Care-II	Not available	Not available
4	Cipla Pharma (P) Ltd - I	03.04.2008	02.042018	Cipla Pharma (P) Ltd - II	06.03.2017	05.03.2027
5	Sun Pharma Drugs (P) Ltd - I	20-04.2009	19.04.2019	Sun Pharma Labs - II	14.04.2014	13.04.2024
6	IPCA Laboratories-I	01.07.2011	30.06.2021	IPCA Laboratories - II	04.03.2017	03.03.2027
7	Swiss Garnier Genexia-I	14.06.2013	13.06.2023	Swiss Garnier Genexia-II	23.03.2017	22.03.2027

Source: C&ID/Information obtained from the industrial units through the C&ID.

Thus while the industrial units prepared themselves to maximise the advantage of the period of incentives under NEEIIPP by opening up new units on completion of the first round of ten year period, the State had not prepared any exit strategy to handle the situation that could arise after stoppage of incentives under NEIIPP.

From 1 April 2017, after closure of NEIIPP 2007, the GoI introduced a new scheme with the objective of further catalysing industrial development in North Eastern Region including Sikkim. This new scheme, called 'North East Industrial Development Scheme' (NEIDS) was extended for a period of five years upto 31 March 2022. The NEIDS provided capital investment incentive for access to credit, central interest incentive, central comprehensive insurance incentive, GST re-imbursement, IT re-imbursement and Transport incentive at different rates.

Thus the GoI was gradually tapering off availability of incentives for industrial growth in the Northeast. Under NEIIP, incentives were available for a ten-year period for commercial production upto 31 March 2017. From April 2017 onwards (under NEIDS) the periodicity of incentives was reduced to five years, extending upto March 2022. Since the industries were attracted to Sikkim due to benefits available under the central schemes, there is every possibility that such industries might close operations in Sikkim and shift their bases to locations better suited for them after termination of the incentive schemes of the GoI, as they have done in other SCS states like Uttarakhand after withdrawal of the incentives. It was therefore imperative that the C&ID worked out appropriate strategy to handle the likely situation arising out of retrenchment of the staff employed by such industries after they exit the State and the huge built up infrastructure and dependent businesses they leave behind.

The C&ID stated (December 2018) that it will endeavour to incorporate Exit Strategy in the new State industrial policy which will be most likely framed after the completion of the General Election 2019. The C&ID will also look into the existence of any clause in the industrial policies of other States regarding the lock in period or the strategy to be adopted to secure the interest of the State before a unit closes down or leaves the State. The C&ID, however, opined that after having invested huge capital in buildings, plant and machinery in the State, the industries were unlikely to entirely close down their operations even after the closure of the incentives. Besides, it also expected introduction of some other stimulus by Government to ensure continuity of operation of the industries.

Recommendation (21):

- *The C&ID may initiate preparation of an Exit Strategy after proper study of the situation prevailing in other States of the country with a view to ensure continuity of the industrial activities in the State even after the termination of the incentive period and may prescribe a minimum lock in period for continuity of operation of the units.*

1.3.13 Conclusion

Despite notification of the State Industrial Policy, 1996 more than two decades ago, the C&ID lagged in the implementation of the policy objectives as there was no specific plan in the C&ID for developing, creating or maintaining basic infrastructure for promoting industrial growth in co-ordination with the concerned line departments. The C&ID also had not defined 'Green State' image and had not prescribed any norm for maintaining a specific area within each industry as green area. The State had a long way to go in ensuring employment to its people in the industries as only 43 per cent local people were found employed in the industries, that too, mostly in the unskilled category.

The benefits derived by the State from the growth of manufacturing sector remained unclear. The huge growth of manufacturing industries post NEIIPP, 2007 inflated the per capita GSDP of the State by 60 to 64 per cent but failed to contribute to either the State's revenue or the income of the local people as the revenues from the industries went to the manufacturing companies based outside the State.

The C&ID also failed to ensure contribution towards CSR activities by the industrial units and to realise the industrial development fund which could have been used for creation/ maintenance of industrial infrastructure. There was short contribution on CSR activities of ₹176.51 crore by 15 units and short realisation of industrial development fund of ₹10 crore from 40 units.

The benefit envisaged from Development of an industrial Growth Centre at Marchak, East Sikkim could not be realised as implementation of the scheme was characterised by non-transparent allotment of land without fixing standard norms and procedures, excess expenditure on purchase of unsuitable land (₹2.67 crore), recurring loss of ₹2.87 crore per annum due to low allotment rate etc.

The C&ID also was ineffective in monitoring the operations of the industrial units as it failed to follow up with the industrial units for submission of the prescribed reports and returns. Neither had any study been conducted so far about the status and impact of industrialisation in the State nor any exit strategy formulated for handling the infrastructure and manpower engaged by the industries, after conclusion of the GoI incentive period.

ROADS AND BRIDGES DEPARTMENT

1.4 Unfruitful expenditure (₹ 11.32 crore), undue favour to contractor (₹ 61.18 lakh), cost escalation (₹ 13.11 crore) and idling of stores of ₹ 24.20 lakh

Execution of the work 'Construction of Gurassey road from Bio-diversity Park, Temi, Gurassey in South Sikkim' by Roads and Bridges Department (RBD) was characterised by failure of the RBD to provide connectivity to five interior villages of South Sikkim despite incurring ₹ 11.32 crore on the project, undue favour of ₹ 61.18 lakh to the contractor due to unwarranted release of SD (₹ 35.91 lakh), outstanding bills (₹ 25.27 lakh), cost escalation of ₹ 13.11 crore and idling of stores of ₹ 24.20 lakh.

A Unfruitful expenditure (₹11.32 crore), undue favour to contractor (₹61.18 lakh) and cost escalation (₹13.11 crore)

The Roads and Bridges Department (RBD) took up (November 2005) the 'Construction of Gurassey road from Bio-diversity Park, Temi, Gurassey (Km 1st to 8th) in South Sikkim' under Economic Importance Scheme to provide connectivity to five interior villages, namely Phalak, Thangshing, Upper Bermoil Tokal, Tinglay and Niz-Rameng. The project was sanctioned (2007-08) by the Government of India (GoI) at a cost of ₹ 22.67 crore to be shared equally between the GoI and the Government of Sikkim (GoS). A total of ₹ 11.32 crore was released (between 2007-08 and 2015-16) towards the project by GoI (₹ 6.05 crore) and GoS (₹ 5.27 crore). The work was awarded (February 2008) to the contractor[40] at 32 *per cent* above the estimated cost with stipulation to complete within 18 months[41] (August 2009).

The Sikkim Public Works (SPW) Manual (Section 22) read with General Terms and Condition of Contract (Clause 2 and 3) envisaged the Department to ensure strict observance of time schedule by the contractor for completing the work Clause 16 of General Terms and Condition of Contract envisaged rescinding the contract at the risk and cost of the contractor in case of failure to complete the work in time by the contactor and retaining Security Deposit (SD) and any sum due to the contractor towards likely additional cost for completing the work.

Audit scrutiny revealed (March 2018) that:

- though the work was scheduled to be completed within a period of 18 months (August 2009), the work was incomplete as of March 2018[42], even after more than eight years of scheduled completion date (August 2009) due to failure of the RBD to closely monitor progress and exercise due rigour in execution of the work;

---

[40] *Shri Passang Lepcha.*

[41] *Date of commencement of work – February 2008*

[42] *The work was stalled since September 2015 after achieving 48 per cent of physical progress.*

- after expiry of the scheduled date of completion (August 2009)[43], the Department allowed the time extension up to August 2012 (three years) on the request of the contractor with a direction that under no circumstances will further time be extended. However, the RBD again granted time extension for four times[44] on the request of the contractor on the plea of cold weather, heavy rainfall, unavailability of stock material, *etc.* without ascertaining the veracity of the reasons given in the contractor's request which clearly established that the action of granting extensions for such a long period was unjustified and arbitrary and without exercise of due diligence.
- despite grant of several time extensions, instead of ensuring progress of work as warranted by the contract, the contractor finally expressed (9 September 2015) his inability to complete the work on the plea of his advanced age;
- while the RBD accepted the contractor's plea to rescind the contract, it, however, failed to realise likely additional cost for completing the work at the risk and cost of the contractor from the contractor, as envisaged under Clause 16 of the General Terms and Conditions of Contract. As on the date of rescinding the contract, physical progress of work was up to 48 *per cent* and total expenditure ₹ 11.32 crore[45] (50 *per cent* of sanctioned cost);
- the RBD instead of retaining the available amount of SD (₹ 35.91 lakh) and outstanding bill payment (₹ 25.27 lakh) to partially make up towards additional cost of ₹ 13.14 crore[46] (as envisaged in Section 16 of the General Terms and Condition of Contract), released SD of ₹ 35.91 lakh and outstanding bills of ₹ 25.27 lakh to the contractor.
- the RBD submitted (June 2018) revised Detailed Project Report (DPR) of ₹ 24.46 crore to the Ministry of Road Transport and Highway (MoRTH), GoI for fresh sanction for execution of balance work valued ₹ 11.35 crore as per original DPR, indicating cost escalation of ₹ 13.11 crore on the project due to the huge time overrun. Approval of MoRTH was awaited as of December 2018.

Thus, due to failure of the RBD in exercising due rigour in execution of the work and ensuring adherence to the terms of contract by the contractor, connectivity to five interior villages of South Sikkim as envisaged under the project remained unachieved despite incurring ₹ 11.32 crore on the project. Besides, undue favour of ₹ 61.18 lakh was granted to the contractor due to unwarranted release of SD (₹ 35.91 lakh) and outstanding bills (₹ 25.27 lakh). Further, the fate of the project remained uncertain, since the work has not been restarted as on May 2019 as the revised DPR with cost escalation of ₹ 13.11 crore was awaiting sanction by the GoI.

---

43 *Physical progress as on August 2009 was 13 per cent.*

44 *On 06.09.12 to 28.12.13 (15 months); 06.02.14 to 30.06.14 (five months); 24.09.14 to 31.12.14 (three months) and 21.08.15 to 31.12.15 (four months).*

45 *Paid to contractor: ₹9.84 crore and expenditure on contingent expenses: ₹1.47 crore.*

46 *Additional cost: ₹ 24.46 crore (Estimated cost of revised DPR) minus ₹ 11.32 crore (Cost of work executed) = ₹13.14 crore.*

As the department has miserably failed to complete the work, the following course of action is recommended to be taken by the Government in the interest of work and financial discipline:

1. fix responsibility of the Executive Engineer and Superintendent/Chief Engineer for failing to monitor the progress of work and exercise due diligence in completion of the project leading to the work remaining incomplete;

2. fix responsibility of the Executive Engineer for releasing the SD of ₹ 35.91 lakh despite the fact that the work has not been completed.;

3. fix responsibility for releasing the payment of ₹ 25.27 lakh though as per the agreement the contractor was to bear the additional cost required for completion of the work

The matter was referred to the Government (April 2018). Reply was still awaited (December 2018).

B Idling of stores of ₹24.20 lakh

The RBD procured 54.62 MT of steel bars (out of 73.98 MT) valuing ₹ 24.20 lakh for the work *Construction of road from Biodiversity Park to Gurassay*, *South Sikkim* were never put to use and lying in deteriorated condition at Sirwani Store, Singtam, East Sikkim since February 2011 as the work was closed (September 2015) by the Department after attaining 48 *per cent* physical progress.

The Department had not taken due precaution as required under SPW Manual and the Bureau of Indian Standard (BIS) to either stack the steel bars above ground level by at least 150 mm or to cover them with tarpaulin in case of long storage to avoid corrosion.

The Department stated (July 2018) that efforts would be made to use these steels bars in future in other works. However, the fact remains that the Department had not been able to utilise these steel bars as of July 2018 even after more than seven years of their purchase. Prolonged storage of steel bars in an open area without any protection from natural elements (rain, wind, moisture, dust, *etc.*) would render them useless due to corrosion.

1.5 Idling of stores

The Department failed to ensure productive use of steel bars leading to idling of stores of ₹ 46.18 lakh for more than six years. Prolonged storage of steel bars in an open area without any protection from natural elements would make them useless due to corrosion and would also entail further expenditure to make them reusable.

As per Sikkim Public Works (SPW) Manual, 2009 (Section-30) Divisional Engineers are responsible to ensure safe custody of stores, protection from deterioration and fire. Bureau of Indian Standard (4082: 1996) also prescribed for stacking the stock material above ground level by at least 150 mm to avoid corrosion.

Audit scrutiny of records of the office of the Principal Chief Engineer-cum-Secretary, Roads and Bridges Department revealed (April 2018) that the Department had procured

(May 2012) 114.64 MT of steel bars of various sizes worth ₹ 63.62 lakh for the work of *Upgradation and strengthening of Ranka-Sichey Road (1 to 11 km), East Sikkim.*

Out of these steel bars (114.64 MT), only 27.24 MT of steel bars were issued in this work while the balance quantity of steel bars (87.40 MT) was lying idle since the date of purchase (since May 2012).

Physical verification (20 April 2018) of the departmental store at Tadong, East Sikkim by Audit in the presence of Assistant Engineer and Store-in-Charge revealed that 87.40 MT valuing ₹ 46.18 lakh of steel bars were lying in the open yard since May 2012 in deplorable condition despite availability of storage facility as can be seen from images given below:

Image 1.4.1

Unused departmental store

Image 1.4.2

Steel bars stored at open yard

Image 1.4.3

Corroded steel bars (unfit for use)

The steel bars were not used by the contractor as the bridge component, for which these steel bars were procured, was subsequently excluded (November 2014) from the work *Upgradation and strengthening of Ranka-Sichey Road (1 to 11 km), East Sikkim* due to change in scope of work and execution of additional works relating to hill cutting and throwing of spoils. This indicated that preliminary estimate was not drawn properly to incorporate all essential items of work. The contactor had executed the work without the bridge component and ₹ 15.02 crore was released to him as of March 2018.

The Department had not taken due precaution as required under SPW Manual and the Bureau of Indian Standard (BIS) to either stack the steel bars above ground level by at least 150 mm or to cover them with tarpaulin in case of long storage to avoid corrosion.

The Department stated (July 2018) that efforts would be made to use these steels bars in future in other works. However, the fact remains that the Department had not been able to utilise these steel bars as of July 2018 even after more than six years of their purchase. Prolonged storage of steel bars in an open area without any protection from natural elements (rain, wind, moisture, dust, *etc.*) would render them useless due to corrosion.

1.6 Abandonment/non-completion of works, non-recovery of mobilisation advances and non-imposition of penalty on defaulting contractors (Co-operative Societies)

The award of works by Roads and Bridges Department to various Co-operative Societies without ascertaining their credentials and technical capacity to execute road works led to abandonment/non-completion of works after incurring ₹ 6.08 crore besides non-recovery of Mobilisation Advances of ₹ 1.15 crore and non-imposition of penalty of ₹ 1.40 crore.

The Government of Sikkim enacted (July 2008) the 'Sikkim District Based Entrepreneurs and Professionals Incentive, Development and Promotional Act, 2008' to give preference to district based entrepreneurs in execution of contract works in developmental and welfare oriented projects upto such amount as may be specified by notifications. This is subject to condition that technical competence or capability in the standard of work shall not be compromised.

The Roads and Bridges Department (RBD), in exercise of the powers conferred [Para-5(1)] under the Act ibid, amended Para-15.1 and Para-24.6 of Sikkim Public Works (SPW) Manual, 2009 to exempt registered Co-operative Societies (CSs) from (i) payment of Earnest Money (EM) (July 2010) for execution of contractual works under the State Government departments and (ii) submission of equivalent amount of Bank Guarantee (BG) (March 2011) for drawal of interest free Mobilisation Advance (MA).

The RBD further under Notification dated 28 July 2015 allowed registered CSs as contractors to execute construction works of developmental and welfare oriented projects upto ₹ one crore (Class-IV enlistment) and upto ₹ two crore (Class-III enlistment) without calling of tenders within the territorial jurisdiction of Gram Panchayats or Urban Local Bodies where the work would be executed.

Audit scrutiny of 80 works allotted to 80 CSs revealed (March 2018) that 15 works aggregating ₹ 13.96 crore, sanctioned during 2010-11 to 2011-12, were awarded to 15 CSs (between March 2011 and March 2013). The works were stipulated to be completed between March 2012 and March 2015. The MA of ₹ 1.25 crore was also released to these CSs immediately after the award of work for mobilisation of material and plant and machinery for expeditious completion of the works. The MAs were to be recovered from the CSs' running payment bills.

Audit scrutiny revealed the following:

- The RBD neither assessed the technical competence and the capability of the CSs to execute the works as per standards required under the Act (2008) while awarding the work nor ensured completion of works as scheduled in the Contract Agreement.
- The CSs had failed to complete the works even after lapse of scheduled date of completion by three to six years despite receiving MAs.
- While three CSs had surrendered the work without execution, 12 CSs had stalled the work after attaining a physical progress between 25 and 91 *per cent* {25 *per cent* (two CSs), 33 *per cent* (seven CSs), 66 *per cent* (one CS), 90 *per cent* (one CS) and

91 *per cent* (one CS)} as of March 2018. The Department issued (January 2016) final notice to eight (out of 15) CSs directing them to refund the MAs within a month, failing which penal action as per Clause 2 (Compensation for delay at the rate of one *per cent* per week subject to maximum of 10 *per cent* of total work value) of the General Directions and Conditions of Contract would be initiated for delay in execution of works.

- The contract of one CS was rescinded (June 2018). Warning had been issued to two CSs while no action was initiated against one CS which had not completed the work despite lapse of scheduled date of completion citing inadequate manpower and machinery at their disposal. The Department did not take any action against three CSs which had abandoned the work without execution. The details are shown in **Appendix 1.4**.
- The Department not only failed to recover MAs of ₹ 1.15 crore directly from these 15 CSs but it also had no scope of recovery from Earnest Money (EM) and Bank Guarantee (BG) as the CSs were exempted from payment of EM and submission of BG.
- Though the CSs had not refunded entire amount of the MAs of ₹ 1.15 crore and not completed the works despite notices, the penalty for delay at the rate of 10 *per cent* of work value amounting to ₹ 1.40 crore[47] for 15 works was not levied by the Department against the CSs as of March 2018.
- In seven cases, payment was made in excess of physical progress of works.

Thus, due to failure of the RBD to assess the technical competence of the CSs to execute the works and its failure to ensure execution of works by the CSs, the objective of providing rural road connectivity across the State was not achieved even as on May 2019 despite expenditure of ₹ 6.08 crore (excluding MA of ₹ 1.14 crore). Cost escalation of works also could not be ruled out in view of time overrun.

The Department stated (July 2018) that the observations of Audit had been noted. Henceforth, MA would be released based on collateral Security, *i.e.* BG. Further, at the instance of Audit, eligibility criteria in the SPW Manual had been amended (12 June 2018) to exclude CSs from participation in the tendering process.

Recommendation (22):

- ***The Government/ Department may ensure the release of Mobilisation Advance only after receiving of appropriate amount of Bank Guarantee.***

[47] *10 per cent of ₹13.96 crore.*

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

1.7 Excess payment to contractors

The Sikkim Rural Roads Development Agency under Rural Management and Development Department (RMDD) included contractors profit and overhead charges twice in Analysis of Rates for stone aggregates, first during the preparation of basic rates and again while determining item rates of construction of Granular Sub Base and Water Bound Macadam grading II and III leading to excess payment of ₹ 1.28 crore to three contractors in 23 works.

The Prime Minister Gram Sadak Yojana (PMGSY), a centrally sponsored scheme, is implemented by the States to provide all weather rural road to the eligible unconnected habitations with a population of 250 persons or more in the rural areas of hilly states.

The estimate for works were framed based on State Schedule of Rates (SOR)/Analysis of Rates (AoR) prepared by the Sikkim Rural Roads Development Agency (SRRDA)[48] headed by Chief Executive Officer(CEO), RMDD, Government of Sikkim for PMGSY Phase VIII works, using Books of Specifications and Standard Data Book (SDB) issued by Ministry of Rural Development (MORD), Government of India. The SDB was prepared by Indian Road Congress (IRC) to be followed by various states for preparation of State level Analysis of Rates/Schedule of Rates for PMGSY roads. The AoRs comprised of requirement of materials, labour and other overheads for various components to execute a particular item of work and per unit rates of each of the components. While the requirement of materials and overheads were based on SDB, the rates of each component were determined by the Department based on market survey during the time of preparation of AoR to arrive at per unit cost of each item.

Scrutiny of AoR (March 2018) for the PMGSY works (Phase-VIII) relating to Gangtok and Pakyong Divisions covering the period May 2014 to March 2018 for three items of works viz., (i) construction of Granular Sub Base (GSB) (ii) Water Bound Macadam (WBM) grading II and (iii) Water Bound Macadam (WBM) grading III revealed that the basic items, i.e. stone aggregates[49] are used as one of the constituents in these items of works. The rates of these items of works were erroneously enhanced to a higher rate due to inclusion of contractors' profit and overhead charges twice, first during the preparation of the rates for basic item (*i.e.* stone aggregates) and again while determining the rates for these items of works leading to double inclusion of contractors' profit and overhead charges in basic items (*i.e.* stone aggregates). This resulted in erroneous enhancement of rates by ₹ 163.51 per cum, ₹ 99.28 per cum and ₹ 106.28 per cum respectively for the three items of works as detailed below.

---

[48] *An state level autonomous agency under Rural Management & Development Department*

[49] *Stone aggregates: (a) aggregate for GSB I, (b) aggregate of grading II and (c) aggregate of grading III are used in (a) construction of GSB, (b) WBM grading II and (c) WBM grading III respectively.*

Table 1.7.1
Details of erroneous enhancement of item rates

Item of works	Item rate as per AoRs (₹ per cum)	Item rate as calculated by Audit excluding contractors' profit and overheads in analysed rates for basic item, i.e. stone aggregates (₹ per cum)	Excess in item rates (₹)	Quantity executed (cu m)	Excess payment (₹)
Construction of GSB	760.68	596.87	163.51	45,735.253	74,78,171.22
WBM Grading II	1,450.95	1,351.67	99.28	20,364.567	20,21,794.21
WBM Grading III	1,455.33	1,349.05	106.28	18,518.267	19,68,121.42
Tender premium of 16 *per cent* above estimate cost on 19 works					13,62,964.61
TOTAL					**1,28,31,051.46**

The erroneous enhancement by CEO, SRRDA in item rates inflated the estimate which led to avoidable excess payment of ₹ 1.28 crore to three contractors in 23 works[50] during May 2014 to March 2018 in implementation of PMGSY works as detailed in **Appendix 1.5**.

The Department stated in reply (July 2018) that the analysis of rates for the PMGSY works in Sikkim was prepared based on the Standard Data Book (SDB) duly vetted by the National Rural Roads Development Agency, Government of India. The SDB had a provision of 12.5 *per cent* towards the contractor's profit and overheads. Thus, the double payment in this regard had not been made towards contractor's profit and overheads.

The reply of the Department was not acceptable as contractors' profit and overheads were included in the rates for 'basic item' (*i.e.* stone aggregate) and also item rates for 'GSB and WBM grading II & III' which comprised the stone aggregate as one of the basic item resulting in double payment. Further, the double payment of contractor's profit and the overheads charges is not justified on the ground of adherence to the SDB by the Department while preparing the item rates as there is no provision for double payment of contractor's profit and the overheads charges in the SDB.

[50] *Audit comment is based on examination of only 23 out of 93 works.*

FOREST, ENVIRONMENT AND WILDLIFE MANAGEMENT DEPARTMENT

1.8 Diversion of Cess Fund

Out of ₹ 34.38 crore transferred by the Forest, Environment and Wildlife Management Department (FEWMD) from the Cess fund to the Health Care, Human Services and Family Welfare Department (HCHSFWD), the HCHSFWD utilised only ₹ 1.05 crore for bio-medical waste management system for protection and improvement of environment while the balance of ₹ 33.33 crore was irregularly utilised for construction of the 1,000 bedded hospital at Sichey against the intent of the Sikkim Ecology Fund and Environment Cess Act, 2005.

The State Government enacted (April 2005) the Sikkim Ecology Fund and Environment Cess Act, 2005 to provide for protection and improvement of environment. As per Section 5 of this Act, every dealer, manufacturer, State and Central Government Department or any other organisation shall be liable to pay Cess at the rate of (i) one *per cent* in respect of goods specified in Schedule II of the Act, and (ii) five *per cent* in respect of hotels, resorts, lodges or motels towards bringing non-biodegradable materials in the State from outside the State for sale or any other use. According to Rule 5 of the Sikkim Ecology Fund and Environment Cess (Management of Fund) Rules, 2008, the Principal Chief Conservator of Forest, Forest, Environment and Wildlife Management Department (FEWMD) was responsible for management of the fund. The levy of cess commenced in 2007-08. During the period of 2007-08 to 2017-18, a total of ₹ 287.45 crore was collected, of which, ₹ 229.22 crore was utilised by FEWMD during the period.

Audit scrutiny of records of FEWMD revealed (January 2018) that expenditure of ₹ 105.66 crore was incurred from Cess fund during 2016-18 for various purposes[51] including transfer of ₹ 34.38 crore[52] to Health Care, Human Services and Family Welfare Department (HCHSFWD) in relation to construction of the 1,000 bedded Hospital at Sichey, East Sikkim.

Audit observed that out of the total fund of ₹ 34.38 crore transferred by the FEWMD to the HCHSFWD for construction of 1,000 bedded hospital at Sichey, the HCHSFWD utilised only ₹ 1.05 crore[53] in construction of Effluent Treatment Plant (ETP) and Incinerator for bio-medical waste management system conforming to the provision of the Act for protection and improvement of environment. The entire balance of ₹ 33.33 crore was irregularly utilised for construction of the hospital which was against the intent of the Act

[51] *Creation of facilities for CESS collection, Grants-in-aids to various Boards created under the FEWMD such as Medicinal Plant Board, Land Use Board, State Biodiversity Board, High Altitude Research Centre, etc., Providing State share of funds to various CSS under FEWMD, Development of Parks and Gardens, Scientific Management of Forest etc*

[52] *₹25 crore in August 2017 (Cabinet approval in September 2007); ₹9.38 crore in February-March 2017 (Cabinet approval October 2016).*

[53] *ETP: ₹0.60 crore and Incinerator: ₹0.45 crore.*

and did not help in achieving the objectives of amelioration of environment, ecological security and restoration of ecological balance of the various areas in the State as enshrined in the Act. The FEWMD, thus, failed to ensure judicious utilisation of fund by HCHSFWD for the purpose of protecting environment and improving the quality of environment, etc. as required under Rule 5(2) of the Sikkim Ecology Fund and Environment Cess (Management of Fund) Rules, 2008.

The FEWMD, inter alia, stated in reply (October 2018) that the State Government in order to provide better health care and facilities for its people decided to establish a multispecialty hospital and accordingly, the HCHSFWD moved proposal to the Government (State Cabinet) to allocate funds from the Sikkim Ecology and Environment Cess Fund as additional fund for bio-medical waste management and other allied activities. Hence, the fund provided to the HCHSFWD did not constitute irregular diversion. The reply of the FEWMD was not tenable as, out of the total Cess fund of ₹ 34.38 crore transferred to the HCHSFWD, only ₹ 1.05 crore was utilised for environmental measures (installation of incinerator and ETP) while the entire balance of ₹ 33.33 crore was diverted for construction of hospital building and not for bio-medical waste management and other allied activities as contended by the FEWMD. The Sikkim Ecology Fund and Environment Cess Act, 2005 envisaged use of the Cess Fund only for protection and improvement of environment, control and abatement of environment pollution and restoration of ecological balance and not for construction of hospitals.

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

1.9 Infructuous expenditure and loss of revenue

The decision of the Urban Development and Housing Department to proceed with the acquisition of Star Cinema Hall Complex at Gangtok for construction of Multilayer Car Park-cum-Commercial Complex despite being aware of the tenants' occupying the building led to infructuous expenditure of ₹ 6.49 crore on acquisition, continued occupation of the building by tenants without payment of any rent, and non-commencement of work of construction of Multilayer car park cum Commercial Complex.

The Urban Development and Housing Department (UDHD) purchased (March 2011) Star Cinema Hall Complex[54] located in the heart of Gangtok at ₹ 6.49 crore for construction of Multilayer Car Park-cum-Commercial Complex. Payment of ₹ 5.19 crore[55] was released to the co-owners between March 2011 and March 2015, after deducting Government share (18.81 *per cent*) of ₹ 1.30 crore. The asset was taken over by the Department based on the meeting held (February 2011) with the owners of the Complex, District Collector, East

[54] *Jointly owned by State Government (18.81 per cent share) and 24 private individuals.*
[55] *₹1 crore (March 2011), ₹3.05 crore (January 2015) and ₹1.14 crore (March 2015).*

Sikkim and other departmental representatives on *as is where is basis*[56] with the stipulation that the tenants would be evicted by the UDHD with the assistance of the District Collector.

Audit scrutiny revealed (March 2018) that the decision of the Department to take over the asset on *as is where is basis* was without due diligence as there were 27 tenants on the property at the time of acquisition of the property. Further, there was nothing on record to suggest that the Department even asked the owners of the property to get the tenants evicted before the property could be taken over by the Department.

It is pertinent to mention here that as per Rule 4 (1) and 5 (2) of the Sikkim Public Premises (Eviction of Unauthorised Occupants and Rent Recovery) Act, 1980 (SPP Act), the Collector is empowered to evict the illegal occupants from the public premises within 15 days of Notice failing which possession of the premises will be taken over by force within 30 days.

Further scrutiny revealed that neither the Government fixed any time period for eviction of tenants nor was any action initiated by the UDHD for seven years after acquisition of the complex to evict the tenants. Notices were served to tenants only during May 2017 for eviction by 30 June 2017. The Department did not follow up with the tenants to ensure eviction by 30 June 2017 and also did not involve the District Collector, East District to vacate the premises occupied by the tenants as was agreed during the time of acquisition and as was stipulated in the SPP Act.

Moreover, while UDHD could not evict 27 old tenants, it made allotment to other four new tenants (May-September 2016) for commercial use at a rate of ₹ 15,000 per month. The allotment to new tenants was against the original purpose of the acquisition as the complex was purchased for construction of Multilayer Car Park-cum-Commercial Complex.

Although, the building continued to be occupied by the tenants, the Department issued (July 2017) letter of award to a Kolkata based firm[57] for construction of Multilayer Car Park-cum-Commercial Complex by dismantling the premises. The firm was to commence the construction work within six months from the award of the work, the construction had not commenced as of December 2018 even after one and half year of award of work due to failure of UDHD to make available encumbrance free premises to the firm.

While no action was initiated against 27 tenants except for issuing notices (May 2017), the Department served (October 2018) legal notices to only three (out of 4) new tenants to evict the premises within seven days, failing which possession of the said premises would be taken over by force, if necessary. Subsequently, the Department sealed (November 2018) the portion of

Image 1.9.1

---

[56] *The condition where it is the buyer's responsibility to get the property from the location where it is at the time of sale to the location where the buyer wants it.*

[57] *M/s Panchdeep Construction Limited, Kolkata.*

premises occupied by these three tenants. This led to continued occupation of the premises by 28 tenants (27 old plus one new from September 2016) without paying any rent[58] for the period March 2011 to December 2018.

Thus, acquisition of the Complex by UDHD was characterised by:

- Absence of due diligence in acquiring the building in an encumbrance free state;
- Failure to initiate action to evict the tenants by invoking Sikkim Public Premises (Eviction of Unauthorised Occupants and Rent Recovery) Act, 1980;
- Allotment to four new tenants.

This led to infructuous expenditure of ₹ 6.49 crore as construction of Multilayer Car Park-cum-Commercial Complex could not start even after lapse of seven years of acquisition of the Complex.

The Department accepted (August 2018) that the construction could not commence as the tenants continued to occupy the premises. The Department stated that they tried to evict the tenants through negotiation without taking legal recourse as the legal process would take long time. The help of District Collector was not sought in evicting the tenants as the tenants were not illegal occupants. The settlement had since been done and the process of vacating the premises had started.

In the Exit meeting (21 December 2018), the Secretary, UDHD stated that the eviction process had already started (October 2018) by invoking the SPP Act. The Secretary, however, was unable to predict the likely date by which eviction process would be finally completed to enable the commencement of construction of the multi-layer car-parking project.

The reply was not based on facts as the SPP Act was invoked in case of only three tenants that too only in October 2018, leaving another 28 tenants (27 old plus one new) to continue to occupy the premises as of December 2018. As a result, construction of Multilayer Car Park-cum-Commercial Complex could not commence despite an expenditure of ₹ 6.49 crore.

[58] *₹3.60 crore = 27 x ₹15,000 x 92 months i.e. April 2011 to December 2018.*

Chapter II
Economic Sector
(Public Sector Undertakings)

CHAPTER II
ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS)

2.1 Overview of State Public Sector Undertakings

Introduction

2.1.1 The Public Sector Undertakings (PSUs) of the State consist of the State Government Companies, Statutory Corporations and Co-operative Societies. The PSUs are established to carry out economic and commercial activities for the overall development of the State and its people. As on 31 March 2018, there were 19 PSUs (including 12 Government Companies, four Statutory Corporations and three Co-operative Societies) besides four non-working PSUs for which audit entrustment had not been extended by the State Government as detailed in **Paragraph 2.1.20**. None of the companies were listed on the stock exchange and no company was closed down during the year. The details of the PSUs in Sikkim as on 31 March 2018 are given below.

Table 2.1.1
Total number of SPSUs as on 31 March 2018

Type of PSUs	Working PSUs	Total
Government Companies registered under Sikkim Registration of Companies Act, 1961	08	08
Government Companies registered under Companies Act, 2013	04	04
Statutory Corporations	04	04
Co-operative Societies registered under Sikkim Co-operative Societies Act, 1978	03	03
TOTAL	**19**	**19**

The PSUs registered a turnover of ₹ 503.89 crore as per their latest finalised accounts as of September 2018. This turnover was equal to 2.26 *per cent* of Gross State Domestic Product (GSDP[1]) of ₹ 22,248.00 crore for 2017-18. During 2016-17, however, the contribution of turnover (₹ 185.64 crore) of PSUs was lower at 0.98 *per cent* of GSDP (₹ 18,852.00 crore). During 2017-18, the PSUs had incurred an aggregate loss of ₹ 319.01 crore as per their latest finalised accounts as of September 2018 as compared to the aggregate loss of ₹ 331.21 crore incurred by PSUs during 2016-17. The PSUs had employed 1,225 employees as at the end of March 2018.

The total investment in 19 PSUs was ₹ 17,779.31 crore. The Return on Equity (RoE) in respect of three[2] out of the 19 PSUs, was negative {(-) 1.92 *per cent*} as per their latest finalised accounts as on 30 September 2018. The accumulated losses (₹ 904 crore) of the six PSUs[3] had completely eroded their share capital (₹ 68.50 crore) as per their latest finalised accounts. Hence, RoE of these six SPSUs was not workable.

[1] *Source: Directorate of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim.*
[2] *Sl No A8, A9 and B14 of Appendix 2.1.*
[3] *Sl No A1, A2, A3, A10, A11 and B15 of Appendix 2.1.*

Accountability framework

2.1.2 The Companies Act, 1956 as well as the New Companies Act, 2013 had not been extended to the State of Sikkim. Out of 12 Government Companies in Sikkim, eight were registered under the 'Registration of Companies Act, Sikkim, 1961'. The accounts of these eight State Government companies are audited by Statutory Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BoDs) of the respective companies. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these companies had also been taken up by the Comptroller and Auditor General of India (CAG) on the request of the Governor of the State under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2.1.3 During the year 2015-16, one State Government company[4] acquired 51 *per cent* of equity share capital of Teesta Urja Limited (TUL). The TUL, a Company registered under the Companies Act, 1956, is the holding company of another State Government Company, namely, Teestavalley Power Transmission Limited (TPTL). Hence, both the companies (TUL and TPTL) were governed by the provisions of the Companies Act, 1956/Companies Act, 2013. The accounts of these two companies are audited by Statutory Auditors (Chartered Accountants) who are appointed by the CAG. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these companies had also been taken up by the CAG under Section 143 (6) (a) of the Companies Act, 2013[5].

2.1.4 During the years 2016-17 and 2017-18, the State Government incorporated two new companies *viz*. Namchi Smart City Limited (NSCL) and Gangtok Smart City Development Limited (GSCDL) under the Companies Act, 2013 with headquarters in Darjeeling, West Bengal. The first auditors of both the Companies were yet to be appointed by the CAG under Section 139 (7) of the Companies Act, 2013.

2.1.5 There are four Statutory Corporations in the State, namely, State Bank of Sikkim, State Trading Corporation of Sikkim, Government Fruit Preservation Factory and Temi Tea Estate established under the proclamation of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are audited by Chartered Accountants directly appointed by the BoDs of the respective Corporation. Supplementary Audit of these Corporations was taken up by CAG under Section 19 (3)[6] of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

2.1.6 There are three Co-operative Societies *viz*., Sikkim State Co-operative Bank, Sikkim State Co-operative Supply and Marketing Federation and Sikkim Milk Union. The accounts of these three co-operative societies are audited by Statutory Auditors (Chartered Accountants) who are directly appointed by the BoDs of the respective co-operative societies. In addition to the statutory audit conducted by the Statutory Auditors,

[4] *Sikkim Power Investment Corporation Limited*

[5] *The audit of accounts of the Government Companies from the financial year 2014-15 onwards is governed by the Companies Act, 2013.*

[6] *Based on the entrustment/ request for the audit of the accounts of these corporations from the Governor of the State from time to time.*

supplementary audit of these co-operative societies had also been taken up by the CAG on the request of the Governor of the State under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Sikkim

2.1.7 The State Government has huge financial stake of ₹ 2,319.51 crore in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans**- In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-**State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-**State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in PSUs

2.1.8 As on 31 March 2018, the investment (capital and long-term loans) in 19 PSUs was ₹ 17,779.31 crore as per details given below.

Table 2.1.2
Total investment in SPSUs

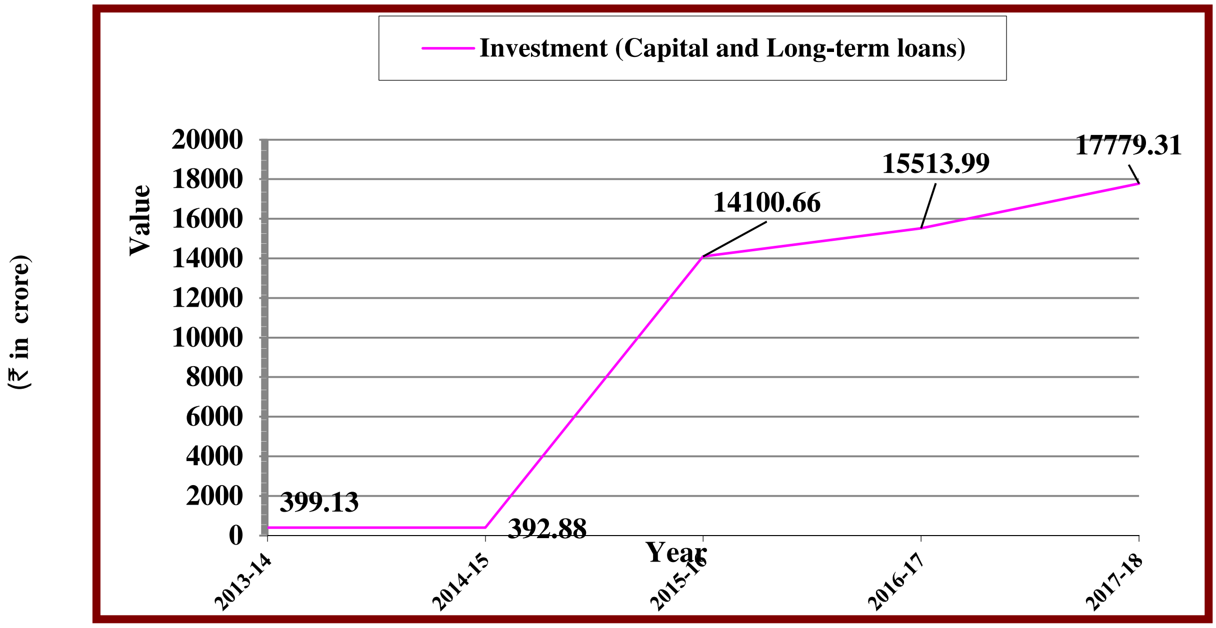
(₹ in crore)

Type of PSU	Capital	Long Term Loans	Total Investment
Government Companies	3,678.46	13,884.89	17,563.35
Statutory Corporations	2.14	178.25	180.39
Co-operative Societies	18.47	17.10	35.57
TOTAL	**3,699.07**	**14,080.24**	**17,779.31**

Total investment in PSUs as on 31 March 2018 was ₹ 17,779.31 crore. This total investment consisted of 20.80 *per cent* in capital and 79.20 *per cent* in long-term loans. The investment had increased significantly by 4,354.52 *per cent* from ₹ 399.13 crore (2013-14) to ₹ 17,779.31 crore (2017-18) as shown in **Chart 2.1.1**. The increase (₹ 17,380.18 crore) in the total investment was mainly due to inclusion of investment aggregating ₹ 17,324.89 crore (capital: ₹ 3,635.35 crore; long term loans: ₹ 13,689.54 crore) as on 31 March 2018 in respect of four power sector companies[7].

[7] *A-8, A-9, A-10 and A-11 of Appendix 2.1.*

Chart 2.1.1
Total investment in PSUs



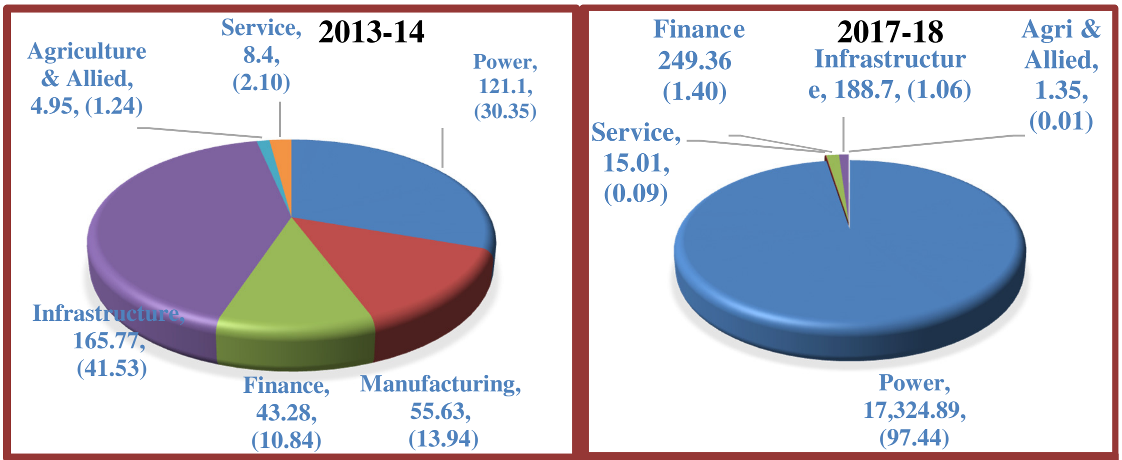
2.1.9 The sector wise summary of investments in the PSUs as on 31 March 2018 is given below:

Table 2.1.3
Sector-wise investment in SPSUs

Name of Sector	Government Companies	Statutory Corporation	Cooperative Societies	Total	Investment (*₹ in crore*)
Power	4	0	0	4	17,324.89
Finance	1	1	1	3	249.36
Service	1	1	1	3	15.01
Infrastructure	3	0	0	3	188.70
Agriculture & Allied	3	2	1	6	1.35
TOTAL	**12**	**4**	**3**	**19**	**17,779.31**

The investment in five significant sectors and percentage thereof at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart No. 2.1.2**.

Chart 2.1.2
Sector wise investment in PSUs



Investment figures: ₹ in crore; Figures in brackets indicated percentage to total investments

It may be seen from **Chart No. 2.1.2** that during 2017-18, the thrust of PSU-investment was mainly in power sector companies[8], which constituted more than 97 *per cent* of the total investment (₹ 17,779.31 crore) in PSUs. During the period of five years from 2013-14 to 2017-18, investment in PSUs increased in four out of six sectors (*viz*., finance, service, infrastructure and power sector) and PSUs involved in manufacturing were shut down. There was decrease in investments in Agriculture and Allied sector due to closure of one PSU[9]. The investment in power sector PSUs, however, had increased significantly by ₹ 17,203.79 crore from ₹ 121.10 crore (2013-14) to ₹ 17,324.89 crore (2017-18). As mentioned under **Paragraph 2.1.8** *supra*, the significant increase in the power sector investments was mainly on account of investments relating to four power sector companies (SPDC, SPICL, TUL and TPTL).

Special support and returns during the year

2.1.10 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written-off and interest waived along with the position of guarantee in respect of PSUs are given in **Table 2.1.4** for three years ended 2017-18.

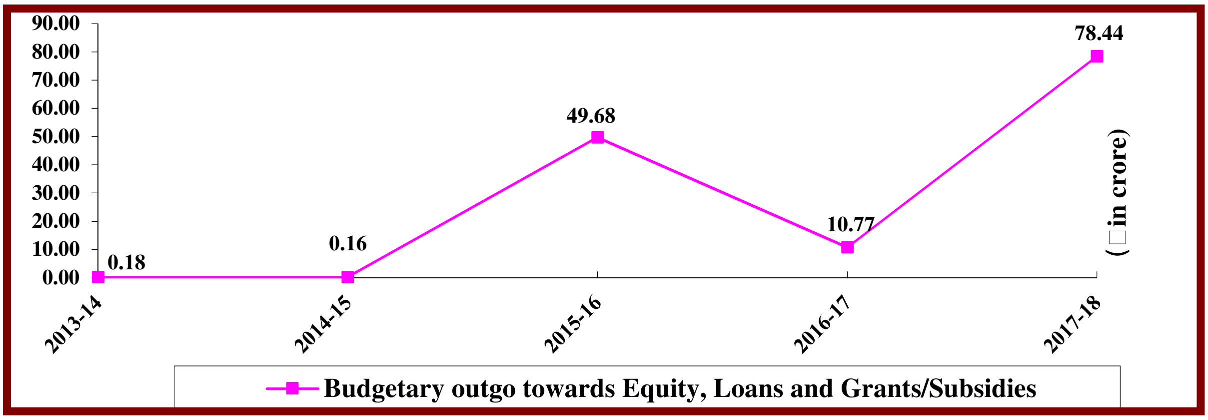
Table 2.1.4
Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	1	4.36	1	10.66	1	11.17
2.	Loans given from budget	-	-	-	-	-	-
3.	Grants/Subsidy from budget	2	45.32	1	0.11	1	67.27
4.	**Total Outgo (1+2+3)**	**3**	**49.68**	**2**	**10.77**	**2**	**78.44**
5.	Waiver of loans and interest	1	0.05	1	13.41	1	0.06
6.	Guarantees issued	1	84.50	2	65.78	2	156.01
7.	Guarantee Commitment	2	91.02	3	81.83	2	203.83

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past five years are given in **Chart 2.1.3.**

Chart 2.1.3
Budgetary outgo towards Equity, Loans and Grants/Subsidies



[8] *Serial No. A-8,9,10 and 11 of Appendix 2.1.*
[9] *Sikkim Flour Mill Limited.*

It may be seen from **Chart 2.1.3** above that budgetary outgo to PSUs had increased by ₹ 78.26 crore from 2013-14 (₹ 0.18 crore) to 2017-18 (₹ 78.44 crore). During the four year period from 2013-14 to 2016-17, State Government had provided budgetary outgo aggregating ₹ 139.23 crore to two PSUs (Sikkim Poultry Development Corporation Limited and Sikkim Power Investment Corporation Limited). During the year 2017-18, ₹ 78.44 crore budgetary outgo was for Sikkim Power Investment Corporation Limited. As can be noticed from **Table 2.1.4** above, the Guarantee commitment increased by ₹ 122 crore from 2016-17 (₹ 81.83 crore) to 2017-18 (₹ 203.83 crore) due to obtaining of fresh loans from National Bank of Agriculture and Rural Development by Sikkim Industrial Development and Investment Corporation. As on 31 March 2018, the Guarantee commitment stood at ₹ 203.83 crore against two PSUs[10].

Reconciliation with Finance Accounts

2.1.11 Figures in respect of equity, loans and guarantees as per the records of PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences in figures. The position in this regard as on 31 March 2018 is given in **Table 2.1.5.**

Table 2.1.5

Equity, loans, guarantees outstanding as per Finance Accounts *vis-à-vis* records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per records of SPSUs	Amount as per Finance Accounts	Difference	Reason for difference
Equity	2319.51	57.66	2261.85	Equity infused into SPICL not routed through budget. Equity shares of TUL purchased by Government through SPICL
Loans	2.03	39.60	37.57	Not ascertained
Guarantees	203.83	203.83	Nil	NA

** SPSU-wise figures of loans/ guarantee not available in the Finance Accounts of the State.*

An exercise was undertaken by the Audit to ascertain the difference in equity investment in PSUs and to reconcile the same in consultation with the PSUs and State Government. During the exercise, it was noticed that the State Government had contributed equity capital to 38 entities comprising of 27 companies, three Statutory Corporations, seven Co-operative societies and State Bank of India (SBI) including 16 PSUs, audit of which was entrusted to CAG. Out of these 16 entities, Audit observed that the differences in equity investment[11] occurred in respect of twelve PSUs[12]. The main reasons for differences were due to procurement of equity shares of Teesta Urja Limited and Teestavalley Power Transmission Limited by Government of Sikkim through Sikkim Power Investment Corporation Limited and Teesta Urja Limited respectively besides equity infusion into Sikkim Power Investment Corporation Limited without routing through the budget. In

[10] *Serial no A-4 and A-5 of Appendix 2.1.*

[11] *PSU-wise figures of loans/guarantee not available in the Finance Accounts of the State.*

[12] *Serial No. A-2, A-4,A-5,A-7 to A-10 to A-12 and C-17 to C-19 of Appendix 2.1.*

respect of the remaining 22 entities, the audit of which had not been entrusted to CAG, the relevant investment records were still awaited from the State Government.

The un-reconciled differences in respect of equity and loans stood at ₹ 2,261.85 crore and ₹ 37.57 crore respectively. The process of reconciliation of these differences has already been initiated in consultation with the Finance, Revenue and Expenditure Department (FRED), Government of Sikkim and office of the Senior Deputy Accountant General (A&E), Sikkim.

The Government and the PSUs concerned should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in Finalisation of accounts

2.1.12 The Companies Act, 1956/Companies Act, 2013 has not been extended to the State of Sikkim. The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 while the Statutory Corporations are governed by the proclamation of the erstwhile Chogyal (King) of Sikkim. During 2015-16, two power sector companies (TUL and its subsidiary, TPTL) which were registered under the Companies Act, 1956 became subsidiaries of one state owned company namely, Sikkim Power Investment Corporation Limited (SPICL) by virtue of acquisition of majority equity stake of TUL by SPICL.

2.1.13 During 2016-17 and 2017-18, two infrastructure companies (NSCL and GSCDL) were incorporated by the State Government as Special Purpose Vehicles (SPV). The first accounts of both the companies were yet to be prepared. **Table 2.1.6** provides the details of progress made by PSUs in finalisation of their accounts as of 30 September 2018.

Table 2.1.6
Position relating to finalisation of accounts of PSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of Working PSUs	8	9	12	12	19
2.	Number of accounts finalised during the year	5	3	8	14	9
3.	Number of accounts in arrears	21	27	31	29	52
4.	Number of Working PSUs with arrears in accounts	8	9	8	9	13
5.	Extent of arrears (numbers in years)	1 to 5	1 to 6	1 to 7	1 to 8	1 to 9

As can be seen from **Table 2.1.6**, the arrear of accounts of PSUs had increased due to less number of accounts finalised by PSUs during the last five years. As on 30 September 2018, a total of 52 accounts of 13 SPSUs were pending for finalisation, of which, 18 accounts (35 *per cent*) pertained to two PSUs[13]. The delay in finalisation of accounts of these two PSUs was mainly due to delay in compilation/adoption of accounts by the BoDs of the respective PSUs. The administrative departments of the PSUs concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of these PSUs are finalised and adopted within the stipulated period. The departments concerned were informed regularly (on quarterly basis) about the arrears in finalisation of accounts by these

[13] *Sl. No A-1 and A-2 of **Appendix 2.1.***

PSUs. No significant improvement was, however, noticed in the position of arrears of accounts of the PSUs.

Placement of Separate Audit Reports

2.1.14 The position depicted in **Table 2.1.7** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2018) on the accounts of Statutory Corporations in the State Legislature.

Table 2.1.7
Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	State Bank of Sikkim	2012-13	2013-14 to 2015-16	08 September 2017
2.	State Trading Corporation of Sikkim	2015-16	-	-

Impact of non-finalisation of accounts

2.1.15 As pointed out above (**Paragraphs 2.1.10 to 2.1.11**)**,** the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- ***the Government may ensure timely preparation of accounts by PSUs; clear arrears in account; set targets for individual PSUs; and monitor the same.***

Performance of PSUs as per their latest finalised accounts

2.1.16 The financial position and working results of working Government companies and Statutory Corporations are detailed in **Appendix 2.1**. A ratio of PSU turnover to GSDP shows the extent of PSU activities in the State economy. **Table 2.1.8** provides the details of working PSU turnover and GSDP for a period of five years ending 2017-18.

Table 2.1.8
Details of PSUs turnover vis-a vis State GDP

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	147.55	149.28	178.81	185.64	503.89[14]
State GDP[15]	13,862	15,407	16,954	18,852	22,248
Percentage of Turnover to State GDP	1.06	0.97	1.05	0.98	2.26

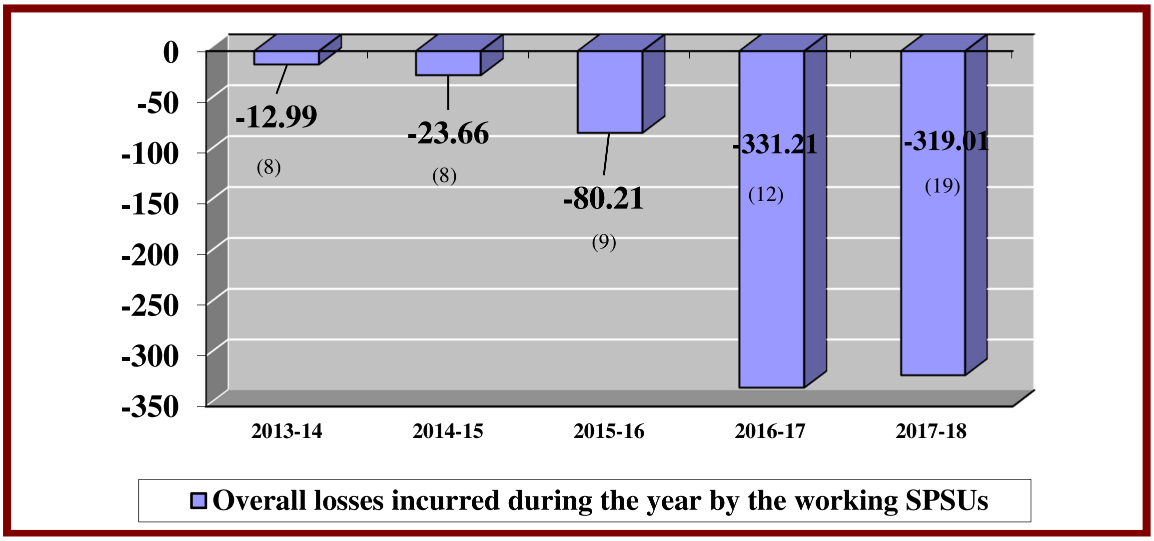
It may be noticed that during 2013-14 to 2017-18, the GSDP had grown by 60.50 *per cent* as compared to the increase of 241.50 *per cent* in the turnover of PSUs during the corresponding period. This was due to commencement of operations of TUL and TPTL during February 2017. As a result, the year-wise contribution of PSUs-turnover to GSDP

[14] *Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2018*
[15] *Source: Department of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim,*

for the year 2017-18 increased significantly from 0.98 *per cent* (2016-17) to 2.26 *per cent* (2017-18) of the GSDP.

2.1.17 Overall losses incurred by working PSUs during 2013-14 to 2017-18 are given in **Chart 2.1.4**.

Chart 2.1.4
Overall losses of working PSUs **(₹ in crore)**



(Figures in brackets show the number of working PSUs in respective years)

As per the latest finalised accounts of 19 working PSUs as on 30 September 2018, eight PSUs[16] earned profit of ₹ 15.31 crore and 11 PSUs incurred loss of ₹ 334.32 crore. The major contributor to profit was State Bank of Sikkim (₹ 10.48 crore). The heavy losses were incurred by SPICL (₹ 235.45 crore) and TUL (₹ 57.49 crore). As could be noticed from **Chart 2.1.4** above**,** the overall losses incurred by working PSUs showed an increasing trend during the five years from 2013-14 to 2017-18, from ₹ 12.99 crore (2013-14) to ₹ 319.01 crore (2017-18).

2.1.18 Some other key parameters of PSUs for the last five years (2013-14 to 2017-18) as per their latest finalised accounts as on 30 September of the respective year are given in **Table 2.1.9**.

Table 2.1.9
Key Parameters of PSUs of the State

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Return on Capital Employed (*Per cent*)	4.36	3.91	10.34	9.57	8.27
Debt	273.89	273.25	8,936.15	12,225.77	14,080.24
Turnover[17]	147.55	149.28	178.81	185.64	503.89
Debt-Turnover Ratio	1.86:1	1.83:1	49.98:1	65.86:1	27.94:1
Interest Payments	90.15	88.16	1,235.63	1,659.22	1,715.35
Accumulated losses	97.92	117.72	328.72	794.95	1,008.05

From the above **Table 2.1.9**, it can be noticed that the Debt-Turnover Ratio of PSUs has increased significantly after 2014-15 mainly due to addition of three power sector

[16] *Serial No. A-4, 5, 12, B-13, 15 and C-17, 18 and 19 of* ***Appendix 2.1.***
[17] *Turnover of working SPSUs as per their latest finalised accounts as on 30 September of respective year.*

companies[18] under the audit purview of CAG during 2015-16. During 2017-18, the said three PSUs had significant debts aggregating ₹ 13,639.26 crore as per their latest finalised accounts as on 30 September 2018. The debt-turnover ratio declined from 65.86:1 in 2016-17 to 27.94:1 in 2017-18 due to commencement of operations from February 2017 by TUL and TPTL.

2.1.19 The State Government had not formulated (October 2018) any dividend policy regarding payment of minimum dividend by PSUs. As per their latest finalised accounts as on 30 September 2018, eight[19] PSUs earned aggregate profit of ₹ 15.31 crore.

Winding up of non-working SPSUs

2.1.20 There were four non-working PSUs (three Companies and one Statutory Corporation) as on 31 March 2018 for which entrustment of audit had expired and has not been renewed by the State Government. The audit of accounts of three[20] out of these four PSUs had been entrusted to CAG for five years up to 2016-17. The audit of the fourth PSU[21] was, however, entrusted to CAG for five years up to 2017-18. Three out of four PSUs mentioned above were under closure (April 2011) whereas the Statutory Corporation was under liquidation proceedings (October 2016) under the order of the Government. The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 while Statutory Corporations are governed by the proclamation of the erstwhile Chogyal (King) of Sikkim. There was, however, no prescribed procedure for liquidation of Government Companies/Statutory Corporations under their respective governing Act/ Statute.

2.1.21 The assets of the three out of four non-working PSUs (all companies) had been disposed of and the proceeds remitted (December 2012) to the Government of Sikkim. The liquidation of the fourth non-working PSU (Sikkim Mining Corporation) was approved (October 2016) by the Department of Mines, Minerals and Geology, Government of Sikkim and its liabilities (₹ 6.85 crore) were also waived (October 2016)

Accounts Comments

2.1.22 Six companies[22] forwarded their seven audited accounts to Accountant General (Audit), Sikkim during the year 2017-18 (October 2017 to September 2018). Six accounts pertaining to five companies were selected for supplementary audit. The accounts of one company was not reviewed by CAG. The details of aggregate money value of comments of statutory auditors and CAG for last three years (2015-18) are given in **Table 2.1.10.**

---

[18] *Serial no A-8, A-9 and A-10 of Appendix 2.1.*

[19] *Serial No. A-4, A-5, A-12, B-13, B-15, C-17, C-18 and C-19 of Appendix 2.1.*

[20] *Sikkim Jewels Limited, Sikkim Times Corporation closed on 30.04.2011 and Sikkim Mining Corporation closed on 06.10.2016*

[21] *Sikkim Precision Industries Limited closed on 30.04.2011*

[22] *TUL, TPTL (2 accounts), SIDICO, SPICL(Non-review), SABCCO and STDC*

Table 2.1.10
Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.01	1	2.92	2	2.84
2.	Increase in loss	2	6.57	2	6.38	0	0
3.	Non-disclosure of material facts	1	1.22	1	2.03	0	0
4.	Errors of classification	Nil	Nil	Nil	Nil	1	2.05

During the year 2017-18, two working Statutory corporations[23] had submitted two years accounts (2016-17) to the Accountants General (Audit) for supplementary audit. The audit of all the two accounts was completed and SARs also issued (February/May 2018).

Response of the Government to Audit

Performance Audits and Paragraphs

2.1.23 For the present chapter of the Report of the CAG for the year ended 31 March 2018, Government of Sikkim, three compliance audit paragraphs involving two departments[24] were issued to the Secretaries of the respective departments with request to furnish replies within six weeks.

Follow up action on Audit Reports

Replies outstanding

2.1.24 The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. According to instructions issued by the FRED, all the administrative departments concerned were required to furnish explanatory notes on the paragraphs/ performance audits included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Public Accounts Committee (PAC). The status of explanatory notes are as follows:

[23] *State Bank of Sikkim and State Trading Corporation of Sikkim*
[24] *Energy and Power Departments and Finance, Revenue and Expenditure Department*

Table 2.1.11
Explanatory notes not received (as on 30 September 2018)

Year of the Audit Report (Commercial/PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	17 March 2015	1	4	1	3
2014-15	28 March 2016	0	2	0	0
2015-16	18 March 2017	1	1	1	1
2016-17	12 July 2018	1	0	1	0
TOTAL	**-**	**3**	**7**	**3**	**4**

From the **Table 2.1.11**, it may be seen that the explanatory notes to four paragraphs and three performance audits (PA) pertaining to five Companies/Corporations[25] were not received (October 2018).

Discussion of Audit Reports by Public Accounts Committee

2.1.25 The status of discussion on PAs and paragraphs as on 30 September 2018 relating to PSUs that appeared in State Audit Reports and discussed by the PAC has been detailed in **Table 2.1.12.**

Table 2.1.12
Performance Audits/Paras relating to PSUs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2018

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	0	2	Nil	Nil
2013-14	1	4	Nil	Nil
2014-15	0	2	Nil	Nil
2015-16	1	1	Nil	Nil
2016-17	1	0	Nil	Nil
TOTAL	**3**	**9**	**Nil**	**Nil**

Compliance to Reports of Public Accounts Committee

2.1.26 Action Taken Notes (ATNs) in response of seven recommendations pertaining to three Reports of the Public accounts Committee (PAC) presented to the State Legislature as of March 2018 had not been received (October 2018) as indicated in **Table 2.1.13**.

Table 2.1.13
Compliance to Reports of Public Accounts Committee

Year of the PAC Report	Total Number of PAC Reports	Total No. of Recommendation in PAC Report	No. of Recommendations where ATNs not received
2009-10 (AR 2006-07)	1	3	Nil
2010-11 (AR 2007-08)	1	2	Nil
2013-14 (AR 2008-09)	1	Nil	NA
2015-16 (AR 2009-10)	1	Nil	NA

[25] *Serial No. A-5, A-8, A-11, B-13 and B-14 of Appendix 2.1.*

Year of the PAC Report	Total Number of PAC Reports	Total No. of Recommendation in PAC Report	No. of Recommendations where ATNs not received
2016-17 (AR 2010-11)	1	Nil	NA
2017-18	Nil	Nil	Nil
TOTAL	**5**	**5**	**Nil**

It is recommended that the Government may ensure:

(a) furnishing of replies/explanatory notes to Paragraphs/Performance Audits and ATNs on the recommendations of PAC as per the prescribed time schedule;

(b) recovery of loss/outstanding advances/overpayments within the prescribed period; and

(c) revamping of the system of responding to audit observations.

Coverage of this report

2.1.27 This Chapter on PSUs contains four compliance audit paragraphs pertaining to two PSUs *viz* Sikkim Power Investment Corporation Limited (SPICL) and Sikkim Marketing Federation (SIMFED) which are under the administrative control of the Energy and Power Department and Co-operation Department respectively.

Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

2.1.28 As part of the power sector reforms introduced (May 2003) in the country, separate companies were required to be formed to look after the activities of generation, transmission and distribution of electricity in the State. The activities relating to generation, transmission and distribution of electricity in the State of Sikkim, however continued to be managed and controlled by the Energy and Power Department, Government of Sikkim (December 2018).

SIKKIM POWER INVESTMENT CORPORATION LIMITED

2.2 Blockage of funds and avoidable expenditure

Sikkim Power Investment Corporation Limited failed to undertake due diligence before infusing second tranche of borrowed funds into 120 MW Rangit IV Hydroelectric project leading to blockage of ₹ 25 crore and consequent avoidable interest expenditure of ₹ 15.14 crore.

In order to develop the 3x40 Megawatt (MW) Rangit IV Hydroelectric project (the project) on Build, Own, Operate and Transfer (BOOT) basis, the State Government entered into an Agreement (December 2005) with Jal Power Corporation Limited (JPCL). As per clause 4.9.1 of the Agreement (agreement), the State Government was to infuse 26 *per cent* equity into JPCL. The balance 74 *per cent* was to be infused by other private shareholders of

JPCL; and JPCL, on the request of the State Government, should arrange the funding for equity participation of the State Government in JPCL which would be repaid utilising the proceeds from sale of free power and dividends. However, State Government had the freedom to arrange its own equity.

The project was estimated to cost ₹ 775.30 crore to be funded by way of equity and debt in the following manner:

- Equity of ₹ 193.83 crore was to be infused into JPCL by a consortium of 11 private companies led by Coastal Project Limited (CPL) and State Government in the ratio 74:26 respectively; and
- JPCL to borrow funds of ₹ 581.47 crore from banks and other financial institutions.

Initially, JPCL was formed with a total equity of ₹ 138.89 crore contributed by a consortium of 11 private companies led by Coastal Project Limited (CPL) which held 68.25 *per cent* of the total equity of JPCL and the work on the project commenced from June 2008. CPL was awarded the contract for the work of construction of dam and Head Race Tunnel (HRT) for the project by JPCL.

As per the agreement, the State Government was to infuse ₹ 50.40 crore as equity in JPCL. In order to infuse its portion of equity share, the State Government instructed (March 2013) Sikkim Power Investment Corporation Limited[26] (SPICL) to obtain a loan of ₹ 50 crore and infuse ₹ 25 crore into JPCL (March 2013) by purchase of equity shares of JPCL. The SPICL borrowed the required funds from Power Finance Corporation (PFC).

The JPCL requested (July 2013) the State Government to infuse the balance ₹ 25.40 crore to ensure that project work continues and to draw ₹ 67 crore loan from lenders. The work on the project was suspended in October 2013 on account of non-availability of funds. The SPICL further infused ₹ 25 crore into JPCL in February 2014 on the basis of July 2013 letter of JPCL. Even after the second infusion of funds, work on the project did not resume. Due to time and cost overrun, the project cost was revised (July 2014) to ₹ 1,455.03 crore. Subsequently, in July 2014, JPCL abandoned work on the project as it was not able to obtain funding for the revised cost. The equity shareholding of JPCL since abandoning the project is detailed below:

Table 2.2.1
Details of equity shareholding of JPCL since abandoning the project

Shareholder details	Number of Shares	Value of shares in (₹ in crore)	In *per cent*
Coastal Project Limited and other private investors	13,88,87,500	138.89	73.53
SPICL	5,00,00,000	50.00	26.47
Total	18,88,87,500	188.89	100
Excess shareholding in JPCL by SPICL	8,87,797.51	0.89	0.47

In January 2018, the National Company Law Board (NCLB), Kolkata had ordered corporate insolvency proceedings on CPL, the lead private promoter of the project and civil

---

26 *A wholly owned State Government company registered under Sikkim Registration of Companies Act 1961 which serves as a SPV for funding power projects in Sikkim*

contractor, due to non-repayment of loans to State Bank of India. Further, the NCLB, Hyderabad had (July 2018) admitted insolvency proceedings against JPCL based on the petition of PFC.

In this regard, audit observed that SPICL did not undertake adequate due diligence before infusion of second tranche of ₹ 25 crore as it failed to ensure following course of action:

Review of Financial Statements of JPCL and CPL

The SPICL failed to review the financial statements of JPCL and CPL before infusing the second tranche. Consequently, SPICL failed to notice the excessive borrowings of CPL and the unadjusted advance of ₹ 72.36 crore given to CPL by JPCL.

Inspection of project site

SPICL failed to inspect the project site before infusing the second tranche of funds and failed to notice the stoppage of work on the project.

Induction of State Government nominated Director in the Board of JPCL

For 26 *per cent* equity shareholding in JPCL, the State Government had the right to induct two Directors in the Board of Directors of JPCL. After acquiring 13.23 *per cent* of the equity of JPCL in March 2013, SPICL did not ensure induction of one State Government nominated Director in the Board of JPCL. Hence, the State Government could neither contribute to the monitoring of the work nor ensure the continuation of the work on the project.

Equity infusion from Private Promoters towards cost overrun

The work on the project was suspended in October 2013 as JPCL could not obtain requisite equity funds from private promoters towards cost overrun of the project. Without ensuring equity infusion from private promoters, SPICL infused the second tranche of ₹ 25 crore. Consequently, the work on the project did not recommence and the project was abandoned by JPCL in July 2014.

Compliance to Clause 4.9.1 of the agreement

In October 2013, Finance, Revenue and Expenditure Department (FRED) had instructed Energy and Power Department that, for the infusion of second tranche of ₹ 25 crore, funds may be arranged by JPCL for the State Government equity as stipulated in Clause 4.9.1 of the agreement. However, SPICL did not ensure compliance of the instructions of FRED and instead infused (February 2014) the second tranche of ₹ 25 crore by borrowing funds from PFC.

In reply, the Management stated (November/December 2018) the following:

- the second equity infusion was done with clear intent and in the interest that the project was continued. Necessary due diligence of project was carried out by the Independent Engineer appointed by the lead lender Power Finance Corporation;
- the process of nomination of State Government nominee Directors commenced in October 2013 and before it could be completed, the project construction works were stalled; and

- the PFC had sanctioned ₹ 50 crore for equity infusion in Rangit IV to SPICL and since it was at competitive interest rate, the instruction of FRED was not adopted.

The reply was not acceptable as:

- the due diligence referred by the Management pertains to the lender and not for infusion of equity funds.
- the process of induction of Directors and infusion of equity should have been simultaneously done.
- FRED had specifically instructed that the second infusion should be kept in abeyance till the shareholding agreement and articles of association of JPCL are vetted by Financial Advisor and the Committee appointed by the Government. Further, FRED specifically instructed that the second tranche of equity infusion should be arranged by private promoter as stipulated in the agreement between Government and JPCL. Had SPICL complied with the instruction of FRED, it could have avoided infusing the second tranche of equity infusion and consequent outflow of interest payments.

Thus, the failure of SPICL to undertake adequate due diligence resulted in blockage of borrowed funds of ₹ 25 crore and consequent avoidable interest expenditure of ₹ 15.14 crore[27]. Further, considering that both CPL and JPCL are under corporate insolvency resolution process, the possibility of recovery of ₹ 50 crore appears remote.

2.3 Extra expenditure

Sikkim Power Investment Corporation Limited failed to service the loan with the Independent Power Producer (IPP) on monthly basis and also reimbursed penal interest to IPP leading to extra expenditure of ₹ 2.21 crore.

A tripartite agreement was entered (November 2003) between the State Government, Sikkim Power Development Corporation Limited (SPDCL)[28] and GATI Investments Limited (GATI) for the development of 57 MW Chuzachen project (the project). As per the agreement, GATI was entitled to sell the electricity generated from the project to buyers for a period of 35 years from the date of commercial operation. GATI was to pay royalty of 12 *per cent* of power generated from the project as free power or cash equivalent and two *per cent* of the energy transmitted as wheeling charges[29] to the State Government; while access roads and transmission lines for the project was to be provided by the State Government at its own cost.

The State Government engaged (April 2005) SPDCL to construct the access roads. GATI provided (April 2005 to May 2013) a loan of ₹ 3.75 crore to SPDCL for construction of the access road as SPDCL did not have funds. GATI claimed (February 2015) an amount of

---

[27] *₹25 crore for the period from 1 March 2014 to 30 November 2018 (57 months) @ 12.75% per annum.*

[28] *A company registered under Sikkim Registration of Companies Act 1961 in which the State Government holds 51 per cent stake. It is in the business of development and operation of micro and mini hydel projects in Sikkim.*

[29] *A charge for utilising the transmission line.*

₹ 9.89 crore including interest (₹ 6.14 crore) on the loan for the period from April 2005 to December 2014.

The work of constructing the transmission line for the project was entrusted (September 2008) to GATI by the State Government. GATI borrowed (January 2009) ₹ 33.80 crore, from Industrial Finance Corporation of India Limited (IFCI), for the construction of the transmission line. The transmission line was constructed at a total cost of ₹ 68.60 crore which comprised of:

Table 2.3.1
Components of cost in respect of transmission line

Components of cost in respect of transmission line	**₹ in crore**
Principal loan borrowed from IFCI by GATI on behalf of State Government	33.80
Interest charged by IFCI for the period from January 2009 to 06 November 2013	19.37
Interest charged by IFCI for the period from 7 November 2013 to 6 January 2015	03.38
Debt syndication, processing fees, lenders independent engineer fees	0.80
Margin money infused by GATI	06.54
Interest charged on Margin Money (January 2009 to April 2013)	04.71
Total cost of Transmission Line	**68.60**

The State Government and GATI agreed (January 2006/ 2009) that the loans taken for construction of access roads and transmission line for the project would be repaid by using the proceeds of royalty of power generated and wheeling charges due from the project. GATI claimed (February 2015) an amount of ₹ 78.49 crore from the State Government towards the loan lent to SPDCL for construction of access road (₹ 9.89 crore) and towards the cost of construction of transmission line (₹ 68.60 crore).

The project commenced commercial operation from May 2013 and GATI failed to service the loans utilising the monthly royalty and wheeling charges payable from 31 May 2013. Consequently, as of March 2015, GATI was to pay an amount of ₹ 29.63 crore to the State Government towards royalty (₹ 25.84 crore) and wheeling charges (₹ 3.79 crore) for the period from 18 May 2013 to 31 December 2014.

In March 2015, the State Government transferred the assets of the transmission line facility of the project to a State Public Sector Undertaking, Sikkim Power Investment Corporation Limited[30] (SPICL) so that SPICL could raise funds to repay GATI. Accordingly, SPICL availed a loan of ₹ 58.82 crore from Power Finance Corporation (PFC) and finally settled (May 2015) the dues of ₹ 78.49 crore to GATI after deducting ₹ 29.63 crore towards royalty and wheeling charges.

In this regard, Audit observed the following:

1. While settling the liabilities of the project, SPICL failed to adjust the loan on a monthly basis with royalty and wheeling charges which became due from May 2013. Thus, had the monthly royalty and wheeling charges been utilised on a monthly basis to service the loan taken for construction of access road, the loan could have been discharged by 30 November 2013 itself as detailed in the **Appendix 2.2**. Thus, SPICL, by not adjusting the royalty and

[30] *A wholly owned State Government company registered under Sikkim Registration of Companies Act, 1961 which serves as a SPV for funding power projects in Sikkim.*

wheeling charges on a monthly basis, incurred an extra expenditure of ₹ 1.49 crore[31] as interest as detailed in the **Appendix 2.2**.

2. In respect of construction of transmission line for the project, GATI had availed, and repaid, a loan of ₹ 33.80 crore from IFCI Ltd. As the loan was taken for the construction of the transmission line, GATI claimed reimbursement of the repayment of loan which included interest charges of ₹ 3.38 crore. The interest charges of ₹ 3.38 crore included ₹ 71.70 lakh of penal interest and liquidated damages paid by GATI to IFCI Ltd. as GATI had delayed the repayment of loan instalments. Consequently, SPICL incurred an extra expenditure of ₹ 71.70 lakh by allowing reimbursement of penal interest and liquidated damages.

The Management stated (November/December 2018) in reply that the State Government had instructed GATI to deposit the entire amount on account of royalty and wheeling charges without any deduction. The Management further added that the State Government has now engaged a Chartered Accountant to reconcile the issue.

The reply was not acceptable as SPICL had settled the loan without considering monthly servicing of loan utilising the royalty and wheeling charges.

Thus, by not servicing the loan through royalty and wheeling charges on a monthly basis and by allowing reimbursement of penal interest and liquidated damages, SPICL incurred an extra expenditure of ₹ 2.21 crore[32].

SIKKIM STATE CO-OPERATIVE SUPPLY AND MARKETING FEDERATION LIMITED

2.4 Non-adoption of open tendering resulting into additional expenditure

For procurement of Double Seated Desk & Bench, Sikkim State Co-operative Marketing Federation Limited posted the tender advertisement only on its own website and restricted the bid to only its registered suppliers resulting in additional expenditure of ₹ 0.60 crore.

The Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED) was established in 1983, under Sikkim Co-operative Societies Act, 1978 with the objectives of supply of agricultural inputs to farmers, sale/marketing of agricultural produce, carrying on trading in agricultural produce and any other essential commodities, *etc.*, as an apex marketing Co-operative Society for the State Government.

Clause 6.2 of the Purchase Manual of the SIMFED stipulated that if the estimated value of procurement was above ₹ 25 lakh, the procurement should be through open tender

[31] *₹9.89 crore – ₹. 8.40 crore.*
[32] *₹1.49 crore + ₹0.72 crore.*

advertised in one local newspaper and one national newspaper with a time frame of six weeks for submission of bids.

Human Resource Development Department, Government of Sikkim had placed (October 2015) an order with the SIMFED to supply 3,832 numbers of double seated desk and benches (furniture sets) within one month (November 2015), to be procured from authentic manufacturers or authorised dealers.

The SIMFED sought (28 October 2015), through its website, bids from its registered dealers/suppliers for supply of 3,832 furniture sets. The bids were to be submitted by 10 November 2015. In response, three registered suppliers submitted their bids. The supply order was issued (18 November 2015) to L_1 bidder at his quoted rate of ₹ 5,980 per set and the delivery was completed on November 2016. The SIMFED made a total payment of ₹ 2.22 crore between October 2016 and November 2017 towards the supply.

Audit observed that the SIMFED did not publish the Notice Inviting Tender (NIT) in leading newspapers as prescribed in the Purchase Manual despite being aware of the fact that the entire supply would cost more than ₹ 25 lakh as the SIMFED had procured similar sets of furniture way back in 2010. Instead, NIT was published only on the website of the SIMFED. Besides, although the Purchase Manual prescribed open tendering, the SIMFED adopted tendering limited only to suppliers registered with SIMFED thereby leaving out the other suppliers who would have been covered through open tendering. Scrutiny showed that the SIMFED did not insist on submission of dealership certificate along with the bid although it was one of the conditions of the NIT. Thus, the SIMFED failed to ensure that the participating bidders were either original manufacturers or authorised dealers.

Audit further observed that the L_1 bidder[33] had procured the furniture sets from a manufacturer located at Siliguri at a cost of ₹ 3,500 (FOR) per furniture set and supplied the same to the SIMFED at an inflated price of ₹ 5,980 per furniture set. Even after adding of ₹ 560[34] as the freight charges approved by the Sikkim Nationalised Transport (SNT) and another ₹ six per set[35] as unloading charges and transit insurance of ₹ 350 (10 *per cent* of the price) the cost of one furniture set comes to ₹ 4,416 only.

The SIMFED replied (September 2018) that it advertised the NIT on its website as a standard practice because it was time and cost effective. The SIMFED further added that the Siliguri based firm[36] had offered to supply the same at ₹ 5,980 per set way back in 2010. Moreover, the furniture set had to be delivered in small vehicles whose rates were higher than SNT rates.

The reply was not acceptable as the purchase manual of the SIMFED clearly prescribed for publishing NIT in local and national dailies in case of all purchases above ₹ 25 lakh. By restricting the competition, it failed to avail the latest prices at which the furniture was available in the market. Further, SIMFED's contention that the furniture had to be

---

[33] *Bidder quoting the lowest price*

[34] *Freight charges (₹14) x distance (180 maximum) x Load (₹ 10 ton maximum)/ no of bench per consignment i.e min 45 set and max 49 set*

[35] *Loading Charges @ ₹3 being charged by State Trading Corporation of Sikkim (another State PSU)*

[36] *Krishna Furniture and Fabricators, Siliguri*

delivered in small vehicles in lot of 10-12 sets was not based on facts as delivery challans of SIMFED showed that single vehicle containing 45 to 49 furniture sets was used to deliver in two or more schools on the same date.

Thus, the SIMFED by not following its own purchase manual had caused an additional expenditure of ₹ 0.60 crore[37] to the State Exchequer.

2.5 Avoidable liability

Sikkim State Co-operative Supply and Marketing Federation Limited purchased a building with unauthorised construction for office purposes.

As per notification issued (28 June 2007) by the Urban Development and Housing Department (UDHD), of the Government of Sikkim (GoS) under Sikkim Building Construction (Amendment) Regulations, 1991, stipulated that the maximum construction permitted within the Gangtok town area was five and half floors only and any unauthorised construction exceeding the approved plan[38] would be liable for demolition. Accordingly, the buildings are designed and buildings' designs are prepared in such a way that such design have requisite strength and capacity to bear the load of five and half floors.

In order to purchase a building for its office needs, the Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED)[39] sought (August 2015) quotations from interested individuals/trusts/associations, *etc*. having a building with a built up area of 7,000 to 10,000 square feet (sqft). Three bidders submitted their bids along with the approved drawings and other relevant records. Out of three bids received, the bid for a building with built up area of 9,179.50 sqft at a quoted price of ₹ 3.15 crore was accepted (December 2015). The SIMFED hired the services of a Government approved valuer for valuation of the selected property. The valuer, in his report submitted that the building comprised of six and a half stories of completed Reinforced Cement Concrete (RCC) structure and calculated the value of the building at ₹ 2.93 crore based on the following considerations:

Table 2.5.1
Valuation of the building comprised of six and a half stories of completed RCC

Particulars	Area (sqft)	Rate per sqft	Total value
Basement-II Floor	1,291	1,400	18,07,400
Basement-I Floor	1,762	1,400	24,66,800
Ground Floor	1,942	2,200	42,72,400
Ist Floor	1,800	2,200	39,60,000
IInd Floor	1,800	2,200	39,60,000
IIIrd Floor	1,800	2,200	39,60,000
Top Floor	551	2,200	12,12,200
Total	**10,946**		**2,16,38,800**
Add 35.50 per cent of total for Interior furnishing, land development, water supply and electrification, etc. works			*76,81,774*
Grand Total			**2,93,20,574**

---

37 *₹1,920 (₹5,980 - ₹4,416) per set x 3,832 set = 0.60 crore.*

38 *For any construction in Gangtok town area, the building plan has to be approved by the UDHD of the Government of Sikkim under Sikkim Building Construction (Amendment) Regulations, 1991.*

39 *Established in 1983 for supply of agricultural inputs to farmers, sale/ marketing and trading of agricultural produce, and any other essential commodities, etc. as the agent of State Government.*

The building was purchased by SIMFED at a negotiated price of ₹ 2.72 crore in December 2015.

Scrutiny of records relating to the purchase showed that the building had the approval[40] of five and a half floor covering an area of 9,179.50 sqft. Further, despite being aware of the existence of unauthorised construction, as against the approved and legally permissible level of five and a half floors in terms of the Government Notification referred above, SIMFED went ahead with the purchase of the building.

Further, in December 2017, the UDHD in supersession to all its earlier orders notified that unauthorised construction can be regularised only on submission of geo-technical report clearly certifying the soundness of the building to bear the weight of additional floors along with the payment of regularisation fees. Otherwise such constructions are liable for demolition only.

Moreover, the notification issued by the UDHD to regularise unauthorised construction in the Gangtok area was in contravention of the Sikkim Building Construction (Amendment) Regulations, 1991. As the notification issued by the Department was not in conformity with Section 18 of the Regulations which authorised the Department to fix the ceiling/ conditions for construction but the Department was not authorised to regularise the illegal construction retrospectively under Section 17 ibid. The decision to regularise unauthorised construction/additional floor over and above the originally approved building plan, may result in collapse of the building due to the fact that the building constructed as per original design was meant for bearing the load of five and half floor only and not for additional floor. Moreover, such a building structure constructed illegally over and above the permissible floor and strength was also prone to risk of loss of life and property in case of any eventuality keeping in view the seismic zone in which Sikkim falls.

On this being pointed out (June 2018), the SIMFED did not furnish a relevant reply.

Responsibility needs to be fixed against erring officials for purchase of a building with illegal construction despite having valuer's report clearly mentioning about the illegal construction.

[40] *As per the Completion/Occupancy certificate (September 2005), Urban Development and Housing Department, Gangtok granted only five floors for occupation.*

Chapter III
Revenue Sector

CHAPTER III
REVENUE SECTOR

3.1 Trend of revenue receipts

3.1.1 The tax and non-tax revenue raised by Government of Sikkim, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are mentioned in **Table 3.1.1**:

Table 3.1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.		2013-14	2014-15	2015-16	2016-17	2017-18
I	**Revenue raised by the State Government**					
	• Tax revenue	524.92	527.54	566.82	652.56	688.33
	• Non-tax revenue	794.49	698.08	412.99	451.64	654.38
	Total	1,319.41	1,225.62	979.81	1,104.20	1,342.71
II	**Receipts from the GoI**					
	• State's share of net proceeds of divisible Union taxes	762.62	809.33	1,870.28	2,069.19	2,634.66
	• Grants-in-aid	2,244.41	2,427.00	934.20	1,436.91	1,235.42
	Total	3,007.03	3,236.33	2,804.48	3,506.10	3,870.08
III	**Total receipts of State Government (I + II)**	4,326.44	4,461.95	3,784.29	4,610.30	5,212.79
IV	**Percentage of I to III**	**31**	**27**	**26**	**24**	**26**

The above table indicated that during the year 2017-18, the revenue raised by the State Government (₹ 1,342.71 crore) was 26 *per cent* of the total revenue receipts. The balance 74 *per cent* of the receipts during 2017-18 was from GoI. Non-Tax revenue and total receipts of the State in 2017-18 shown in the table above included net receipts under State Lotteries.

3.1.2 The details of the tax revenue raised during the period from 2013-14 to 2017-18 are given in **Table 3.1.2**:

Table 3.1.2
Details of Tax Revenue realised

(₹ in crore)

Sl. No.	Head of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		% of increase (+) or decrease (-) in 2017-18 over 2016-17	
		BE*	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	State Goods and Services Tax (SGST)	-	-	-	-	-	-	-	-	0.00	171.39	-	-
2	Sales Tax/Value Added Tax (VAT)	225.00	286.33	259.45	282.10	300.00	325.72	361.00	364.82	388.26	249.66	7.55	-31.57
3	Taxes on Income and Expenditure other than Corporation Tax	7.01	8.68	8.01	7.93	8.51	7.92	9.00	7.82	10.00	8.04	11.11	2.81
4	State Excise	109.00	120.64	120.93	131.36	135.00	142.08	144.45	156.24	155.00	150.47	7.30	-3.69
5	Stamps and Registration Fees	7.91	6.46	7.70	6.77	7.64	8.51	7.64	12.57	7.82	13.57	2.36	7.96
6	Taxes on Vehicles	16.80	18.52	18.82	19.42	21.07	22.36	24.00	24.90	28.50	29.37	18.75	17.95
7	Other Taxes and Duties on Commodities and Services	53.40	80.90	75.60	73.81	81.26	58.38	93.07	79.82	72.84	58.39	-21.74	-26.85
8	Land Revenue	6.56	3.39	6.89	6.15	6.89	1.85	6.89	6.39	7.09	7.44	2.90	16.43
	TOTAL	**425.68**	**524.92**	**497.40**	**527.54**	**560.37**	**566.82**	**646.05**	**652.56**	**669.51**	**688.33**	**37.99**	**5.48**

** BE: Budget Estimates, Source: Finance Accounts*

The respective departments reported the following reasons for variations:

Other Taxes and Duties on Commodities and Services: Decrease was mainly due to transfer of Entertainment tax to respective Urban Local Bodies.

Stamps and Registration Fee: Increase was due to revision in the rates of Darbar Paper/ Stamp Paper, *etc.*

Sales tax/VAT: Lower revenue was due to abolition of VAT and introduction of Goods and Services Tax (GST) *w. e. f.* 01 July 2017.

State Excise: Decrease was due to subsuming of Medicinal and Toilet Preparations items into GST and decrease of sales volume of foreign liquor.

In respect of the other revenue heads, no reason was furnished by the concerned departments.

3.1.3 The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are given in **Table 3.1.3**:

Table 3.1.3
Details of Non-Tax Revenue realised

(₹ in crore)

Sl. No.	Head of revenue		2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17	
			BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	Power		110.10	98.93	121.10	113.56	125.10	147.68	140.10	170.04	160.10	310.26	14.28	82.46
2	Interest receipts		28.85	67.02	31.05	66.44	31.21	72.52	37.21	78.38	50.41	114.76	35.47	46.41
3	Police		50.29	41.14	55.32	17.60	55.35	61.68	52.42	41.43	52.74	45.39	0.61	9.56
4	Road Transport		36.04	34.10	43.00	27.63	39.35	41.55	47.00	48.71	55.00	52.08	17.02	6.92
5	Forestry and Wild Life		15.35	14.27	15.35	11.45	12.06	12.79	12.06	16.02	13.50	14.21	11.94	-11.3
6	Other Administrative Services		4.29	11.06	10.25	13.59	10.40	7.30	2.38	9.32	4.83	5.30	102.94	-43.13
7	Public Works		4.46	4.68	5.68	3.66	6.83	4.25	4.22	8.65	4.37	15.38	3.55	77.8
8	Plantations		3.50	3.62	5.00	2.31	5.18	3.86	5.18	5.21	5.18	2.19	0	-57.97
9	Water Supply and Sanitation		3.87	3.17	3.91	3.25	3.99	3.80	4.26	4.04	5.00	4.88	17.37	20.79
10	Tourism		5.60	2.65	2.80	2.64	3.14	3.96	3.80	5.42	4.50	5.14	18.42	-5.17
11	Medical and Public Health		1.27	2.19	2.50	1.97	2.50	2.15	2.50	2.59	2.50	2.11	0	-18.53
12	Other Rural Development Programmes		1.50	2.13	1.50	1.65	1.50	0.94	1.50	0.51	1.50	0.91	0	78.43
13	Stationery and Printing		1.81	2.05	1.90	1.75	2.03	1.83	1.81	2.16	1.85	3.08	2.21	42.59
14	Crop Husbandry		0.53	1.45	0.91	0.56	0.91	0.70	0.91	0.57	0.91	0.34	0	-40.35
15	Education, Sports, Art and Culture		1.69	1.38	1.34	1.22	1.17	1.16	1.12	2.05	1.15	2.31	2.68	12.68
16	State Lotteries (SL)	*Gross*	776.03	474.37	787.23	418.64	--*	--*						
		Net	40.00	41.47	36.00	44.33	37.40	20.02	33.55	45.00	50.00	55.03	49.03	22.29
17	Others		9.35	30.28	10.08	10.16	12.24	26.80	12.24	11.54	12.92	21.01	5.56	82.06
Total (with gross figures of SL)			1,054.53	794.49	1,098.92	698.08								
Total (with net figures of SL)			**318.50**	**361.59**	**347.69**	**323.77**	**350.36**	**412.99**	**362.26**	**451.64**	**426.46**	**654.38**	**17.72**	**44.89**

*Source: Finance Accounts and Estimates of Receipts. * Gross figures of State Lotteries have not been furnished by the Department for 2015-18. Since gross figures of State Lotteries have not been reflected for the year 2015-18, percentage increase/decrease has not been calculated.*

The respective departments reported the following reasons for variations:

Power: Increase was due to increase in proceeds of free power from various Hydro Electric Projects and mobilisation of revenue and collection of dues.

Police: Increase was mainly due to receipt of deployment charge up to maximum amount due and reimbursement for expenditure on Indian Reserve Battalion.

Other Administrative Services: Decrease was mainly due to less receipts from Guest Houses, Government Hostels *etc.*

Public works: Increase was mainly due to increase in sale of tender forms, realisation of storage charges and increase in number of quarter allottees.

Education, Sports, Arts and Culture: Increase was due to receipt of rent to use Paljor Stadium and the Youth Hostel, collection of examination fees for fresh appointments, booking of more cultural shows, renting out of more costumes and more booking of Mannan Bhawan.

State Lotteries: Increase was due to increase in gaming fee owing to addition of one Casino.

In respect of other revenue heads, no reason was furnished by the departments concerned.

3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of some Heads of Revenue as reported by the departments amounted to ₹ 310.09 crore, of which, ₹ 155.60 crore was outstanding for more than five years (as detailed in **Table 3.2.1**) and adequate efforts were not being made to recover them.

Table 3.2.1
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding		Replies of Department
		As on 31 March 2018	For more than five years	
1	Power	307.42	154.41	System of depositing electrical consumption charges earlier was manual through Bank Receipts and therefore many consumers failed to deposit their bills resulting in pendency.
2	Animal Husbandry	0.15	-	Entry tax of ₹ 34.98 lakh, due from a firm M/S Uttara Foods & Feed Pvt. Ltd., was only partially paid by the firm leaving a balance of ₹ 0.15 crore.
3	Public Works	2.52	1.19	Arrear was due to non-payment of hire charge of road machinery by the user agency in time.
	TOTAL	**310.09**	**155.60**	

Source: Information received from departments

3.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Division {Finance, Revenue and Expenditure Department (FRED)} in respect of VAT are given below:

Table 3.3.1
Arrears in assessments (number of cases)

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Balance at the end of the year	Percentage of disposal *(col. 5 to 4)*
1	**2**	**3**	**4**	**5**	**6**	**7**
VAT	4,189	155	4,344	165	4,179	3.80

Source: Information received from departments

As can be seen from the above table, the performance regarding disposal of cases of Commercial Taxes Division was poor. The Department may take steps to increase the disposal of cases of assessment.

3.4 Response of the departments/Government towards Audit

The Accountant General (AG), Sikkim conducts periodical audit inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the Rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot are issued to the heads of the offices inspected with copies to the next higher authorities for prompt corrective action. The heads of the offices/departments are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

It was seen that 242 paragraphs involving ₹ 567.01 crore relating to 89 IRs remained outstanding at the end of June 2018. The details along with the corresponding figures for the preceding two years are mentioned in the following table:

Table 3.4.1
Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of outstanding IRs	95	91	89
Number of outstanding audit observations	284	242	242
Amount involved (₹ *in crore*)	578.42	594.30	567.01

3.4.1 The department-wise details of the IRs, the audit observations outstanding as on 30 June 2018 and the amounts involved are mentioned in the following table:

Table 3.4.2
Department-wise details of IRs

Sl. No.	Name of Department	Nature of Receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ *in crore*)
1	Finance, Revenue and Expenditure (Commercial Taxes Division)	VAT/Taxes on Sales, Trade, etc.	14	49	55.64
2	Excise (Abkari)	State Excise	13	36	18.97
3	Land Revenue and Disaster Management	Land Revenue	19	24	0.81
4	Transport (Motor Vehicles Division	Taxes on Motor Vehicles	05	14	3.86
5	Mines, Minerals and Geology	Non-ferrous Mining and Metallurgical Industries	03	03	3.31
6	Forest, Environment and Wildlife Management	Forestry and Wildlife	11	22	53.23
7	Finance, Revenue and Expenditure (Directorate of Sikkim State Lotteries)	State Lotteries	02	07	6.33
8	Urban Development and Housing	Urban Development	14	41	19.58
9	Energy and Power	Power	08	46	405.28
	TOTAL		**89**	**242**	**567.01**

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of eight IRs (issued during 2017-18) till June 2018. Pendency of IRs due to non-receipt of the replies was indicative of heads of offices and heads of the departments not initiating adequate action to rectify the defects, omissions and irregularities pointed out by the AG through IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

3.4.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During 2017-18, no Departmental Audit Committee Meeting were held.

The overall progress on settlement of paragraphs needs to be improved in view of the huge pendency of IRs and paragraphs.

3.4.3 Response of the departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries/Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within four weeks. The fact of non-receipt of replies from the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

One draft paragraph[1] proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2018 was forwarded (September 2018) to the head of the Department through demi-official letter for which the reply was received in December 2018.

3.4.5 Follow up on Audit Reports - summarised position

The Rules of Procedures of the Committee on Public Accounts of the Sikkim Legislative Assembly (internal working) lays down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on the audit paragraphs of the Reports were being delayed inordinately.

Reports of the Comptroller and Auditor General of India of the Government of Sikkim for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 containing 19 paragraphs under Revenue Sector were placed before the State Legislative Assembly between June 2014 and July 2018. Action taken explanatory notes in respect of 11 paragraphs from six departments {Excise (*Abkari*); Finance, Revenue and Expenditure (Commercial Taxes Division); Transport (Motor Vehicles Division); Urban Development and Housing; Energy and

[1] *Loss of revenue (Directorate of Sikkim State Lotteries)*

Power; and Water Resources and River Development} had not been received for Audit Reports for the years ending 31 March 2014, 2015, 2016 and 2017.

During 2017-18, the PAC discussed Audit Report for the year 2011-12 wherein nine paragraphs and five Performance Audit Reports were discussed.

3.5 Analysis of the mechanism for dealing with issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, action taken on the paragraphs and Performance Audits (PAs) included in the Audit Reports pertaining to the last 10 years in respect of FRED (Directorate of Sikkim State Lotteries) was evaluated and included in this Report.

The succeeding paragraphs 3.5.1 to 3.5.2 discuss the performance of the FRED (Directorate of Sikkim State Lotteries) in dealing with the cases detected in course of local audit conducted during the last ten years and also the cases included in the Audit Reports pertaining to the last 10 years.

3.5.1 Position of IRs

The summarised position of IRs issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2018 are given in the following table:

Table 3.5.1
Position of Inspection Reports

(₹ *in crore*)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2008-09	2	2	16.33	0	0	0	1	1	15.7	1	1	0.63
2009-10	1	1	0.63	1	3	3.49	0	0	0	2	4	4.11
2010-11	2	4	4.11	0	0	0	1	2	1.12	1	2	2.99
2011-12	1	2	2.99	1	4	13.24	0	1	0.25	2	5	15.98
2012-13	2	5	15.98	1	4	10.61	0	1	0.06	3	8	26.53
2013-14	3	8	26.53	0	0	0	0	1	3.51	3	7	23.02
2014-15	3	7	23.02	1	6	24.91	0	0	0	4	13	47.93
2015-16	4	13	47.93	0	0	0	1	3	14.39	3	10	33.54
2016-17	3	10	33.54	0	0	0	0	1	12.29	3	9	21.26
2017-18	3	9	21.26	0	0	0	1	2	14.92	2	7	6.33

The Department did not arrange even a single Departmental Audit Committee meeting to settle the pending paragraphs.

3.5.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports pertaining to the last 10 years accepted by the Department and recovery effected there-against is mentioned in the following table:

Table 3.5.2
Details of accepted paragraphs and recovery there against

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (*₹ in crore*)	Number of paragraphs accepted	Money value of accepted paragraphs (*₹ in crore*)	Amount recovered during the year (*₹ in crore*)	Cumulative position of recovery of accepted cases (*₹ in crore*)
2007-08	No paragraph featured in the Report					
2008-09						
2009-10	3	87.59	2	72.41	0	0
2010-11	1	26.03	1	26.03	0	0
2011-12	No paragraph featured in the Report					
2012-13						
2013-14	2	4.12	1	2.43	2.16	2.16
2014-15	1	2.50	0	0	0	0
2015-16	No paragraph featured in the Report					
2016-17						

It was evident from the above table that the progress of recovery even in accepted cases was very slow during the last ten years. The recovery in accepted cases was to be pursued as arrears recoverable from the parties concerned. No mechanism for pursuance of the accepted cases had been put in place by the Department/ Government. In the absence of a suitable mechanism, the Department could not monitor the recovery in accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

3.6 Action taken on the recommendations accepted by the departments/ Government

The draft reports on Performance Audits (PAs) conducted by the AG are forwarded to the Government/Department concerned for their information with a request to furnish their replies. These PAs are also discussed in the exit conference and the Department's/ Government's views are included while finalising the PAs for the Audit Reports.

The following PAs on the Commercial Taxes Division (FRED) had featured in the last 10 years' Audit Reports. The details of recommendations and their status are given in the following table:

Table 3.6.1
Details of recommendations and their status

Year of AR	Name of the PA	Details of the recommendation	Status
2008-09	PA on transition from Sales tax to VAT (*No. of recommendations: 8*)	Implement computerisation of VAT system completely and effectively in all areas.	Computerisation of VAT implemented under MMPCT[2].
		Establish effective mechanism to review database at periodic interval and to prepare database of dubious/risky dealers.	Such mechanism had been established under the eSEVA[3].

[2] *Mission Mode Project for Computerisation of Commercial Taxes Administration.*

[3] *Commercial Taxes Division's tax administration system for online payment, e-return filing, way bill endorsement, etc.*

Year of AR	Name of the PA	Details of the recommendation	Status
		Establish effective mechanism to ensure submission of regular and timely returns by the dealers.	Returns were to be submitted on time, else, the TIN of the dealer got blocked by the system. Hence, effective mechanism established.
		Establish effective mechanism for scrutiny of every return submitted by the dealers, assessment of dealers and VAT audit of selected dealers.	Scrutiny of returns was mandatory and was being done before acceptance.
		Fix responsibility at various levels in the Department for strict compliance of codal provisions to avoid tax evasion by any dealer.	All the penal provisions were implemented before and after assessment.
		Ensure fixing the quantum of minimum penalty for each kind of offence and to continue VAT Fraud Task Force.	Minimum penalty was provided in the VAT Act/ Rules.
		Strengthen internal control mechanism including Internal Audit.	Internal Audit Section established with the Joint Commissioner/ Audit as Head of the Section.
		Review and rectify various loopholes/deficiencies of VAT Act and Rules.	VAT Act/ Rules had been amended to rectify various loopholes.
2010-11	PA on Utilisation of Declaration Forms in Inter State Trade and Commerce (*No. of recommendations: 8*)	Maintain data bank of dealer involved in Inter State Trade and Commerce.	Such provision existed in the eSEVA.
		Print Declaration form assessing its requirements taking into account pace of issue of declaration forms.	All the declaration forms were issued online.
		Maintain proper records of declaration forms printed, issued and closing stock.	Such records were maintained in the system since the forms were issued online.
		Ensure issue of declaration forms to the dealers only after receipt of details of utilisation of declaration forms issued earlier.	Issue of declaration forms was done after verification and acceptance of the request.
		Issue declaration forms chronologically and not randomly to have a track of declaration forms.	Declaration forms were being issued online and records were available in the system.
		Install a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax.	Such system had been established.
		Install a system for picking up a sample of declaration forms and taking them up for further verification with the concerned States and also a system of uploading the details of utilisation of declaration forms in the TINXSYS website.	
		Ensure submission of CST returns by every dealer and assess all dealers involved in Inter State trade and commerce.	CST returns were to be filed online. Assessments of the dealers were on the basis of the assignment by the Commissioner.

NB: Status as in the table is based on departmental replies.

3.7 Audit Planning

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan was prepared on the basis of risk analysis which *inter alia* included critical issues in Government revenues and tax administration, *i.e.* budget speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years *etc.*

During 2017-18, there were 17 auditable units, of which seven units (41 *per cent*) were planned and audited.

3.8 Results of audit

Test check of the records of seven units under Revenue departments {Excise (Abkari); Mines, Minerals and Geology; Divisional Forest Officer (Territorial, East); Divisional Forest Officer (Territorial, West); Urban Development and Housing; Directorate of Sikkim State Lotteries and Transport Department (Motor Vehicle Division)} was carried out during the year 2017-18. It revealed irregularities involving revenue aggregating to ₹ 6.42 crore in 23 cases. During the course of the year, the departments concerned accepted all the 23 observations.

3.9 Coverage of this Report

This Chapter contains one paragraph[4] involving financial effect of ₹ 1.07 crore.

[4] *Loss of revenue (Directorate of Sikkim State Lotteries): ₹ 1.07 crore.*

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (DIRECTORATE OF SIKKIM STATE LOTTERIES)

3.10 Loss of revenue

Non-compliance of Model Agreement issued by Government of India and provisions of Sikkim Financial Rules in contracts with Marketing Agents led to loss of Government revenue of ₹ 1.07 crore.

The Directorate of Sikkim State Lotteries (DSSL), Finance, Revenue and Expenditure Department, Government of Sikkim had been organising sale of lottery tickets by appointing distributors called Marketing Agents (MA). The Model Agreement to be signed between State Government and the MA issued (December 2011) by Ministry of Home Affairs (MHA), Government of India *inter alia* stipulated provisions[5] in respect of revenue sharing between State Government and the MA.

During November 2012, the DSSL entered into Agreements with two MAs for marketing of lotteries as per the following details:

Table 3.10.1
Details of Agreements entered

Sl.	Name of MA	Date of agreement	Period	Terms regarding revenue sharing included in the agreement
1	M/s Pan India Network Private Limited, Mumbai (PINPL)	07 November 2012	Five years from date of Agreement	Clause 10.1: Minimum Guaranteed Revenue of ₹ 10.50 crore per *annum*.
2.	M/s Summit Online Trade Solutions Private Limited, New Delhi (SOTSPL)	09 November 2012	May 2012 to August 2017	Clause 10.1 (i): One *per cent* of the turnover up to ₹ 1,000 crore or ₹ 10 crore per *annum* whichever is higher and on additional turnover over and above ₹ 1,000 crore, 0.25 *per cent* of the additional turnover with effect from 09 May 2012 till 08 November 2013. Clause 10.1 (ii): 1.05 *per cent* of the turnover up to ₹ 1,000 crore or ₹ 10.50 crore per *annum* whichever is higher and on additional turnover over and above ₹ 1,000 crore, 0.25 *per cent* of the additional turnover with effect from 09 November 2013 till 26 August 2017.

It is evident from the above table that the Department, in a span of two days, adopted different yardsticks by incorporating different terms for sharing of revenue with two MAs. In the case of SOTSPL, the terms regarding revenue sharing was incorporated in accordance with the Model Agreement, while, in the case of PINPL, the provisions contained in the Model Agreement was not adopted. We noticed that the agreement with PINPL was providing undue favour to the MA as it did not contain the provision for additional payment in case of turnover beyond ₹ 1,000 crore.

---

[5] (i) *Minimum guaranteed revenue of the Government shall be ₹<<>>* upto the turnover of ₹<<>>* crore per annum (Clause 11.1)* and (ii) *On additional turnover over and above ₹<<>>* crore, the MA shall pay <<>>* per cent of the additional turnover to the Government (Clause 11.2).*

* *The State Governments were required to indicate the amount and percentage which they intended to apply in the actual agreement.*

Scrutiny of records revealed that the PINPL's turnover during 2015-16 (₹ 1,037.17 crore) and 2016-17 (₹ 1,090.56 crore) had exceeded ₹ 1,000 crore mark by a total of ₹ 127.73 crore. As such, had the provision of Model Agreement of revenue sharing been included in PINPL's agreement too, the Government would have earned additional revenue of ₹ 0.32 crore (₹ 127.73 crore x 0.25 *per cent*) during 2015-16 and 2016-17.

Further, citing this dissimilarity in Agreements, SOTSPL requested (06 September 2013) the DSSL to amend the relevant Clause of their Agreement making it at *par* with the Agreement with that of PINPL.

In terms of Rule 27 (16) of the Sikkim Financial Rules (SFR), no relaxation in the terms of agreement entered into by the Government should be made without proper examination of the financial effect involved in such relaxation. The interest of the public exchequer should be taken due care of before agreeing to any relaxation of Agreement or Contract. Moreover, Rule 27 (5) of the SFR stipulates that, the terms of a contract once entered into should not be materially varied without the previous consent of the authority who had approved the initial contract who may take prior legal and financial advice. Before doing so, the contracts and appointments with the MAs were approved by the Cabinet (January 2013).

Audit observed that the DSSL accepted the request of SOTSPL and amended the Agreement on the same day (06 September 2013) without the approval of the Cabinet and issued a 'Supplementary Agreement' duly substituting the Clause 10.1 (i) and (ii) of the existing agreement with the following:

Clause 10.1: In consideration of this Agreement, the Marketing Agent has agreed to pay the Minimum Guaranteed Revenue of ₹ 10.50 crore per annum to the Government.

Thus, the DSSL not only violated the SFR and diluted the provisions of the Model Agreement, but also provided undue favour to SOTSPL and caused consequent revenue loss of ₹ 0.75 crore to the State as detailed below:

Table 3.10.2
Details of revenue loss

(₹ in crore)

Year	Total turnover	MAR* to be deposited	MAR deposited	Difference
2015-16	574.87	10.50	9.63	(-) 0.87
2016-17	1301.75	11.25[6]	11.37	(+) 0.12
			Total loss	**0.75**

**MAR – Minimum Assured Revenue.*

Thus, non-inclusion of provisions contained in the Model Agreement in one case and irregular removal of the same in another case resulted in total revenue loss of ₹ 1.07 crore (₹ 0.32 crore *plus* ₹ 0.75 crore).

[6] *₹ 10.50 crore + ₹ 0.75 crore (0.25 per cent of 301.75 crore).*

The Department in its reply stated (June 2018) that the GoI *Clause 10.1(ii)* was not inserted as it was an advisory wherein the State may make suitable changes as deemed fit and assuming that the Model Agreement was only to strengthen the State's hands in regulating the lottery business. Subsequently, following the principle of procedural fairness and equity, it was withdrawn from the agreement entered into with SOTSPL and both the MAs were appointed for marketing of the Sikkim Online Lotteries on equal footing.

In the Exit meeting (21 December 2018), although the Director, Sikkim State Lotteries submitted that modification in terms of agreement did not have any negative impact on the Government revenue yet, the Director could not substantiate his claim with documentary evidence.

The reply was not acceptable as suitable changes in the Model Agreement was done in an arbitrary manner without keeping in view the interests of the State. Further, the Department's action of revision of agreement without Cabinet approval in violation of the SFR was also irregular. Further, as brought out in the paragraph, the State suffered a loss of revenue to the tune of ₹ 1.07 crore due to arbitrary and irregular revision of the terms of the Agreement.

It is, therefore, recommended that responsibility may be fixed in this matter and disciplinary proceedings may be initiated against the responsible officer.

Chapter IV
General Sector

CHAPTER IV
GENERAL SECTOR

4.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2018 deals with the observations 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 2017-18 are given in the table below:

Table 4.1.1
Details of budget allocation and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1	Development Planning, Economic Reforms and North Eastern Council Affairs	79.66	35.71
2	Election	7.83	7.83
3	Governor	7.01	6.66
4	Finance, Revenue and Expenditure	1,368.55	1,290.74
5	Home	60.28	50.65
6	Information and Public Relation	16.35	15.78
7	Information Technology	19.86	4.75
8	Judiciary	37.11	30.20
9	Land Revenue and Disaster Management	198.85	132.71
10	Law	1.86	1.76
11	Legislature	17.88	17.13
12	Parliamentary Affairs	9.62	9.50
13	Personnel, Administrative Reforms and Training, Public Grievances	9.75	8.28
14	Police	327.44	304.19
15	Printing and Stationery	13.53	13.53
16	Public Service Commission	4.48	4.48
17	Science, Technology and Climate Change	3.46	3.45
18	Skill Development and Entrepreneurship	72.94	29.72
19	Sports and Youth Affairs	26.60	17.82
20	State Excise (Abkari)	7.76	7.46
21	Vigilance	9.18	6.79
	TOTAL	**2,300.00**	**1,999.16**

Source: Appropriation Accounts 2017-18.

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 4.1.2
Details of funds directly transferred to the implementing agencies

(₹ *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	e-court phase - II	Registrar General, High Court of Sikkim	1,164.32
2	Land Revenue and Disaster Management Department	MPs Local Area Development Schemes MPLADS.	District Collector, East	1,250.00
3	Sikkim Information Commission	Propagation of RTI Act – Improving Transparency and Accountability in Government.	Sikkim Information Commission	3.00
4	Sports and Youth Affairs	National Service Scheme	Sikkim State NSS Cell	92.79
	TOTAL			**2,510.11**

Source: Finance Accounts 2017-18.

4.2 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 observations 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 of the Comptroller and Auditor General of India. 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 for taking further appropriate action.

Test audits were conducted involving expenditure of ₹ 604.76 crore of the State Government under General Sector. The details of year-wise break-up is given in **Appendix 4.1.**

This Chapter contains one Performance Audit and three Compliance Audit Paragraphs as given below:

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

4.3 Performance Audit on Utilisation of Thirteenth and Fourteenth Finance Commission Grants

The Thirteenth Finance Commission (TFC) and the Fourteenth Finance Commission (FFC) were constituted on 13 November 2007 and 02 January 2013 respectively by the President of India to give recommendations to strengthen fiscal condition of the states by way of tax devolution and Grant-in-aid for the period 2010-20 (five years each). The TFC recommended General and State Specific Grant for Sikkim and FFC recommended only General Grant. A total of ₹888.87 crore (₹569.58 core of General grant and ₹319.29 crore of state specific grant) was released by GoI on the recommendations of TFC and FFC up to March 2018 and an expenditure of ₹888.54 crore (₹569.27 core general grant and ₹319.27 crore State Specific grant) was incurred by the State Government.

Performance Audit (PA) on Utilisation of Thirteenth and Fourteenth Finance Commission Grant was conducted to assess adequacy of planning process for obtaining full benefits of the recommendations, utilisation of the funds for the purpose for which they were recommended duly complying with the guidelines and adequacy in monitoring of utilisation of grants under Finance Commissions.

PA disclosed areas of concern which needed attention of the State Government viz.,: non-fulfilment of the conditions prescribed by the TFC which led to curtailment of funds to Local Bodies, delay in completion of Skywalk project and Village Tourism projects beyond award period leading to short release of fund from GoI, diversion of funds from State Disaster Relief Fund (SDRF), General Basic Grant and the work Sky Walk at Bhaley Dunga, idling of residential quarters of Police Department even after completion of the works and absence of modalities for functioning of Rural Tourism Facilitation Centres. Monitoring of utilisation of funds was limited to assessing progress of works without any follow up action. The main highlights of the PA are as under:

Highlights:

- ***Failure to fulfil the prescribed conditionality of Thirteenth Finance Commission by the State Government led to curtailment of funds, adversely affecting the implementation of various schemes.***

  (Paragraph 4.3.7.2)

- ***In the absence of modalities for utilising Rural Tourism Facilitation Centre, the assets created at a cost ₹1.33 crore were either lying unutilised or were not used for the intended purposes of facilitating tourism sector in the State. Further, out of 64 completed Homestays, 28 were not put to intended use.***

  {Paragraphs 4.3.7.3 and 4.3.9.1(B)}

- ***The Land Revenue and Disaster Management Department irregularly diverted Disaster relief fund of ₹0.67 crore towards construction of protective wall, cross drain, etc. and incurred excess expenditure of ₹1.44 crore in contraventions of State Disaster Relief Fund guidelines.***

(Paragraph 4.3.8.2)

- ***The iconic project of Sky Walk at Bhaley Dunga was not taken up by the State Government despite release of ₹150 crore by GoI towards the project.***

{Paragraph 4.3.9.1(A)}

- ***Although the Police residential quarters at Rongli and Rhenock were completed at a cost of ₹2.82 crore, they continued to remain idle (December 2018) even after 33-45 months of their completion in the absence of orders for handing over and allotment.***

{Paragraph 4.3.9.1(C)}

- ***While evaluation was never attempted during 2010-18, monitoring was lax as only 12 meetings out of 20 due were held and without any follow-ups for TFC (2010-15). No meeting was held to discuss the progress of utilisation of grants of FFC.***

(Paragraph 4.3.10)

4.3.1 Introduction

The Thirteenth Finance Commission (TFC) and the Fourteenth Finance Commission (FFC) were constituted on 13 November 2007 and 02 January 2013 respectively by the President of India under Article 280 of the Constitution to give recommendations to strengthen fiscal condition of states by way of tax devolution and Grants-in-aid to the states for the period 2010-15 and 2015-20 respectively.

Both the Finance Commissions made recommendations to the President of India on the following matters:

- Distribution of the net proceeds of taxes to be shared between the Centre and the states and the allocation of the respective shares of such proceeds among the states;
- The principles that should govern the Grants-in-aid to the states by the Centre (*i.e.*, out of the Consolidated Fund of India);
- The measures needed to augment the consolidated fund of a states to supplement the resources of its panchayats and municipalities on the basis of the recommendations made by the State Finance Commission;

The recommendations of Finance Commissions about transfer of funds were predominantly in the form of tax devolution and grants. As per the guidelines of the TFC and FFC, the grants were to be released by the Government of India (GoI) to the states in two instalments every year during the award period. The TFC recommended General and State Specific Grants for Sikkim. General Grants consisted of grants for Local Bodies, Disaster Relief and other schemes. Grants to Local Bodies were classified into two parts General Basic Grant (GBG) and General Performance Grant (GPG). GPG was released on fulfilment of nine conditions[1] prescribed by the TFC. To be eligible for GBG, the State was required to send the Utilisation Certificates (UCs) of the previous instalment drawn to the Ministry of Finance from the second instalment of 2010-11 onwards. The annual share of State of Sikkim for GBG and GPG was fixed at 0.217 *per cent* (PRI- 0.214 *per cent* and ULB-0.003 *per cent*) of the total amount of grant allocable to all the states in respect of these components during 2010-15.

The FFC recommended grant for Disaster Relief and for Local Bodies which was also classified in two parts *viz*. GBG and GPG. In case of Gram Panchayats (GPs), 90 *per cent* of the grant formed the basic grant and 10 *per cent,* the performance grant while in case of municipalities, the division was on 80:20 basis. To get GPGs, GPs were required to fulfil conditions, *viz*. achieving an increase in their own revenue over the preceding year as reflected in the audited accounts and submission of audited accounts that relate to the year not earlier than two years preceding the year in respect of which the GP seeks to claim the performance grant. Similarly, Municipalities, in addition to the above two conditions, were required to measure and publish the Service Level Benchmarks related to basic urban services each year for the award period and to make it publicly available by Gazette notification. GPG was to be released from 2016-17 onwards.

Out of a total recommendation of grant amount of ₹ 471.34 crore by the TFC, GoI released ₹ 383.76 crore (81 *per cent*). The release of less grant was due to non-fulfilment of conditions as imposed by the FC. Further, ₹ 185.82 crore (98 *per cent* of total recommendation for three years 2015-2018) was released as grant against the recommendation of ₹ 191.34 crore by FFC for the period 2015-18. Component- wise details of funds allocated, released and utilised under the TFC and FFC are given in **Appendix 4.2.**

Besides, TFC also recommended State Specific Grant (SSG) of ₹ 400 crore for ten projects out of which GoI released ₹ 319.29 crore and expenditure of ₹ 319.27 crore was incurred as detailed in **Appendix 4.3**. The release of less grant was primarily attributed to delay in completion of projects.

4.3.2 Organisational set up

Finance, Revenue and Expenditure Department (FRED) is the Nodal Department for matters related to FC grant in Sikkim. The Rural Management and Development Department (RMDD) and the Urban Development and Housing Department (UDHD) are responsible for utilisation of FC grants relating to PRIs and ULBs respectively.

As per the guidelines of TFC and FFC, there should be in place a State High Level Monitoring Committee (SHLMC) headed by the Chief Secretary of the State and would include the Finance Secretary and Secretaries of the departments concerned as members. SHLMC was responsible for ensuring adherence to the specific conditions in respect of each category of grant, wherever applicable.

---

[1] *(i) Preparation of ULBs budget as supplement to the main budget document; (ii) Instituting audit system for all local bodies; (iii) Appointment of independent local body ombudsman; (iv) Electronic transfer of grant to local bodies; (v) Prescription of qualification of persons eligible for appointment of members of State Finance Commission; (vi) Enabling ULBs to levy property tax without hindrances; (vii) Establishing Property Tax Board; (viii) Service level benchmarking; and (ix) Fire hazard mitigation plan for million plus cities; condition (ix) was not applicable to the state of Sikkim.*

4.3.3 Audit objectives

The PA on 'Utilisation of TFC and FFC grant' was taken up with the objectives to assess whether:

- planning process was adequate, effective and according to the guidelines on the issues;
- allocation, release and utilisation of fund, were made as per the guidelines;
- implementation of schemes was done as per guidelines and for the intended purposes; and
- there was a mechanism for adequate and effective monitoring and evaluation of utilisation of grants.

4.3.4 Audit criteria

The criteria adopted for achieving the objective of the PA were:

- Recommendations and guidelines of the TFC and FFC;
- Orders/instructions issued by the GoI and Government of Sikkim;
- The Sikkim Panchayat Act, 1993;
- The Sikkim Municipal Acts, 2007;
- The Sikkim Financial Rules, 1979; and
- Sikkim Public Works Code and Manual, 2009.

4.3.5 Scope of audit

The scope of the PA on 'Utilisation of TFC and FFC Grant' included utilisation of FC grants by the departments concerned of the State Government and the Local Bodies. The PA covered a period of six years from 2012-13 to 2017-18.

Sampled schemes for scrutiny in audit were selected from the schemes implemented by Local Bodies as well as line departments such as Tourism & Civil Aviation Department (TCAD), Land Revenue & Disaster Management Department (LRDMD), Police Department, Forest, Environment & Wildlife Management Department, Roads & Bridges Department and Rural Management & Development Department (RMDD) as detailed below:

(I) For Local Bodies which received grants under the Thirteenth and Fourteenth Finance Commissions, the following selections were made:

Table -4.3.1
Sampling of Local Bodies

Local Body Units	District	Total Numbers of Units	Selected Units	Remarks
Zilla Panchayats	East	1	1	All four units selected. (100 *per cent* selected)
	North	1	1	
	West	1	1	
	South	1	1	

Local Body Units	District	Total Numbers of Units	Selected Units	Remarks
Total of ZPs		**4**	**4**	
Gram Panchayat	East	50	13	Out of 176 units, 43 (25 *per cent* selected) were selected using Simple Random Sampling Without Replacement.
	North	24	4	
	West	55	14	
	South	47	12	
Total of GPs		**176**	**43**	
Urban Local Bodies	Municipal Councils	3	1[2]	Out of 3 units, 1 (33 *per cent* selected) was selected using Probability Proportionate to Size Without Replacement.
	Nagar Panchayats	3	1[3]	
	Municipal Corporation	1	1[4]	Single unit selected (100 *per cent* selected).
Total of ULBs		**7**	**3**	
Grand Total of Local Bodies		**187**	**50**	

(II) For other schemes (excluding the ones under Local Bodies) including State Specific schemes, the following selection was made:

The TFC recommended grants for 10 State Specific Schemes[5] to address the specific issues and local problems of the State and grants for 13 General Schemes[6]. The grant for 13 General schemes also included grant for Disaster Relief recommended by FFC. Out of 23 schemes, eight schemes (four State Specific Schemes and four General Schemes) were selected on the basis of Probability Proportionate to Size without Replacement as shown below:

Table – 4.3.2
Sampling of schemes

Total scheme		Scheme selected		Remarks
No. of schemes	Grant received (₹ in crore)	No. of schemes	Grant received (₹ in crore)	
23[5&6]	679.84	8*	583.14	Eight schemes (34 *per cent*) using Probability Proportionate to Size, where grant released was used as size.

* **State Specific Schemes**-*(i) Sky Walk at Bhaley Dunga,(ii) Development of Village Tourism,(iii) Repair/ Renovation of Suspension Foot Bridges under North District of Sikkim and (iv) Police Residential & Non-Residential Building* **Others schemes**-*(i) Disaster Relief, (ii) Maintenance of roads by Roads & Bridges Department, (iii) Maintenance of roads by RMDD and (iv) Protection of Forest.*

---

2 *Namchi Municipal Council*

3 *Rangpoo Nagar Panchayat*

4 *Gangtok Municipal Corporation*

5 *(i) Sky Walk at Bhaley Dhunga, (ii) Development of Village Tourism, (iii) Repair/ Renovation of Suspension Foot Bridges under North District, (iv)Upgradation of Namchi water Supply and overhauling of Changay source for Gyalshing and Rapdentse Water Supply, (v) Police Training Centre at Yangyang, (vi) Residential & Non-residential building for Police Force, (vii) Additional storage facilities for essential commodities, (viii)Reinforcement of existing security infrastructure new check post, improving road, security equipment etc.,(ix) Establishment of State Capacity Building Institute at Burtuk, and (x) Conservation of Heritage and Culture*

6 *(i) Disaster Relief, (ii) Capacity Building for disaster response, (iii) Elementary Education, (iv) Improvement in Justice Delivery, (v) Incentives for issuing UIDS, (vi) District Innovation Fund, (vii) Statistical system Improvement, (viii) Employee and Pension data base, (ix) Protection of Forest, (x) Water Sector Management (Irrigation), (xi) Maintenance of roads & bridges by RMDD, (xii) Maintenance of roads & bridges by UD&HD and (xiii) Maintenance of roads & bridges by R&B Department*

4.3.6 Audit methodology

The PA commenced with an entry conference (28 May 2018) with the Secretary, RMDD, the Secretary, Tourism and Civil Aviation Department (TCAD), the Controller of Accounts and the Principal Director from FRED and representatives of nodal departments. Records of schemes implementing departments, four Zilla Panchayats, three selected ULBs and 43 GPs were test checked. Works were also physically verified along with the representatives of departments. On conclusion of audit, an exit conference was held (21 December 2018) during which the audit observations were discussed with the Additional Chief Secretary, FRED, the Secretary, RMDD, the Secretary, TCAD, the Secretary, UDHD, the Inspector General of Police, the Controller of Accounts and Principal Director from FRED and other officials from the respective departments of the State Government and their views have been taken into consideration while finalising this PA.

Audit findings

4.3.7 Planning process

Audit objective: Whether planning process was adequate, effective and according to the guidelines.

4.3.7.1 Non-preparation of Action Plan

The FFC guidelines (Paragraph-4) stipulated that all expenditure incurred by Panchayats and Municipalities on basic services[7] within the functions devolved to them under the State laws may be incurred after preparation of Action Plans in accordance with the relevant rules, regulations, processes and procedure.

Audit noticed that in case of GPs, expenditure was incurred after preparation of Gram Panchayat Development Plans. However, in case of ULBs, need-based plans in consultation with the public through councillor were not prepared prior to utilisation of the FC funds. Further, scrutiny of records of selected ULBs revealed the following deficiencies due to non-preparation of plan:

- Gangtok Municipal Corporation (GMC) received ₹ 1.28 crore during February 2017 and ₹ 2.16 crore during March 2017. In October 2017, an amount of ₹ 3.50 crore (out of total fund available ₹ 3.76 crore) from the grant was invested as fixed deposit for one month and again ₹ 3.00 crore was reinvested up to December 2017, instead of utilising the same for spending on basic services. Non-preparation of estimates and delay in obtaining approval of the General Body attributable to non-utilisation of grants.
- GMC received GBG of ₹ 3.15 crore and ₹ 2.16 crore during 2015-16 and 2016-17 respectively under FFC. However, without ascertaining the actual requirement of funds by preparing need based plans, the fund was allocated equally among 19 Councillors at the rate of ₹ five lakh and ₹ 4.87 lakh during 2015-16 and 2016-17 respectively, which was irregular. The GMC was unable to provide any rationale behind the allocation of

7 *Water Supply, Sewerage Management, Solid Waste Management, Storm Water Drainage and maintenance of community assets.*

equal amounts of funds to the councillors nor did it consider any area-specific requirements before such allocation.

Similarly, in the absence of proper action plans, Zilla Panchayat, Gangtok failed to utilise the TFC fund, leaving a huge unspent balance of ₹ 1.50 crore out of ₹ 28 crore (5.36 *per cent*) as on March 2018, though TFC period was over in 2015.

The UDHD stated (December 2018) that due to non-submission of plans by the councillors, GMC was not able to prepare the Annual Action Plan. Hence, it was decided in the meeting of councillors to allocate the fund equally to the councillors. The RMDD did not furnish any reply till date. The reply was not acceptable as the funds were to be released only after preparation of proper plans as enshrined in the FFC guidelines.

4.3.7.2 Non-fulfilment of conditions prescribed by the Finance Commissions

(A) Conditions prescribed by Thirteenth Finance Commission

As per TFC recommendations, the State was required to initiate preparatory action to be taken as a part of the planning process in order to avail the grant for intended purpose. For availing the performance grant from the year 2011-12, the State of Sikkim was required to fulfil eight out of nine conditions prescribed by the TFC by 31 March every year. These were aimed at putting in place a credible framework for analysing the performance of Local Bodies and for making them responsible for their role. The extent of compliance to these conditions was as detailed below:

Table-4.3.3

Status of compliance of conditions

Sl. No	Conditions prescribed by TFC	Status of Action taken by State Government
(i)	Preparation of ULBs budget as supplement to the main budget document.	Separate budget documents have been prepared by the ULBs in addition to main budget document.
(ii)	Instituting audit system for all Local Bodies.	Audit of PRIs and ULBs have been assigned to C&AG of India under Sikkim Panchayat Act, 1993 and the State Government entrusted (16.6.2011) Technical Guidance and Support arrangement to C&AG for audit of Local Bodies. Directorate, Local Fund Audit was established (June 2012) in the State by enactment of 'The Sikkim Local Fund Audit Act, 2012'.
(iii)	Appointment of Independent Local Body Ombudsman.	The RMDD appointed Ombudsman in January 2014 after a delay of four years.
(iv)	Electronic transfer of grant to Local Bodies.	Electronic transfer has been started since March 2018 but was not done during the TFC award period.
(v)	Prescription of qualification of persons eligible for appointment of members of State Finance Commission as per Article 243I (2) of the Constitution of India.	The Sikkim (Composition of Finance Commission) Rules, 1995 prescribed the qualification of persons eligible for appointment of members of State Finance Commission.
(vi)	Enabling ULBs to levy property tax without hindrances.	Neither any mechanism was put in place to enable ULBs to collect property tax nor was the Property Tax Board established. Hence, Property tax was not collected thereby limiting the resources of the ULBs and leading to diversion of funds towards salaries.
(vii)	Establishing Property Tax Board.	

Sl. No	Conditions prescribed by TFC	Status of Action taken by State Government
(viii)	Service level benchmarking.	In Sikkim, only one service solid waste management was under the ULBs. State Government notified benchmarking of solid waste management service for GMC in September 2013 and for all the seven ULBs during April 2016 for the period from 2016-17 to 2020-21. Further, during June 2017 targeted benchmarking for the year 2016-17 was revised and achievement for 2016-17 was notified.

Source: Compiled by Audit based on original records in ULBs and RMDD

As would be noticed, while five (out of eight) conditions were fully complied with, the remaining three had not been fully complied so far as detailed below:

- According to the conditions vi & vii of TFC recommendation, the State was required to establish property tax to enable the ULBs to collect property tax. Audit noticed that the proposal for levying property tax was submitted to the State Government in February 2015 and again in November 2016. However, the proposal was sent back by the Government for re-examination. Since the Department has not resubmitted the proposal till date, the property tax board has not been established as yet.
- Similarly, according to TFC recommendations (conditions viii), the State was also required to start service level benchmarking for four basic services provided by the ULBs. State Government notified benchmarking of solid waste management service for GMC in September 2013 and for the remaining seven ULBs during April 2016 for the period from 2016-17 to 2020-21. During June 2017, targeted benchmarking for the year 2016-17 was revised and achievement for 2016-17 was notified. However, ULBs except Rangpo Nagar Panchayat were unable to furnish records relating to service level benchmarking.
- Further, although stipulated in the Handbook of Service Delivery Benchmarking, developed by the Ministry of Urban Development, GoI, ULBs had not devised any systems for capturing data from field level staff and no specific person has been designated with the mandate to collate the data received from the field and generate the performance reports. Hence, authenticity of data regarding the achievement could not be vouchsafed in audit.

Failure to fulfil the prescribed conditions resulted in curtailment in the amount of grants as mentioned in Paragraph 4.3.8 thereby, adversely affecting the implementation of various schemes.

The UDHD stated (December 2018) that a steering group headed by the Chief Secretary was constituted in 2011 and working group constituted for implementation of property tax during March 2011. The matter was submitted to the Government and was sent back to the Department for re-examination. The matter would be forwarded for legal scrutiny. As the issue involved the policy decision of the Government, there was delay in levying property tax.

However, the Department not only delayed submission of proposal to Government but also had not taken adequate steps to resubmit the proposal to the Government after November 2016 to ensure implementation of property tax to augment the revenue of ULBs.

(B) Conditions prescribed by Fourteenth Finance Commission

The FFC recommended measures to augment resources of Local Bodies, *viz*., (i) assessment of properties every four or five years and introducing the system of self-assessment of property tax by ULBs; (ii) levy of vacant land tax; (iii) imposition of advertisement tax by Local Bodies; (iv) levy of entertainment tax by ULBs; (v) leasing and renting of productive local assets by ULBs; (vi) rationalisation of service charges to recover operation and maintenance costs; (vii) sharing of royalties; and (viii) compensation for providing civic services to Government properties.

Out of the above eight measures, the State Government initiated action only in respect of two *i.e.* levy of advertisement tax and entertainment tax by ULBs to augment the resources of the ULBs. The Details are shown below:

Table-4.3.4

Status of action taken by the State Government on the measures suggested by the Finance Commission to augment resources of Local bodies

Sl. No	Measures suggested by FFC	Status of action taken by State Government
i	The assessment of properties may be done every four or five years and the urban local bodies should introduce the system of self-assessment of Property tax.	Property tax has not been introduced so far.
ii	Urban local bodies do not have a systemic approach to listing of vacant lands. Therefore, such lands often go untaxed and the vacant land tax is demanded only when owners approach authorities for approval of building plans. State may consider the levy of vacant land tax.	Levy of vacant land tax was not yet introduced in Sikkim.
iii	States to consider steps to empower local bodies to impose advertisement tax and improve own revenues from this source.	Display of advertisement in the municipal jurisdiction were entrusted to Urban local bodies w.e.f. June 2013.
iv	States to review the structure of entertainment tax and to take action to increase its scope to cover more and newer forms of entertainment.	Entertainment tax was entrusted to Urban local bodies w.e.f. June 2016, but structure of entertainment tax was not reviewed to increase its scope.
v	State Governments take action to assign productive local assets to the panchayats, put in place enabling rules for collection and institute systems so that they can obtain the best returns while leasing or renting common resources.	Productive local assets have neither been assigned to the panchayats nor enabling rules for collection and systems to obtain the best returns while leasing or renting common resources were framed/set up.
vi	The urban local bodies rationalise their service charges in a way that they are able to at least recover the operation and maintenance costs from the beneficiaries.	The urban local bodies have levied service charges only in case of garbage collection and disposal. However, the charges have not been rationalised to recover operation and maintenance cost.
vii	Some of the income from royalties to be shared with the local body in whose jurisdiction the mining is done. This would help the local body ameliorate the effects of mining on the local population.	There is no mining activity except sand and stone from the river bed in Sikkim. Royalty on sand and stone was ideally to be shared between State Government and the Local Bodies in whose jurisdiction the quarries of sand and stone lie. However, no effort was made by the State Government to share 'Royalty' between State Government and Local Bodies as of December 2018.
viii	State Governments examine in depth the issue of properly compensating local	State Government did not issue instructions to their respective departments to pay appropriate

Sl. No	Measures suggested by FFC	Status of action taken by State Government
	bodies for the civic services provided by them to Government properties and take necessary action, including enacting suitable legislation, in this regard.	service charges relating to work executed by LBs on behalf of respective departments as of December 2018.

Thus, the State Government had not undertaken sufficient measures to augment the resources of the Local Bodies apart from levying of advertisement tax and entertainment tax by ULBs. As a result, ULBs remained dependent on the transfer of funds from the State and the Central Government which constituted 62 to 75 *per cent* of their total receipts during the period from 2015-16 to 2017-18.

The UDHD stated (December 2018) that instructions had been given to all ULBs for rationalisation of service charges for recovery of operation and maintenance cost. Regarding sharing of royalties with the local bodies in whose jurisdiction the mining (extraction of sand and stone) was done, it was stated that no such jurisdiction falls under ULBs and if any such extension befalls on such change of jurisdiction, the same shall be notified for recovery of royalty. However, no documentary evidence regarding issue of the instruction regarding rationalisation of service charges to recovery of operation and maintenance cost was furnished to Audit.

During exit conference (December 2018), Additional Chief Secretary, FRED, stated that most of the levy/taxes will be introduced by the Government shortly to augment the resources of ULBs.

4.3.7.3 Absence of action plan for utilisation of grants for Rural Tourism Facilitation Centre

The TFC recommended construction of Homestays (HSs), Rural Tourism Facilitation Centre (RTFC), Tourist Wayside Amenities and Training/exposure programmes, *etc.* at a cost of ₹ 80 crores for 'Development of Rural/Village Tourism'.

Audit noticed that although the objective of construction of RTFCs was spelt out in the DPR, the modalities of functioning of RTFCs were not finalised. Joint physical verification of the three RTFCs (out of 10 completed RTFCs) revealed that these were not put to intended use due to failure in clearly delineating the mode of operation of the RTFCs.

Thus, due to lack of proper action plan about utilisation of RTFCs, the assets created at a total cost of ₹ 1.33 crore were not used for the intended purposes of providing linkage to different rural tourism programmes and catering to the clusters of rural homestays in a particular region as discussed in Paragraph 4.3.9.1(B).

The TCAD stated (December 2018) that it has been decided to transfer the RTFCs to the local Tourism Development Societies/Committees for promotion of the Homestays. The reply of the Department was not tenable as the modalities of running of RTFCs were not finalised. In the exit conference, the Secretary stated that modalities of running RTFCs would be furnished to Audit which was awaited.

Recommendation (1)

- *The State Government should initiate steps to strengthen the planning process to ensure that funds recommended by FFC and future FCs are received in full after* *adhering to the prescribed bench marks/FC conditions and utilised properly for the intended purposes.*

4.3.8 Financial Management

Audit Objective: Whether allocation, release and utilisation of funds were made as per guidelines.

GoI allocated funds to State Government based on Finance Commission recommendations in a phased manner. Year-wise allocation, release and utilisation of grants for the period 2010-11 to 2017-18 were as under:-

Table-4.3.5
Details of fund allocated, release and expenditure under TFC and FFC

(₹in crore)

Year	Total funds recommended			Total funds Released by GoI			Expenditure		
	General schemes	State specific schemes	Total	General schemes	State specific schemes	Total	General schemes	State specific schemes	Total
TFC									
2010-11	55.09	00	55.09	35.25	00	35.25	29.50	00	29.50
2011-12	80.93	100	180.93	87.23	19.65	106.88	84.08	13.30	97.38
2012-13	99.29	100	199.29	65.88	101.07	166.95	62.82	22.74	85.56
2013-14	111.90	100	211.90	83.97	22.54	106.51	93.22	45.71	138.93
2014-15	124.14	100	224.14	83.28	176.03	259.31	99.11	215.00	314.11
2015-16	00	00	00	28.15	0	28.15	14.72	22.52	37.24
Total	**471.34**	**400**	**871.35**	**383.76**	**319.29**	**703.05**	**383.45**	**319.27**	**702.72**
FFC									
Year	**Total fund allocated**			**Total fund Released by GOI**			**Expenditure**		
2015-16			51.82			49.43			49.43
2016-17			66.70			65.78			65.78
2017-18			72.82			70.61			70.61
Total			**191.34**			**185.82**			**185.82**

Source: Data furnished by FRED. Figures include 10 per cent State share under Disaster Relief.

4.3.8.1 Short/Non-receipt of funds due to non-fulfilment of conditions of release

As seen from Table-4.3.5 above, State Government received ₹ 703.05 crore under the TFC as against the recommended amount of ₹ 871.35, with a short fall of ₹ 168.30 crore (19 *per cent*). Similarly, in case of the FFC, out of total allocation of ₹ 191.34 crore for three years, *i.e.* 2015-18, State Government received ₹ 185.82 crore leading to a short receipt of ₹ 5.52 crore (2.88 *per cent*). Short receipt of grant by the State Government was primarily due to non-fulfilment of conditions as decided by the FFC regarding release of fund by the State Government and delay in completion of projects as detailed below:

➢ ***Non release of adequate funds for Water Sector Management***

TFC recommended an incentive grant of ₹ 5,000 crore for Water Sector Management for all the states, out of which, Sikkim's share was ₹ four crore. For availing the incentive grant, the State was required to achieve a recovery rate of 9.6 *per cent* in respect of Irrigation Water Tax in 2011-12 to be increased by three *per cent* every year thereafter.

Audit noticed that the State Government had not initiated any measure to levy water charges to ensure achieving 'recovery rate' during 2011-12 to 2014-15. Not only this, the State Government did not collect the water tax levied under the Sikkim Irrigation Water Tax Act, 2002 as the Chief Minister directed (July 2014) to keep it in abeyance till further orders. The Department neither took up the matter thereafter for review nor levied the water tax. Thus, due to non-levy of water tax and non-achievement of recovery rate thereof, the State was deprived of the incentive grant for Water Sector Management amounting to ₹ four crore. Thus, the State lost an opportunity in collecting revenue in water tax as well as State share of ₹ four crore.

➢ ***Short receipt of grant under elementary education***

TFC recommended grant of ₹ 24,068 crore for elementary education for all states out of which, the share of Sikkim was ₹ five crore. In order to ensure that these grants did not substitute for the current expenditure of the States on elementary education, the Commission stipulated that the expenditure on elementary education should increase by at least eight *per cent* annually over the expenditure of previous year. The grant for the first year (2010-11) was to be released unconditionally.

Audit check revealed that the State Government had achieved growth rates of (-) 15 *per cent* in 2011-12, seven *per cent* in 2012-13, 23 *per cent* in 2013-14 and 19 *per cent* in 2014-15 in the expenditure on elementary education. As such, the State Government was entitled to grant of ₹ three crore for the period 2010-2015 {2010-11 (unconditional), 2013-14 and 2014-15} as detailed in the table below:

Table – 4.3.6
Short release of grants under elementary education

(₹ *in crore*)

Year	Rate of increase in expenditure on elementary education (*per cent*)	TFC grants due to be received	Grants received
2010-11	-	1.00	1.00
2011-12	(-) 15	0.00	0.00
2012-13	7	0.00	1.00
2013-14	23	1.00	0.00
2014-15	19	1.00	0.00
TOTAL		**3.00**	**2.00**

Out of ₹ three crore of grants received under elementary education, ₹ one crore was released unconditionally by GoI during 2010-11 and further ₹ one crore was released during 2012-13, although, growth rate achieved during 2012-13 was less than eight *per cent*. However, during 2013-14 and 2014-15 despite achieving the growth rate of more than eight *per cent*, the State Government did not claim the grant under elementary education. Thus, the State lost ₹ one crore in overall terms under elementary education because it did not claim the entitled grants.

➢ ***Short release of grant for Sky Walk at Bhaley Dhunga and Development of Village Tourism***

The TFC recommended grant of ₹ 280 crore as State specific grants for Sky Walk[8] at Bhaley Dhunga (₹ 200 crore) and Development of Village Tourism (₹ 80 crore). Against this, GoI released only ₹ 150 crore and ₹ 60 crore for Sky Walk and Village Tourism projects respectively. Audit observed that the non-release of balance fund of ₹ 70 crore (₹ 50 crore for Sky Walk and ₹ 20 crore for Village Tourism projects) was owing to

[8] *An elevated bridge like walkway between buildings.*

non-completion of projects within the award period. Audit also noticed that the construction of main component of Sky walk had not yet commenced and in case of Village Tourism, only 15 out of 20 Rural Tourism Facilitation Centres (RTFCs) and 699 out of 737 homestays were completed (December 2018). Detailed audit comments are brought out in Paragraph 4.3.9.1(A) & 4.3.9.1(B).

The TCAD stated (December 2018) that the delay in completion of works was due to delay in obtaining forest clearance as well as delayed execution of works by the contractors who were Co-operative Societies. Thus, pending completion of works, the final instalment of fund against these State Specific grants could not be availed from the GoI.

➢ ***Non fulfilment of conditions resulted in short receipt of Grant for Local Bodies***

Against the total recommendation for release of grants of ₹ 280.54 crore under TFC and FFC, GoI released ₹ 209.04 crore to State Government during 2010-18 towards GBGs and Performance Grant to Local Bodies as detailed below*:*

Table-4.3.7
Details of fund allocation, released to Local Bodies under TFC

(₹ in crore)

Year	Recommendation					Release					Short release				
	Basic Grant		Performance Grant		Total	Basic Grant		Performance Grant		Total	Basic Grant		Performance Grant		Total short release
	PRI	ULB	PRI	ULB		PRI	ULB	PRI	ULB		PRI	ULB	PRI	ULB	
2010-11	17.16	0.24	-	-	17.40	8.58	0.12	-	-	8.70	8.58	0.12	0	0	8.70 (50)
2011-12	19.92	0.28	6.80	0.16	27.16	30.11	0.12	-	-	30.23	-10.19	0.16	6.80	0.16	-3.07 (-11.30)
2012-13	23.27	0.32	15.98	0.06	39.63	11.63	0.15	1.06	0.02	12.86	11.64	0.17	14.92	0.04	26.77 (67.55)
2013-14	27.61	0.39	18.83	0.22	47.05	27.22	0.15	-	0.03	27.40	0.39	0.24	18.83	0.19	19.65 (41.76)
2014-15	32.75	0.46	22.29	0.46	55.96	13.80	0.17	3.44	-	17.41	3.54	0.29	9.70	0.41	13.94 (52.44)
2015-16						15.41		9.15	0.05	24.61					
TOTAL	**120.71**	**1.69**	**63.90**	**0.90**	**187.20**	**106.75**	**0.71**	**13.65**	**0.10**	**121.21**	**13.96**	**0.98**	**50.25**	**0.80**	**65.99 (35.25)**

Source: Information furnished by RMDD & UDHD

Table-4.3.8
Details of fund allocation, released to Local Bodies under FFC

(₹ in crore)

Year	Allocation					Release					Short release				
	Basic Grant		Performance Grant		Total	Basic Grant		Performance Grant		Total	Basic Grant		Performance Grant		Total short release
	PRI	ULB	PRI	ULB		PRI	ULB	PRI	ULB		PRI	ULB	PRI	ULB	
2015-16	16.03	4.79	0	0	20.82	16.04	2.40	0	0	18.44	-0.01	2.39	0	0	2.38(11.43)
2016-17	22.20	6.63	2.91	1.96	33.70	22.20	5.71	2.91	1.96	32.78	0	0.92	0	0	0.92(2.73)
2017-18	25.65	7.66	3.30	2.21	38.82	25.65	7.66	3.30	0	36.61	0	0	0	2.21	2.21(5.69)
TOTAL	**63.88**	**19.08**	**6.21**	**4.17**	**93.34**	**63.89**	**15.77**	**6.21**	**1.96**	**87.83**	**-0.01**	**3.31**	**0**	**2.21**	**5.51(5.90)**

Source: Information furnished by RMDD & UDHD

The total short release in case of TFC grant was 35 *per cent* during 2010-11 to 2014-15 and aggregated to ₹ 65.99 crore by the end of 2016.

➢ ***Curtailment of Performance Grant***

The performance grant amounting to ₹ 6.80 crore was curtailed during 2011-12 as the State Government did not comply with the conditions[9] prescribed by the Finance Commission before March.

Similarly, in respect of FFC, Ministry of Housing and Urban Affairs, GoI brought out a new scheme from 2017-18 for determining the eligibility of ULBs for Performance Grant on the basis of a scoring system by giving marks for various parameters like hosting of audited accounts on ULB website, covering establishment costs and O&M from own receipts, ratio of Capital expenditure to total expenditure, *etc.*

Scrutiny of records revealed that only one ULB *i.e.* GMC claimed PBG for the year 2017-18 and the same was approved by the Coordination Committee for Municipalities under FFC during May 2018. The receipt of grant was still awaited from GoI. However, the remaining six ULBs could not claim PBG as they had not scored a minimum of 50 marks in the parameter as stipulated by GoI. Hence, out of seven ULBs, only one was eligible for Performance grant which indicated that the ULBs in Sikkim did not ensure achievement of benchmarks set by GoI resulting in the ULBs being deprived of PGs to the tune of ₹ 2.21 crore.

During the exit conference, the Secretary, UDHD stated (December 2018) that all the ULBs have since achieved the qualifying score to avail the grants. However, records in this regard were not provided to Audit.

Short release of funds by GoI was also noticed during 2012-13 to 2014-15, reasons for which were not found on records.

4.3.8.2 State Disaster Relief Fund

Grants under the State Disaster Relief Fund (SDRF) were released by the GoI on the recommendation of FC to meet the expenditure for providing immediate relief to victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. TFC and FFC released ₹ 125.70 crore and ₹ 98.00 crore respectively. The entire amount of ₹ 223.70 crore was transferred by State Government to SDRF. Audit analysis of the SDRF brought out the following points:

(A) Unauthorised utilisation of fund

As per the SDRF guidelines issued by Ministry of Home Affairs, GoI, the SDRF should be used for providing immediate relief to the victims of natural calamities such as cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. Utilisation of SDRF towards disaster preparedness, restoration, reconstruction and mitigation was not permitted. Funding for these activities should be built into the State Plan.

- Audit, however, observed that LRDMD spent ₹ 0.67 crore (₹ 0.29 crore from 13th FC and ₹ 0.37 crore from 14th FC) out of SDRF on 15 works/items between 2012-13 to 2016-17 towards construction of protective wall, cross drain, overhauling of RO

[9] *(i) Enabling ULBs to levy property tax without hindrances (ii) Establishing Property Tax Board (iii) Service level benchmarking.*

based drinking water Plant at M.G Marg, Gangtok, purchase of vehicle for SDM, Soreng, *etc.* as detailed at **Appendix 4.4**. Out of above mentioned 15 works/items, expenditure incurred on some of the works/items *viz.* purchase of wind cheaters, immediate restoration of Teacher's Training building and Degree College, *etc.*, was permissible out of SDRF, but these works were executed at a time which did not have proximity to any disaster.

On being asked by Audit, the Department accepted the audit observation.

Thus, diversion of funds meant for providing immediate relief to victims of natural calamities was in violation of the conditions under which the Grants were released. Moreover, the expenditure on activities not covered under this Fund, should have been incurred out of State's own budget. The diversion of funds also resulted in reduction in available funds for taking care of immediate relief in the event of any natural disaster.

- Further, District Collector (North) utilised ₹ 47.65 lakh (**Appendix 4.5**) of SDRF meant for ex-gratia relief towards immediate repairs/debris clearances caused due to landslides. Works executed included repair of school playground, construction of log bridges, repair of water supply line, debris clearances, slip clearances, *etc.* during the period from 2015-16 to 2017-18. Since, these activities were to be executed by the Nodal Department, necessary corrections are required to be carried out in the books of Accounts of respective years.

(B) *Non-permissible expenditure beyond prescribed limit under SDRF*

As per Paragraph 15 of the guidelines on Constitution and Administration of SDRF issued by the Ministry of Home Affairs (April 2015), the norms for the amounts to be incurred on each approved item of expenditure was to be fixed by the Ministry of Home Affairs with the concurrence of Ministry of Finance. Any excess expenditure beyond the prescribed limit should be borne on the budget of the State Government and should not to be charged to SDRF.

Scrutiny of records of the Secretary, LRDMD revealed that the Department incurred an expenditure of ₹ 2.05 crore (out of ₹ 2.39 crore) which was beyond the limit of ₹ 61.50 lakh prescribed for the works undertaken under the SDRF guidelines as detailed below:

Table- 4.3.9
Details of approved norms and expenditure incurred

(₹ in lakh)

Items/ Particulars	Limits prescribed	No. of works	Amount as per guidelines	Actual expenditure	Excess
Repair of damaged primary school building	Up to ₹ 2.00 lakh/ unit	09	18.00	28.42	10.42
Repair of drinking water scheme	Up to ₹ 1.50 lakh/ unit	26	39.00	166.84	127.84
Minor irrigation schemes/ Canal	Up to ₹ 1.50 lakh/ scheme	03	4.50	10.15	5.65
TOTAL		**38**	**61.50**	**205.41**	**143.91**

Source: Guidelines on Constitution and Administration of the SDRF and Departmental records

Thus, the Department incurred excess expenditure of ₹ 1.44 crore from SDRF during 2016-17 in 38 cases (out of 74 cases) which should have been borne by the State Government. Excess expenditure of ₹ 1.44 crore meant for providing immediate relief to victims of natural calamities would reduce the availability of adequate funds and in the event of any major disaster.

The LRDMD stated (December 2018) that the estimated cost was based on the PWD Schedule of Rates and the estimated cost, based on the applicable SOR were approved by the State Executive Committee to avoid the execution of sub-standard works. The reply was not acceptable as any amount spent by the State over and above the ceiling should have been incurred by the State Government from its own funds and by not diverting from the SDRF.

Recommendation (2)

- *The State Government should ensure fulfilment of prescribed conditions by the FC in order to get conditional grants and also strengthen financial management to avoid cases of excess expenditure, diversion of funds, etc.*
- *The amount of fund diverted from SDRF may also be recouped from the State fund.*

4.3.9 Implementation of Schemes

Audit Objective: Whether implementation of schemes was as per the guidelines and for the intended purposes.

As mentioned in **Appendix 4.2 and 4.3**, TFC recommended grants for 10 State Specific Schemes, and 13 General Schemes to be implemented by various departments besides schemes to be implemented by the Local Bodies. Similarly, FFC recommended grants for Disaster Management and Local Bodies. Audit scrutinised four (out of 10) State Specific Schemes, four (out of 13) General Schemes and the schemes to be implemented by Local Bodies recommended by the FC. Results of audit are brought out in the following paragraphs:

4.3.9.1 Implementation of State Specific Schemes

The total expenditure on the selected four State Specific Schemes[10] was ₹ 255.05 crore which constituted 80 *per cent* of the total expenditure of ₹ 319.27 crore. Audit observed following:

(A) Irregularity in execution of Skywalk project at Bhaley Dhunga

In the Memorandum submitted (September 2008) to the TFC, the Government of Sikkim proposed construction of 'Skywalk' at the hill-top of Bhaley Dhunga, Yangang, South Sikkim. The objective of the project was to encourage and boost tourism in the State. The State Government requested for a grant of ₹ 200 crore from TFC for construction of Skywalk structure. The TFC recommended the requested amount and the GoI allotted the grant to be utilised during the period 2011-15 at the rate of ₹ 50 crore per year. As of March 2015, GoI released ₹ 150 crore against the approval of ₹ 200 crore. Against the GoI allotment of ₹ 200 crore for the project, the Tourism and Civil Aviation Department

[10] *(i) Skywalk at Bhaley dhunga, (ii) Development of Village Tourism, (iii) Repair/ Renovation of Suspension Foot Bridges under North District of Sikkim and (iv) Residential and Non- residential building for Police Force.*

(TCAD) prepared DPR (September 2011) for ₹ 500 crore which was approved by the Cabinet (March 2012). The cost-break up of funds as approved by the Cabinet and expenditure incurred there against were as detailed below:

Table 4.3.10
Details of Cost break up

(₹ in crore)

Particular	Approvals by the Cabinet		Funding to be arranged	Expenditure incurred (May 2018)
	Cost	Fund allocated		
Skywalk structure at Bhaley Dunga i) Skywalk structure ii) Environment & Ecology	280.00 17.00	110.00	187.00	0.00 0.72
Total	**297.00**	**110**	**187**	**0.72**
Other Associated works connected with Skywalk project *viz.* Tourist Village, Eco Adventure, Heritage cum cultural village etc.	125.25	90.00	32.25	33.97
Eco Ropeway (Cable car) from Dhapper to Skywalk at Bhaley Dunga	77.75	00.00	77.75	108.09
Grand total	**500.00**	**200.00**	**300.00**	**142.78****

*Source: Departmental information. ** Excluding ₹ 1.22 crore spent on Preliminary Survey, consultancy charges and establishment etc.*

Audit observed the following:

- As against the original proposal and sanction of ₹ 200 crore, the Department submitted the proposal of ₹ 500 crore to the cabinet for execution of the project. This proposal included additional items of works (passenger ropeway ₹ 77.75 crore and other associated works ₹ 125.25 crore). This indicated that the original proposal was not comprehensive and well planned/thought out.

- Even after six years (August 2018) of sanction of project, arrangement for balance fund (₹ 300 crore) was not done.

- The core project of the Skywalk had not started as of August 2018. Instead the Department took up the work of Eco Ropeway from Dhapper to Bhaley Dhunga and other associated works connected with Skywalk project incurring expenditure of ₹ 142.06 crore (excluding Consultancy charges and establishment expenditure and Environment & Ecology protection ₹ 1.94 crore) from TFC grant as on March 2018 although this was not covered under the TFC sanction. Moreover, the work of 'Eco Ropeway from Dhapper to Bhaley Dhunga'[11] and other associated works[12] remained incomplete (March 2019).

[11] *Physical progress as of May 2019 is 60 per cent.*
[12] *Physical progress as of May 2019 is 30 per cent*

Image 4.3.1

Image 4.3.2

Incomplete structure work of 'Eco Ropeway from Dhapper to Bhaley Dhunga'

- The remaining amount of ₹ six crore was also diverted for other projects (Asian Development Bank Projects - ₹ three crore and Namchi Ropeway - ₹ three crore).
- The Sikkim Public Works Manual, 2009 (Clause 11) stipulates that for works costing not less than ₹ 10 crore, mobilisation advance shall be granted to the extent of 15 *per cent* of the work value put to tender or ₹ 2 crore whichever is the least at a simple interest at the rate of 10 *per cent* per annum. The Department, however, released (August 2014 & November 2014) interest free Mobilisation Advance (MA) of 25 *per cent* (₹ 64.89 crore) of the total work value (₹ 259.55 crore) to the contractor. Grant of interest free mobilisation advance was approved by the Chief Minister on the basis of supplementary agreement between the contractor and the Department which stipulated that a grant of 25 *per cent* mobilisation advance is to be provided to the contractor. Grant of MA of ₹ 64 .89 crore is not only tantamount to non-compliance to provision of the SPW Manual, but also resulted in undue financial benefit to the contractor to the tune of ₹ 60.89 crore.

Thus, due to improper planning and execution, the main project of Skywalk at Bhaley Dhunga had not commenced and resultantly the intended objective of the project to encourage and boost tourism in the State with an iconic Skywalk in the country remained unachieved.

The TCAD stated (December 2018) that eco-friendly ropeway was taken up to initially help in carriage of material for construction of project and later as passenger ropeway. Instead other associated works were taken up to provide tourist facilities and also to benefit the local public. The Department also stated that the diverted amount of ₹ six crore was being recouped. However, details of recouping the amount are awaited (January 2019).

The reply of the TCAD was not acceptable as the memorandum submitted by the State Government to the TFC stated that initiatives to connect the hilltop of Bhaley Dhunga with an attractive passenger ropeway from Dhapper has already been taken up from State Funds. Accordingly, the TFC provided the fund for only the Skywalk and expenditure for other works should have been met by the State Government from its own budget.

(B) Development of village Tourism

TFC recommended ₹ 80 crore towards development of Village Tourism in Sikkim on the basis of submission of memorandum by the State Government. Village Tourism was focused as a major service industry to boost the overall economy of Sikkim for the future generation and for economic participation of local people as direct owners in the business of tourism. The State Cabinet approved (March 2012) the project for development of Rural/Village Tourism throughout the State of Sikkim in a phased manner from 2011-12 to 2014-15 with the TFC grant ₹ 80 crore. The components of the project consisted of 737 Homestays (HSs), 20 Rural Tourism Facilitation Centres (RTFC) and Training/exposure programmes.

Audit observed that out of ₹ 80 crore recommended by TFC, GoI released only ₹ 60 crore due to non-submission of Completion Certificate of the project within the scheduled date (March 2015) as the project remained incomplete for more than three years as on December 2018.

Audit further observed that 165 HSs (out of 737) and 10 RTFCs (out of 20) remained incomplete as of August 2018 inspite of incurring an expenditure of ₹ 67.16 crore (excess amount of ₹ 7.16 crore was borne by Sikkim Tourism Development Corporation). The details of homestays are as under:

Table 4.3.11
Position of completion of Homestays

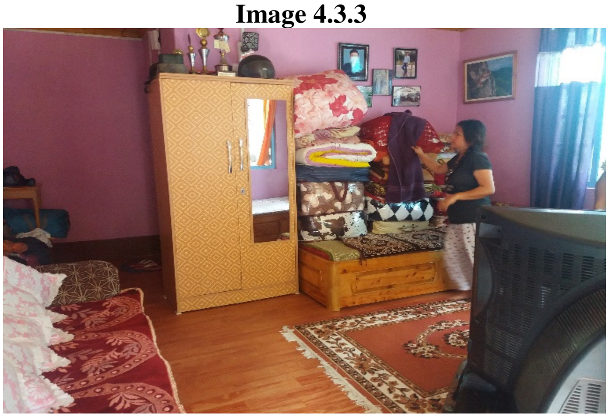
Particulars	East	West	South	North	Total
Home Stays planned	188	227	222	100	737
Incomplete	35	30	40	60	165
Completed	153	197	182	40	572
Test checked	27	10	17	10	64
Not put to intended use	8	6	9	5	28

Source: Departmental information

Test check of 64 completed HSs (out of 572) revealed that only 36 HSs (56 *per cent*) (five in North, four in West, 19 in East and eight in South) were operational while the remaining 28 (44 *per cent)* (five in North, six in West, eight in East and nine in South) were not put to intended use.

Photographs of some HSs physically verified are as below:

Image 4.3.3



HS used as own residence

Image 4.3.4

HS rented to carpenters

Image 4.3.5	**Image 4.3.6**
	
HS used as storeroom	**HS used as storeroom**

Similarly, 10 RTFCs remained incomplete as of August 2018. RTFCs were created with the objectives of dispensing tourists to different HSs, providing detailed information about rural tourism programme and facilitating booking of HSs within its jurisdiction. Test check of three completed RTFCs (constructed at a cost ₹ 1.33 crore[13]) revealed that none of the RTFCs were utilised for the purpose for which they were created. While one RTFC was lying unutilised at Ryakep, South Sikkim, the second one at Mangan was being utilised as office of the Assistant Engineer, TCAD and the third one at Namthang in South Sikkim was leased out to a society for operating as HS.

Non-utilisation of the RTFCs for their intended purpose was primarily due to failure of the officers of TCAD to clearly delineate the mode of operation and day to day functioning of the RTFCs.

Thus, the intended objective of boosting overall rural economy of Sikkim and encouraging economic participation of local people as direct owners in the business of tourism remained unachieved in 44 *per cent* cases test checked of HSs in audit.

The TCAD stated that the delay in completion of HSs and RTFCs were due to delay in finalisation of the list of beneficiaries and also due to the involvement of cooperative societies for execution of work who did not carry out the construction work awarded to them. The Department further added that 15 RTFCs were completed at a total cost of ₹ 7.50 crore and 699 Homestays were also completed at total cost ₹ 63.04 crore as on December 2018. The reply of the Department was not acceptable as the Department failed to ensure completion of HSs and RTFCs within the schedule time and also did not initiate adequate action to finalise beneficiary list in advance. This is evident from the fact that even as on December 2018, the Department had completed 699 HSs and 15 RTFCs against the total of 737 HSs and 20 RTFCs despite expiry period by more than three years.

(C) Residential and non-residential building of Police

Based on the representation of the State Government, TFC recommended grant of ₹ 15 crore for the police force to make up for the shortfall of accommodations and GoI released ₹ 13.50 crore (90 *per cent*) towards residential and non-residential buildings due

[13] *RTFC Ryakep - ₹44.47 lakh, RTFC Mangan - ₹44.33 lakh and RTFC Namthang - ₹44.41 lakh.*

to non-submission of Completion Certificate of the project within the scheduled date (March 2015).

Accordingly, the Building and Housing Department (BHD) took up (2011 to 2014) construction of 12 non- residential buildings and six residential buildings as detailed in **Appendix 4.6**.

Out of these six works of residential buildings, Audit test checked the works of three, namely: (i) Construction of class III 8-unit quarter at Rongli; (ii) Construction of 8-unit class IV quarter at Rhenock and (iii) Class IV 8-unit quarter at Singtam. It was observed that while units at Singtam were completed and allotted, units at Rhenock and Rongli were though completed, were not allotted. Details of constructed units at Rhenock and Rongli are as under:

➢ ***Construction of class III 8-unit quarter at Rongli***

Sanctioned cost for 'Construction of 8-unit class III quarter at Rongli' was ₹ 1.64 crore which was revised to ₹ 1.45 crore and work order was issued (September 2011) for a total cost of ₹ 1.41 crore with stipulation for completion within 24 months *i.e.* by September 2013.

Audit noticed that the BHD applied for geo-technical assessment report from the Mines, Minerals and Geology Department (MMGD) only in January 2012 after a lapse of four months from the issue of work order (September 2011). The report from the MMGD was received in March 2012 and the contractor started the work from April 2012. Further, the scope of work was changed twice (January 2014–change in room partition and March 2015-GCI sheet roofing to RCC roof). Due to this, the work was completed in March 2016 after a delay of almost 30 months.

Physical verification (September 2018) of quarters at Rongli (photograph below) revealed that although the building was complete in all respect, it was still lying vacant with no documented reasons.

Image 4.3.7

Image 4.3.8

Completed quarter at Rongli

➢ ***Construction of 8-unit class IV quarter at Rhenock***

Sanctioned cost for the 'Construction of 8-unit class IV quarter at Rhenock' was ₹ 1.37 crore and BHD tendered and issued work order (November 2012) for a total cost of ₹ 1.28 crore to be commenced in January 2013 for completion by January 2015.

Audit noticed that the quarters were completed during March 2015 at a total cost of ₹ 1.37 crore but the same had not been handed over to the Police Department till December 2018.

Thus, although the quarters at Rongli and Rhenock were completed at a cost of ₹ 2.82 crore, they continued to remain idle (December 2018) for a period of 33 months and 45 months respectively. The Police Department had also not initiated any action for their allotment leading to avoidable expenditure of ₹ 10.12 lakh[14] on House Rent Allowances (HRA) of 16 police personnel (December 2018).

Hence, the problem of shortage of police residential quarters as stated in the memorandum to TFC, remained unresolved even after construction of 16 quarters at Rhenock and Rongli.

The BHD stated (December 2018) that the Quarters have been handed over to the Police Department. During the exit conference the Inspector General of Police assured that quarters would be allotted within a month. Further, physical verification done on 24 May 2019 by Audit revealed that Department had provided false assurance as the units were still not allotted.

(D) Extra liability to State Government on Repair/Renovation of Suspension Foot Bridges

The TFC recommended a grant of ₹ 35 crore towards Repair/Renovation of Suspension Foot Bridges of North District for replacement of 80 old and dilapidated log bridges by steel bridge and replacement of old cables and suspenders of suspension foot bridges (SFB) for improved accessibility under State Specific Grant for the year 2011-15. Out of ₹ 35 crore recommended by TFC, GoI released ₹ 31.50 crore (between 2011-12 and 2014-15) and the total expenditure incurred was ₹ 33.49 crore. Audit observed the following:

Out of 80 SFBs, 11 SFBs were not completed within the targeted date of completion (March 2015). Resultantly, the GoI did not release the balance ₹ 3.50 crore. Hence, the expenditure amounting to ₹ 1.99 crore (₹ 33.49 crore actual expenditure *minus* ₹ 31.50 crore released by GoI) had to be borne (June 2017) by the State Government from its own resources.

During the exit conference (December 2018), the Secretary, RMDD stated that the estimates for the works were based on the previous schedule of rates at the time of proposing the project to TFC. However, due to time gap, cost revision and change of scope of works were required in some cases. As a result, bridges were not completed in time and funds from GoI were not released. However, all the bridges have since been completed by utilising the State fund.

The reply of the Department was not acceptable as the fact remained that the State Government had to bear additional expenditure from its own sources which was avoidable, had the SFBs been completed within the award period (March 2015).

[14] *Rehnock-₹1500 (minimum HRA) x 8 units and ₹100 (License fee) x 8 units x 45 months (April 2015 to December 2018) = ₹5.76 lakh*
Rongli- ₹1500 (minimum HRA) x 8 units and ₹150 (License fee) x 8 units x 33 months (April 2016 to December 2018)= ₹4.36 lakh.

4.3.9.2 *Implementation of other Schemes*

TFC and FFC recommended a grant of ₹ 840.73 crore for implementation of 13 schemes, out of which ₹ 569.58 crore was released by GoI and the State Government incurred an expenditure of ₹ 569.50 crore. Out of 13 schemes, four schemes[15] (31 *per cent*) with a total release of ₹ 328.14 crore by GoI were selected for scrutiny. The total expenditure on the selected four schemes was ₹ 328.09 crore which constituted 58 *per cent* of the total expenditure

(A) Protection of Forest

The broad objectives of the grant under TFC for forests were to provide the wherewithal for preservation, to halt and reverse past declines in the quantity and quality of area under forest and to provide fiscal resources by which the State can enable alternative economic activities as a substitute for economic disability imposed by forest cover. The guidelines stipulated that 75 *per cent* of the total release could be utilised for development purposes and the remaining 25 *per cent* towards preservation of forest wealth. The TFC recommended ₹ 40.56 crore and GoI released ₹ 38.03 crore under forest for the period 2010-15.

As per the guidelines, the Forest, Environment and Wild Life Management Department should prepare an Annual Working Plan (AWP) which should be approved by the SHLMC. Audit noticed that although the AWP for the year 2014-15 was prepared in September 2014 and was approved by the State Cabinet in January 2015, the approval of the AWP was not obtained from the SHLMC.

Audit further noticed that during 2011-15, expenditure of ₹ 38.00 crore was incurred out of which ₹ 3.05 crore were on items not related to any development or preservation work of forest wealth nor had any direct link towards providing fiscal resources to overcome economic disability imposed by the forest cover. The details are given in the table below.

Table-4.3.12
Details of irregular expenditure

(₹ in crore)

Sl. No.	Items	Total amount
(i)	Purchase of vehicles	1.47
(ii)	Purchase of computers	0.36
(iii)	Construction of entrance gate and approach road in residential areas and cafeteria	0.34
(iv)	Survey of land diverted for user agencies,	0.09
(v)	Jhora Cleaning at Gangtok	0.23
(vi)	Compensation for crop damaged/ Animal killed by wild animals	0.04
(vii)	Construction of protective walls in private land, etc.	0.52
	TOTAL	**3.05**

15

Name of Schemes	*Released by GoI (₹ in crore)*	*Expenditure (₹ in crore)*
(i) Disaster Relief under LRDMD	*223.70*	*223.70*
(ii) Maintenance of roads by Roads & Bridges Department	*39.74*	*39.72*
(iii) Maintenance of roads by RMDD,	*26.67*	*26.67*
(iv) Protection of Forest Under Forest Environment and Wild life Management Department	*38.03*	*38.00*
TOTAL	***328.14***	***328.09***

Out of ₹ 3.05 crore, ₹ 2.69 crore pertained to the year 2014-15 in which the approval of SHLMC was not taken. On the proposal of the Principal Chief Conservator of the Forest, the cabinet approved the works.

The utilisation of fund of ₹ 3.05 crore for purposes other than the objectives for which the grant were allotted was, therefore, irregular and would adversely affect the achievement of the core objective of the scheme.

The Forests, Environment & Wildlife Management Department stated (December 2018) that the vehicles were provided to range and sub-division level officers to increase mobility as they are primarily responsible for protection and maintenance of forest wealth. Similarly, construction of entrance gate and approach road in residential area were taken up as these were in very bad condition.

The reply was not acceptable as the expenditure on vehicles are permitted only in case of replacement. The Department could not furnish the details for replacement, if any. The expenditure on other items was also in contravention to the guidelines.

(B) Maintenance of Roads & Bridges

Ministry of Road Transport and Highways classified the maintenance activities of the roads into four heads, *viz*., (i) Ordinary Repairs[16] (ii) Periodical Renewals (iii) Special Repairs and (iv) Emergent Repairs. TFC recommended grant of ₹ 68 crore for maintenance of roads and bridges in the State. The TFC categorically stated that grant should be utilised towards only Ordinary Repairs. The grant was in addition to the States' own budget provision for maintenance of roads. Based on the recommendations of the TFC, GoI released ₹ 68.09 crore as grant for maintenance of roads and bridges during 2011-15. The State Government allotted ₹ 39.72 crore to Roads and Bridges Department (RBD), ₹ 26.71 crore to RMDD and ₹ 1.57 crore to UDHD.

Audit scrutiny of expenditure incurred by RBD revealed the following:

- ***Irregular utilisation of TFC grant***

Scrutiny of records of RBD revealed that RBD executed 62 works at a cost of ₹ 39.72 crore during 2011-15. Out of this, expenditure of ₹ 24.52 crore was incurred towards Ordinary Repairs. The remaining fund of ₹ 15.20 crore was spent towards providing protective walls, construction of RCC bridges, surface improvement, construction of culvert and widening of roads which were beyond the purview of Ordinary Repairs and thus, was in violation of TFC guidelines and thus, irregular.

- ***Extra avoidable expenditure***

As per Indian Road Congress (IRC), construction of roads includes following components:

[16] *Ordinary Repairs involve routine maintenance such as patch repairs, crack sealing, roadside drainage, painting of highway signs, etc.*

Table 4.3.13
Details of Road works

(i) Sub-grade	Sub-grade is the surface of the ground in its final shape after completion of earthwork and consolidation, compaction or stabilisation.
(ii) Sub-base course	Sub-base course is a Water Bound Macadam (WBM) laid over the sub-grade with stone aggregate of 90 mm to 45 mm size (WBM-I).
(iii) Base course	Base course is also a WBM to be laid either with stone aggregates of 63 mm to 45 mm (WBM-II) or with stone aggregates of sizes 53 mm to 22.4 mm size (WBM-III) with screening. These are the standard base courses used in road works.
(iv) Surface course	Surface course may, inter-alia, consist of surface dressing with hot bitumen or premix carpeting with hot bitumen or bituminous macadam using hot mix plant and paver equipment.

Audit scrutiny revealed that while executing the work 'Surface improvement, repair of drainage system and protective work along Ravangla–Yangang road,' the RBD incorporated the item WBM-III also in addition to WBM-I and WBM-II. Since, only one course (out of the two courses of WBM-II and WBM-III) at base level was prescribed in IRC and CPWD specifications, inclusion and execution of WBM-III was irregular and led to an extra avoidable expenditure of ₹ 0.42 crore. The fund of ₹ 0.42 crore could have been fruitfully utilised towards Ordinary Repairs.

The RBD while accepting the observation, stated (December 2018) that the works of permanent nature were carried out with the approval of the Cabinet as they were unavoidable for restoring connectivity along such roads. The reply of the department was not tenable as the expenditure on works of permanent nature was in violation of the conditions of TFC grants and should have been met from state budget. Moreover, it reduced the availability of fund for routine maintenance of roads.

Regarding execution of all the three WBMs, the Department stated that the practice had been discontinued and accordingly either WBM-II or WBM-III was being executed in compliance to the IRC norms and notification in this regard would be shared with Audit which was still awaited.

4.3.9.3 Basic and Performance Grant allotted for local bodies

The RMDD and UDHD are responsible for implementation of FC grant related to GPs and ULBs respectively.

TFC recommended ₹ 187.20 crore for the Local Bodies (PRI: ₹ 184.61 and ULBs: ₹ 2.59 crore) and expenditure amounting to ₹ 121.21 crore (PRI: ₹ 120.40 and ULBs: ₹ 0.81 crore) was incurred. Similarly, FFC recommended ₹ 198.39 crore (PRI: ₹ 173.56 crore and ULBs: ₹ 24.83 crore) for Local Bodies, out of which, ₹ 87.83 crore (PRI: ₹ 70.10 crore and ULBs ₹ 17.73 crore) was incurred as of March 2018.

Forty three GPs (Out of 176 GPs) of all four Districts were selected for scrutiny in the PA and the expenditure incurred by the selected GPs was ₹ 22.17 crore out of total received ₹ 26.78 crore. Three selected ULBs incurred expenditure of ₹ 10.02 crore.

Audit findings were discussed below:

(A) Urban Local Bodies

FFC guideline, stipulated utilisation of grants towards strengthening of the delivery of basic civic services including water supply, sanitation, storm water drainage, maintenance of community assets, maintenance of roads, footpath, street-lighting, burial and cremation grounds and any other basic services within the functions assigned to ULBs under relevant legislations. Under FFC, Rangpo Nagar Panchayat received fund amounting to ₹ 1.18 crore, Namchi Municipal Council received fund amounting to ₹ 1.24 crore and Gangtok Municipal Corporation received ₹ 11.20 crore.

Audit noticed that ULBs utilised fund amounting to ₹ 93.86 lakh (**Appendix 4.7**) towards activities other than basic services in contravention to the guidelines of FFC, as detailed below:

- Namchi Municipal Council (NMC) incurred an expenditure of ₹ 18.01 lakh towards construction of protective wall (₹ 3.71 lakh) below private household based on the request of the individual, construction of ATM room at Namchi Car Parking Plaza (₹ 1.80 lakh), internet facility at District Institute of Education and Training (₹ 0.50 lakh), RCC foot bridge at Dambudara, South Sikkim (₹ 0.38 lakh) and salary to the Municipal staff of NMC (₹ 11.62 lakh). Borrowing of the fund from FFC for the salary of staff was unanimously decided by the councillors of NMC and approved by the Chairman of NMC. All the works were approved by the Chairman of NMC.
- Rangpoo Nagar Panchayat spent an amount of ₹ 3.60 lakh on Construction of Integrated Child Development Scheme Centre at Majhi Gaon.
- GMC incurred an expenditure of ₹ 72.25 lakh towards upgradation and modification of Children Park in Gangtok which did not fall under the function assigned to GMC. Further, the work was awarded without calling any tender and was approved by Mayor, Gangtok Municipal Corporation.

The department could not furnish any replies to Audit.

(B) Panchayati Raj Institution (PRIs)

Irregular Expenditure

In case of PRIs, Audit noticed non-adherence to FC guidelines which stipulated that the expenditure should be incurred on basic services[17] only as follows:

- Zilla Panchayat, Mangan irregularly incurred an expenditure of ₹ 0.28 crore in exposer cum study tours[18] to gain knowledge pertaining to local self-governance and tourism which were not related to basic services.
- Twelve GPUs irregularly expended ₹ 0.78 crore (**Appendix 4.8**) out of ₹ 2.22 crore towards computer training and summer camp, construction of stores, construction of milk collection centres, etc. in violation of the guidelines.

[17] *Solid Waste Management, Storm water drainage, Water supply and sewerage etc.*

[18] *The study tour was performed on September 2017 by Zila Panchayat members and officials of Directorate of PRI.*

The RMDD expressed (December 2018) its inability to furnish the reasons for irregular diversion as the details sought from respective GPs have not been received by them.

Fraudulent Submission of Utilisation Certificates

As per paragraph 6.3 of TFC Recommendation for the second instalment, the State should send a Utilisation Certificate (UC) for the previous instalment to the Ministry of Finance. The UC would provide details of distribution and release of the relevant instalments to the PRIs.

Scrutiny of records of five GPUs[19] (out of 43) revealed that the GPUs submitted UCs to the tune of ₹ 32.37 lakh (out of ₹ 51.41 lakh) to RMDD involving 21 works, without actually incurring the expenditure. This was corroborated from the status of works and bank statements of the respective GPUs. The UCs were issued by the Panchayat Secretary of respective GPUs. Submission of improper UCs by GPUs is submission of misleading and false information to the Department and fraught with the risk of misuse and diversion of funds.

The RMDD while accepting the observation stated (December 2018) that this was resorted to avail second instalment in the ensuing financial years. Responsibility may be fixed in this matter and disciplinary proceedings may be initiated against the responsible officers.

Delay in construction of Gram Prasashan Kendra

The RMDD proposed to construct 17 Gram Prasashan Kendras (GPK) or Panchayat's administrative office through Zilla Panchayat from the TFC grant at a total cost of ₹ 5.10 crore. The construction of GPKs was taken up for delivering services to the doorstep of the grass root people. Scrutiny revealed that out of the 17 GPKs, 12 were completed as of August 2018. All five incomplete GPKs, were test checked in audit and their details were as follows:

Table -4.3.14
Reasons for delay

Sl. No	Name of the work	Sanctioned amount (in ₹ lakh)	Date of Commencement of Works	Scheduled date of completion	Expenditure incurred till March 2018 (₹ in Lakh)	Reasons for delay
1	GPK at Deythang Parengaon, West	30.00	December 2015	May 2017	2.32 (15)	Land dispute and contractor not able to find machines for ground flooring.
2	GPK at Karthok Bojek. West	30.00	September 2015	February 2017	11.43 (80)	Land dispute
3	GPK at Linge-South	30.00	December 2015	January 2016	13.70 (97)	Reason not on records
4	GPK at Ralong Namlung, South	30.00	December 2015	December 2016	19.70 (85)	Disputes between contractor and the land owner.
5	GPK at Nagi Karek, South	30.00	June 2016	June 2017	11.59 (85)	Illness of contractor's brother as stated by the contractor.

Source: Departmental records. Figures in parenthesis indicates physical progress in per cent.

[19] *(i) Hee –Gyathang, (ii) Thinbong, (iii) Malbassey, (iv) Samdong and (v) Dentam.*

Although vague reasons were cited by the contractor for delay in completion of work, the ZPs did not initiate any action to expedite completion of the works or to penalise the contractors for delay in execution. Resultantly, five GPKs could not be completed despite incurring an expenditure of ₹ 58.74 lakh.

The RMDD stated (December 2018) that works were steadily progressing and would be completed by March 2019.

Undue benefit to the contractor

Sikkim Financial Rule 27 (16) stipulates that no relaxation of specifications agreed upon in a contract or relaxation of the terms of an agreement entered into by Government should be made without proper examination of the financial effect involved in such relaxation. The interest of the public exchequer should be protected before agreeing to any relaxation of agreement or contract.

The construction of two GPKs in Tarku and Borong Phamthang GPs in South District under TFC grant was awarded to contractors based on the lowest tendered rate of ₹ 27.85 lakh for South district. The agreement of contracts did not contain any provision for cost escalation.

The work order for construction of GPK at Borong Phantam and GPK at Tarku in South district was issued during February 2016 and December 2015 respectively to lowest bidders (at par) at tendered cost amounting to ₹ 27.85 lakh each. Both the works were completed.

Scrutiny of records (July 2018) revealed that ₹ 3.27 lakh was paid during July 2016 as cost escalation, to the contractors over and above the agreed rate as shown below:

Table - 4.3.15
Cost escalation

(₹ in lakh)

Sl. No.	Tender Amount	Quoted Rate	Escalation cost paid
1	27.85	At par	1.62
2	27.85	-do-	1.65
TOTAL			**3.27**

Source: Departmental records

Payment of the escalation cost despite absence of provision for cost escalation agreement resulted in undue benefit to the contractors.

The RMDD stated (December 2018) that payment was made with the approval of the competent authorities on the basis of supplementary agreement, copy of which would be provided to Audit. However, the same was not yet furnished.

The reply of the Department was not tenable as entering into supplementary agreement to allow cost escalation was unfair to other bidders and violates the principle of transparency and fair competition.

➢ ***Delay in construction of Community Recreational Centre (CRC)***

The RMDD proposed to construct five Community Recreational Centre[20] (CRC) at a sanctioned cost of ₹ 4.68 crore in North district through ZP from the TFC grant. Three (out of five) CRCs were completed at a cost of ₹ 2.79 crore as of March 2018. Audit examination of the two incomplete CRCs (CRC at Tibuk and Namok Swayem) revealed

[20] *(i) Tumlong, (ii) Tibuk, (iii) Namok Swayem, (iv) Kabi and (v) Phensong*

that the construction of these two CRCs was initially sanctioned by the State Government during November 2011 at an estimated cost of ₹ 52.83 lakh per CRC.

During July 2013, the estimate for construction of the two CRCs were revised to ₹ 94.59 lakh (₹ 41.76 lakh escalation) (Namok Swayem) and ₹ 93.88 lakh (₹ 41.05 lakh escalation) (Tibuk) respectively on the plea that the provision of site levelling and protective works which were inevitable were not included in the original estimates.

Scrutiny of records regarding CRC at Tibuk, the Zilla Panchayat however could not commence the work till June 2014 without assigning any reasons. The construction of CRC remained stalled for almost thirty months from the date of approval/sanction of the Cabinet since the work order was issued only on June 2014. However, till December 2018, the work had not been completed.

In case of CRC at Namok Swayem, scrutiny of records revealed that the land for construction was not available at the time of sanction/ approval of the Cabinet. The land was acquired subsequently in 2013 and work order was issued in December 2013 with a completion time of 18 months. Hence, due to non-availability of land, commencement of work was delayed for 25 months and the work was not still completed as of December 2018. ZP issued a show cause notice (October 2016) to the contractor seeking explanation for the delay in execution of work. However, no response from the contractor was received. The ZP did not pursue the matter further.

The RMDD stated (December 2018) that delay was due to the non-availability of the land and at present land had been provided and the works would be completed by March 2019.

Recommendation (3)

- *The programme execution may be strengthened to ensure completion of works within the stipulated time to avoid time and cost overrun.*

4.3.10 Monitoring and Evaluation

TFC Guidelines (Paragraph-9) stipulated that every State shall constitute a State High Level Monitoring Committee (SHLMC) headed by the Chief Secretary (Chairman) and include Finance Secretary and Secretaries of the concerned Departments as members. The SHLMC shall be responsible for monitoring and evaluation of both the financial and the physical targets, as well as ensuring adherence to specifications and conditionality in respect of TFC grant, wherever applicable. The SHLMC was required to hold quarterly meetings.

Accordingly, the State Government constituted the SHLMC during April 2010. It was reconstituted in July 2012. Audit noticed that only 12 out of the required 20 meetings were held (First meeting been held on 08 October 2010 and last meeting been held on 18 February 2015) during the TFC award period (2010-15).

Scrutiny of minutes of the meetings revealed (August 2018) that although status or progress of works were discussed, no follow up action was taken and matters relating to Local Bodies was discussed in only five (out of 12) meetings. As a result, deficiencies in utilisation of TFC grant, non-completion of works in time, non-adherence of criteria fixed by GoI to avail General Performance Grant and non-utilisation of TFC fund in a timely manner continued to persist.

Further, no records/information regarding constitution of SHLMC and minutes of meeting held in respect of FFC grant were made available/produced to Audit. Hence, Audit could not vouchsafe the formation of SHLMC for FFC grant. The FRED stated (December 2018) that the SHLMC for FFC was not constituted as there were no state specific grants and mandate by the Commission.

During exit conference (December 2018) Additional Chief Secretary, FRED opined that the TFC was too old for third party evaluation. However, evaluation by third party would be conducted for FFC.

Recommendation (4)

- *Monitoring mechanisms of the schemes may be strengthened to ensure timely completion of works and utilisation of assets.*

4.3.11 Conclusion

The Performance Audit of Utilisation of Thirteenth and Fourteenth Finance Commission grant by the State Government was conducted during June-September 2018. The PA revealed that the State Government had initiated a number of good practices such as preparation of Gram Panchayat Development Plan for all the Gram Panchayats, appointment of Ombudsman, setting up of service level benchmarks of ULBs, etc. to ensure proper implementation of FC grant.

The State Government had not initiated adequate planning process to ensure full utilisation of Finance Commission Grants within the award period. Due to compliance with only five (out of eight) conditions stipulated by TFC, the State Government could not avail conditional grants. While absence of need based plan led to idling of funds by ULBs and ZPs, Rural Tourism Facilitation Centres constructed at a cost of ₹ 1.33 crore could not be utilised for the intended purpose due to absence of modalities of utilisation.

There was short release of ₹ 168.30 crore and ₹ 2.20 crore under TFC and FFC respectively due to non-fulfilment of conditions of release of fund by the State Government and delay in completion of projects. Funds of ₹ 0.67 *crore meant for providing immediate relief to natural calamity victims were irregularly diverted towards construction of protective wall, cross drain, etc.*

There was delay in completion of works, non-initiation of the core project relating to Skywalk at Bhaley Dunga and diversion of funds of ₹ 150 crore from the project. There were also cases of irregular utilisation of ₹ 19.19 crore by Forest, Environment and Wildlife Management Department, Roads and Bridges Department and Urban Local Bodies. One hundred and sixty-five Homestays and 10 RTFCs remained incomplete as of August 2018 despite incurring expenditure of ₹67.16 crore, while completed 28 Homestays were not being used as Homestays. Similarly, 16 quarters constructed by the Police Department at a cost of ₹ 2.82 crore at Rhenock and Rongli were yet to be allotted as of August 2018 even after 30-36 months of completion.

Monitoring was found inadequate and no evaluation of the schemes implemented under Finance Commission funding was ever attempted.

INFORMATION TECHNOLOGY DEPARTMENT

4.4 Wasteful expenditure

Failure of the Information Technology Department to ensure conformity to the required design and specifications in construction of the call centre infrastructure by the Building and Housing Department and its negligence to follow up with private agencies for setting up the call centre in Gangtok led to wasteful expenditure of ₹ 54.77 lakh besides defeating the objective of providing a viable source of employment to local youth.

The State Government decided (June 2013) to set up an international standard 100 seated Call Centre at Gangtok as a follow up of the Sikkim Business Summit 2013 held at Gangtok. Accordingly, the Government allotted (June 2013) vacant space available with the Urban Development and Housing Department (UDHD) at the roof top of the old children park shopping complex[21] at Gangtok to the Information Technology Department (ITD) for executing the project.

The ITD accordingly approached (July 2013) the Building and Housing Department (BHD) to provide estimate for construction of the required infrastructure. The ITD specifically mentioned the BHD to provide estimate for covered structure with side walls and rooftop only as the complete interiors will be done by the interested company who bags the contract for running the call centre. The BHD submitted (October 2013) estimate of ₹ 66.50 lakh for the work (*building: ₹39.61 lakh; electrification: ₹10 lakh; water supply: ₹1.72 lakh; cost escalation etc: ₹15.17 lakh)* to the ITD. The ITD while transferring the funds for execution of the project informed the BHD that the work would be jointly supervised by the ITD and BHD to ensure adherence to the required design and specification of a standard call centre infrastructure.

Image 4.4.1

Idle and incomplete structure for Call Centre

The BHD awarded the work (November 2013) to a contractor[22] with stipulation to complete it within three months (February 2014). The contractor completed (June 2014) construction of the building at ₹ 54.77 lakh while works relating to side walls, water supply, and electricity were not carried out for want of exact internal plans and design from the ITD. The project remained stalled for almost two years, there being no decision on the matter. Meanwhile, the ITD refrained from taking over the facility from the BHD due to non-completion of all the items of works. The ITD finally informed (April 2016) the BHD about its decision to do away with the call centre project and requested the BHD to refund the balance fund. The BHD refunded (July 2016) the balance amount of ₹ 11.73 lakh to the ITD. The allotment

---

[21] *4,000 sq. ft.*

[22] *M/s Development Educated Unemployed Youth Co-operative Society Ltd., Development area, Gangtok.*

of the premises to the ITD, in the meantime, was cancelled by the UDHD (October 2016) stating that the Government proposed to utilise the space for other purposes.

The ITD attributed its inability to establish the call centre to (i) non-receipt of favourable response from private agencies for setting up call centre business in Gangtok and (ii) uncertainty about the suitability of the structure constructed by the BHD for establishing the facility.

Audit scrutiny, however, revealed that the ITD's plea that the setting up of call centre at Gangtok was discontinued due to poor response from the corporate sector was not substantiated by facts as three corporate houses had responded (June 2014) favourably to the expression of interest invited (June 2014) by the ITD for the purpose. A representative of one of the agencies had even visited Gangtok (October 2014) to survey the site and discuss the matter. The ITD, however, failed to pursue the matter with the corporate houses to fulfil the objective of setting up the call centre. The ITD's other contention that it was not sure whether the structure completed by the BHD conformed to the required design for operating a call centre was not acceptable as the ITD was equally responsible to supervise the construction work to ensure that the work conformed to the required design and specifications.

Thus, negligence of the ITD to follow up with the private agencies for setting up the call centre in Gangtok and its failure to ensure conformity to the required design and specifications in construction of the infrastructure by the BHD led to wasteful expenditure of ₹ 54.77 lakh, besides defeating the objective of providing a viable source of employment to local youth.

The ITD stated (July 2018) that it could not submit a composite proposal for setting up call centre to the Government for consideration due to handing over of incomplete structure by the BHD. The reply was not acceptable as the ITD failed to supervise the work in time to ensure adherence to the required design and also failed to provide the design/specifications for the unfinished items to the BHD for completing the facility. The project thus remained virtually abandoned as of September 2018, leading to wasteful expenditure of ₹ 54.77 lakh.

POLICE DEPARTMENT

4.5 Unauthorised diversion of funds leading to non-completion of project

Implementation of the project 'Construction of 2nd and 3rd IRB Complex at Mangley' was characterised by commencement of the project by the Police Department without ensuring availability of encumbrance free land at free of cost by the State Government, unauthorised diversion of MPF Scheme funds of ₹ 4.74 crore on purchase of land, inordinate delay of more than two years in completion of project and idling of completed works of ₹ 6.26 crore for more than a year.

In terms of the Modernisation of Police Force (MPF) Scheme[23] guidelines (November 2010), necessary land, wherever required for construction of Police infrastructure such as, construction of police residential and non-residential buildings *(police station buildings, police outposts, police lines, police housing for lower & upper subordinates etc.)*, was to be provided for and handed over by the State Government to the construction agency expeditiously. The above norm was again emphasised by the Government of India (GoI) in February 2013 stressing that encumbrance free land for construction of buildings was to be provided by State Government free of cost.

The Police Department undertook (2011-12) the project 'Construction of 2nd and 3rd Indian Reserve Battalion (IRB) Complex' at Mangley, South Sikkim under the MPF Scheme at a sanctioned cost of ₹ 15.23 crore. The project, executed by the Building and Housing Department (BHD) through a local contractor[24], comprised of six components – Construction of Barrack-I, Barrack-II, Others' Mess (ORs' Mess), Gazetted Officers' Mess (GOs' Mess), Administrative Block and Permanent External Water Supply. The project execution work was commenced in March 2014, scheduled to be completed by September 2016. Status of implementation of the project as of March 2018 was as under:

Table - 4.5.1
Status of implementation of the project

Sl No	Components of the Project	Present Status (March 2018)	Date of Commencement	Scheduled Date of Completion
1	Barrack-I	Completed but idle	March 2014	September 2016
2	Barrack-II	Completed but idle		
3	Others' Mess (ORs' Mess)	Completed but idle		
4	Permanent External Water Supply	Completed but idle		
5	Administrative Block	Incomplete (completed upto 28 *per cent)*		
6	Gazetted Officers' Mess (GOs' Mess)	Work yet to commence		

Out of the Scheme funds of ₹13.83 crore released for the project by GoI till March 2018, the Police Department had incurred ₹ 8.90 crore on the above works. While four out of the six components were completed by March 2017, one component (Administrative Block)

[23] *Funding pattern of MPF Scheme for Sikkim – 90 per cent central share, 10 per cent State share.*
[24] *Sh. Lhendup Dorjee Kaleon.*

was incomplete (28 *per cent*) and construction of GOs' Mess had not commenced even as of March 2018. The failure to complete the project in scheduled time was due to diversion of ₹ 4.74 crore[25] out of the GoI release of ₹13.83 crore meant for construction works by the Director General of Police (DGP) on purchase[26] of land[27] for the project during 2012-15. The diversion resulted in shortage of funds for the project and the consequent delay in execution of the works and failure to complete the project in time. In terms of the MPF scheme guidelines, land for the project should have been provided by the State Government timely, free of cost.

It was further observed that even the completed buildings of Barrack-I, Barrack-II & ORs' Mess (₹ 6.26 crore) were lying idle (November 2018) as the Police Department had failed to provide furniture/furnishing in the buildings to make them usable. The 2nd and 3rd IRB personnel for whom the complex was being constructed, in the meantime, were housed temporarily in a makeshift arrangement at Khelgaon[28], Ranka.

Thus, implementation of the project 'Construction of 2nd and 3rd IRB Complex at Mangley' was characterised by;

- commencement of the project by the Police Department without ensuring encumbrance free land, free of cost from the State Government,
- unauthorised diversion of MPF Scheme funds of ₹ 4.74 crore on land acquisition and consequent shortage of funds for completing the project,
- delay of more than two years in completion of the project, and
- idling of completed buildings of ₹ 6.26 crore for more than a year due to failure of the Police Department to provide furniture/furnishing.

In the Exit meeting (21 December 2018) the Inspector General of Police informed that the work remained incomplete due to fund constraint. The Department was not aware that the MPF scheme fund could not be used for land acquisition. The Department was in the process of obtaining fund from the State resources to complete the project. In a subsequent meeting (24 December 2018), while accepting the above facts, the DGP stated that IRB houses have been completed but due to absence of provision for furniture and furnishing in the earlier cost estimates, it was unable to arrange the items and put the houses to use.

Reply of the Department that it was unaware about the GoI guidelines that the MPF scheme funds could not be utilised for land acquisition was not acceptable as the MPF guidelines were issued (November 2010) much before the acquisition of land. Further, failure to make provision for furniture/furnishing in the cost estimates at the inception stage itself indicated casual approach of the Department in ensuring a complete building plan with all required facilities.

[25] *₹1.89 crore on 07/01/2012 ₹1.15 crore on 08/01/2014 and ₹1.70 crore on 21/04/2014.*

[26] *From various private individuals through the Land Revenue and Disaster Management Department.*

[27] *Total cost of 33 ha land: ₹14.11 crore; ₹4.74 crore diverted from MPF scheme ; ₹9.37 crore provided by State.*

[28] *A Government Sporting facility created for promotion of Sports, under the Sports and Youth Affairs Department, Government of Sikkim.*

LAND REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.6 Ineffective execution of project leading to loss of revenue

Execution of the project 'Restoration, Renovation and Modernisation of Lower Lagyap Hydro Power Project' by the Energy and Power Department (EPD) was lax and ineffective owing to failure to ensure encumbrance free work site, failure to exercise due rigour in execution and consequent inordinate delay in completion of project leading to idle expenditure of ₹ 35.90 crore and loss of revenue of ₹ 81.24 crore[29] to the State.

The project 'Restoration, Renovation and Modernisation of Lower Lagyap Hydel Project (LLHP)' in East District was taken up (November 2012) by Energy and Power Department (EPD) from the funds of ₹ 43.97 crore allocated (September 2012) by Land Revenue and Disaster Management Department (LRDMD) by diverting funds out of ₹1,000 crore sanctioned (September 2011) by Government of India towards reconstruction of infrastructure damaged by the earthquake of 18 September 2011. The aforesaid diversion was mentioned in the Audit Report[30] on Government of Sikkim for the year ended March 2013 (Report No. 1 of 2014). While justifying the diversion, the EPD had replied (October 2013) that complete refurbishment of the old power house would generate substantial revenue to the tune of ₹ 20 to ₹ 30 crore per annum for the State. The EPD's justification was not accepted in audit as the central assistance was meant for restoration of damages caused by earthquake and not for renovating or modernising old infrastructure.

The unauthorised diversion of fund notwithstanding, the EPD undertook the project by publishing (November 2012) Notice Inviting Tender (NIT) and awarding (23 May 2013) the project comprising of the components: civil works (₹ 8.07 crore), electromechanical works (₹ 19.97 crore) and hydro-mechanical works (₹ 15.18 crore) to a contractor at a negotiated lump-sum fixed cost of ₹ 43.22 crore[31] with stipulation to complete the project within 18 months (3 December 2014).

To justify its claim of earning revenue of the order of ₹ 20 to ₹ 30 crore per annum for the State, it was essential that the EPD commenced the project in right earnest by ensuring encumbrance free work site before commencement of work that it exercised due rigour in its execution and completed the project within scheduled time.

Audit however noticed that even as of June 2018, more than three years of the scheduled date of completion, the project was languishing in an incomplete state.

Audit also noticed that two days before the scheduled date of completion of work (3 December 2014), the contractor requested (1 December 2014) the Secretary, EPD for time extension of 10 months (upto 11 October 2015) for completion of the project on the ground that the work could not progress as scheduled due to hindrances by local public for

---

29 *Calculated at potential annual revenue of ₹22.74 crore per annum expected from the LLHP at 50 per cent capacity utilisation for 1304 days reckoned for the period from 4 December 2014 to 30 June 2018.*

30 *Performance Audit on 'Disaster Management'.*

31 *Balance ₹0.75 crore of the sanctioned project cost was earmarked for hydrological/geotechnical study, consultancy, advertisement & publicity charges.*

laying of water conductors. The Department granted (3 December 2014) time extension upto 11 October 2015. However, while the work was not completed even by the extended time, neither the contractor sought further time extension beyond 11 October 2015 nor did the Engineer-in-charge grant extension of time[32] pointing to failure in exercise of due rigour in execution of the project.

Audit observed (March 2018) that the contractor had completed (November 2015) installation of the electromechanical components of the project and the power house was ready for trial run by November 2015 itself. However, due to failure to complete the civil/hydro-mechanical component of laying the water conduit pipes, which had actually been damaged by the earthquake for which the central assistance had been provided, the EPD was unable to commission the project even as of June 2018. Thus, not only were the installed machineries not put to test till date and were lying idle, but the expected revenue generation of the order of ₹ 22.74 crore[33] per annum from the project was not forthcoming as of June 2018. The limited period warranty of two years with which most of the machineries came, in the meantime, expired.

The EPD replied (August 2018) that the public of the area raised objections to laying of the head race pipes due to lingering fear of the earthquake of 18 September 2011 which had damaged the pipelines causing flooding and landslides. The hindrance raised by the public of the area was beyond the EPD's anticipation. In a subsequent reply, the EPD stated (December 2018) that the work had since been resumed after settlement of the matter and was expected to be completed by February 2019.

Reply of the EPD that it could not anticipate objection by the public of the area was not acceptable as the public of the area had represented to the Government (Chief Minster/Speaker/Department) in February 2013 itself, barely three months after award of work, to take adequate protective measures for ensuring safety of the villages lying below the area through which the pipeline was to pass. The EPD was thus aware of the concern of the public of the area right from the commencement of the work but had failed to address the issue effectively in time leading to loss of huge revenue to the State.

Thus, execution of the project 'Restoration, Renovation and Modernisation of Lower Lagyap Hydro Power Project' by the EPD was lax and ineffective due to the EPD's failure to (1) commence the project in right earnest after ensuring encumbrance free work site (2) failure to exercise due rigour in execution of work (3) failure to address the concern of the public of the area in opportune time, and, (4) failure to complete and commission the project within schedule time leading to idle expenditure of ₹ 35.90 crore and loss of revenue of ₹ 81.24 crore[34] to the State.

The Department/Government may therefore take immediate steps to ensure early completion of the project to avoid further loss of revenue to the State.

---

32 *as envisaged in Sikkim Public Works Manual, 2009 (Clause 22.7 and 22.8)*

33 *Total units generated per annum on full capacity = 12.6 MWx1000x365 daysx24hrs = 11.04 crore KWH. Potential Revenue from full capacity = 11.04 crore units x ₹4.12 per unit = ₹45.47 crore per annum. Potential revenue from 50 % capacity utilisation = ₹22.74 crore per annum.*

34 *Calculated at potential annual revenue of ₹22.74 crore per annum expected from the LLHP at 50 per cent capacity utilisation for 1304 days reckoned for the period from 4 December 2014 to 30 June 2018.*

Chapter V
Follow up of Audit Observations

CHAPTER V
FOLLOW UP OF AUDIT OBSERVATIONS

5.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance, Revenue and Expenditure Department (FRED), Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of September 2018, in 25 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2012-13. In respect of Audit Reports for the year 2013-14, 2014-15, 2015-16 and 2016-17, explanatory notes had not been submitted by concerned departments in 78, 47, 75 and 100 *per cent* cases respectively.

5.2 Response of the departments to the recommendations of the Public Accounts Committee

The FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC's Reports to the Legislature. The PAC's Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

Audit Reports (AR) for the year up to 2011-12 had been discussed and recommendations made on the ARs for the year up to 2010-11. As of September 2018, ATNs had been received in respect of all 614 recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2010-11.

5.3 Follow up audit of PAC's recommendations on the Performance Audit 'Acquisition and allotment of land'

Report on Performance Audit (PA) on "Acquisition and Allotment of Land" for the period 2006-11 covering two Departments, *viz.* Land Revenue & Disaster Management Department (LRDMD) and Urban Development & Housing Department (UDHD) was included in the Audit Report of the Comptroller and Auditor General of India (C&AG) for the year ended 31 March 2011 (Report No. 2). The report was discussed by the Public Accounts Committee of the State Legislature of Sikkim in July 2016.

5.3.1 Objective, scope and methodology of audit

The PA contained 41 observations and four recommendations which included 13 actionable points and the departments were required to take remedial actions on them. Audit examined records relating to the corrective action taken by the Department on these 13 actionable points during April 2018 to July 2018 covering 11 departments[1]. The status of actionable points was categorised as 'Insignificant or no progress', 'Substantial implementation', or 'Full implementation'. Position of action taken by the Departments was as below:

Table 5.3.1
Status of actionable points

Recommendations	Audit Observations	Actionable points	Action taken		
			Insignificant or no progress	Substantial implementation	Full implementation
04	41	13	07	02	04

5.3.1.2 Recommendations of Public Accounts Committee (PAC)

The PAC in its 108 Report (March 2017) directed the Department to ponder upon Audit observations and initiate remedial actions subject to practicality.

Action Taken Note (ATN) by the Department was submitted to PAC in January 2018. The Action Taken Report (ATR) was not yet finalised by the PAC (December, 2018).

5.3.2. Audit findings

5.3.2.1 Implementation of audit recommendations/observations

Audit examined the corrective actions taken by the Department on the 13 actionable points. The category-wise status of action taken on the actionable points is given below:

---

[1] *(i) LRDMD (ii) Urban Development & Housing Department (UDHD) (iii) Roads & Bridges Department (RBD) (iv) Rural Management and Development Department (RMDD) (v) Tourism and Civil Aviation Department (T&CAD) (vi) Energy and Power Department (E&PD) (vii) Animal Husbandry, Livestock, Fisheries & Veterinary Services Department (AHLF&VSD) (viii) Human Resource Development Department (HRDD) (ix) Cultural Affairs & Heritage Department (CA&HD) (x) Sashastra Seema Bal (SSB) and (xi) Health Care, Human Services and Family Welfare Department (HCHS&FWD).*

Table 5.3.2
Category-wise status of action taken on the actionable points

Insignificant or no progress

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
1. The LRDMD should formulate a State Land Policy early. The Department may also revisit its mandate and incorporate all aspects of land acquisition like land stability, custody and monitoring of Government land, penalty against encroachment, etc. Departmental Code and Manual may be accordingly prepared and notified.	The LRDMD despite being specifically mandated to deal with all matters relating to settlement of all Government lands (excluding Forest and UDHD) had not formulated any **policy** relating to acquisition and management of Government lands till date. **(Paragraph 1.2.6.1)**	1.1. Formulation of State Land Policy by LRDMD	State Land Policy was not formulated.	The LRDMD did not formulate State Land Policy (November 2018). The LRDMD in its reply (March 2017) to the PAC had stated that the State has its own laws and framing of land policy would contravene the existing land laws under Article 371 (F) of the Constitution. Audit scrutiny of existing laws revealed that the laws did not deal with acquisition of the Government land. It pertained to ban on sale/mortgage/sub-let of land belonging to Bhutia/ Lepcha communities to other than Bhutia/Lepcha communities (17 May 1917) and also to ban on sale of land to non-Sikkimese (25 February 1961). Article 371 (F) does not bar the State Government from making State Land Policy regarding acquisition of Government lands. Thus, the question of contravention of Article 371 (F) does not arise while framing such Land Policy. The LRDMD in the exit conference (21 December 2018) stated that formulation of State Land Policy was in process.

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
				Recommendation: The Government should formulate appropriate State land policy.
		1.2. Revisit of LRDMD mandate.	Mandate of the LRDMD was not revised to incorporate various aspects of land acquisition like land stability, custody and monitoring of Government land, penalty against encroachment, etc.	Although the State Government revisited (October 2017) the Allocation of Business Rules, 1994, no change in the mandate was effected in respect of LRDMD. The LRDMD in the ATN submitted (January 2018) to the PAC stated that LRDMD acts as a channel and facilitates the acquisition of land for land acquiring departments upon receipt of requisition from departments and existing system would be further strengthened giving due consideration to the recommendations. LRDMD in the exit conference stated (December 2018) that the LRDMD was responsible for acquiring land on behalf of any requiring Department as per the provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013 which was a Central Act. Before the enforcement of the said Act, the acquisition of land used to be carried out under the Land Acquisition Act, 1894. Therefore, revisiting of mandate was not required. Since the land acquisition and related issues were the subject matters pertaining to LRDMD and not to land acquiring Department as per the Government of Sikkim (Allocation of Business Rules, 1994 as amended up to October 2017, the

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
				issues recommended in Audit Report should have been incorporated while re-visiting (October 2017) the mandate.
	Although, the State is prone to frequent disasters resulting from landslides, flash floods and earthquakes, the aspects relating to land stability and vulnerability to disasters were not addressed at the time of acquisition of lands by the LRDMD. **(Paragraph 1.2.6.4)**	1.3. To obtain land stability and vulnerability report before acquisition of land from competent authorities.	Land stability and vulnerability report was not obtained by the LRDMD before acquisition of land from competent authorities.	Audit noticed that the LRDMD, subsequent to the publication of Audit Report (2010-11), made 47 land acquisitions (during April 2012 to March 2018) on behalf of nine departments[2]. However, reports on land stability and vulnerability to disasters in case of 45 (out of 47) acquisitions of land were not obtained from the Mines, Minerals and Geology Department (MM&GD). LRDMD in its ATN submitted (January 2018) to PAC stated that the onus of determining and ascertaining the stability of the land and its worthiness for the purpose, *etc.* lay with the land acquiring Department. LRDMD in the exit conference (December 2018) reiterated that the responsibility of obtaining land stability and vulnerability rested with the land acquiring departments. Department, further stated that a circular to this effect would be issued shortly to ensure land stability and vulnerability report of land was obtained from the competent authorities (MM&GD) before acquisition by the land acquiring departments. A copy of the same would be shared with audit.

[2] *(i)) RBD (ii) RMDD (iii) T&CAD (iv) EPD (v) AHLF&VSD (vi) HRDD (vii) CA&HD (viii) UDHD and (ix) SSB*

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
				LRDMD at the instance of Audit issued circular (26 December 2018) to all the State Government departments directing them to obtain land stability report from MM&GD before forwarding proposals to the LRDMD for acquisition of land. **Recommendation: The Government/Department should obtain Stability and Vulnerability Report from all departments concerned seeking to acquire land suffering from such issues.**
	The land acquiring departments had not mutated the land in favour of the Department. In three cases involving three departments[3], there were litigation due to dispute over title	1.6. To levy penalty against encroachment, *etc.*	LRDMD had not maintained records relating to encroachment of Government land.	LRDMD has not maintained any database of Government land under encroachment nor did it make any effort to collect the same from other departments/District Collectors to initiate steps to remove the encroachment and penalise the encroachers. Audit called for information on encroachment cases from eight departments[4]. Six departments[5] furnished a list of 162 cases relating to encroachment; while, two departments[6] did not respond. Out of the above cases, two cases pertaining to Tourism and Civil Aviation Department were settled. One case was settled

[3] *(i) HCHS&FWD, (ii) Transport and (iii) AHLF&VSD*
[4] *(i) HCHS&FWD (ii) RBD (iii) FE&WMD (iv) RMDD (v) T& CAD (vi) E&PD (vii) AHLF&VSD (viii) HRDD*
5 (i) T& CAD (2); (ii) E&PD (133); (iii) AHLF&VSD (1); (iv) HRDD (26); (v) FE&WMD (0) and (vi) RMDD (0)
[6] *(i) HCHS&FWD (ii) RBD*

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
	of land and encroachment. **(Paragraph 1.2.8.1)**			(February 2018) through court judgement declared in favour of the Department and in another case, the land was regularised in favour of the encroacher. Out of the remaining 160 cases of encroachment, the Energy and Power Department initiated and issued notices, through Legal Officer cum Advocate of the Department, to the encroachers in nine cases (out of 133) to vacate the encroached land. In the remaining 151 cases, no action was initiated by the departments concerned. LRDMD in its ATN submitted (January 2018) to PAC stated that instructions have been issued to the field functionaries through District Collectors for check upon cases of encroachment. The LRDMD also assured the PAC that penal provision against encroachment will be incorporated while formulating 'State Land Policy and Departmental Code and Manual. In the exit conference (December 2018), the LRDMD while agreeing that there are no systems for regular survey of Government land, informed that the last survey was carried out in 1978 and another survey was being planned for next year (2019-20). The Department, further stated that clause relating to penalty against encroachment would be incorporated in the proposed State Land Policy.

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
				Recommendation: The Government should institute inbuilt mechanism through statutory/legal provision or by way of an Act for imposing penalty and such other action against encroachment of Government lands.
	There was no Departmental Code or Manual to regulate the functions and activities of the LRDMD and the duties and responsibilities of the officers and staff. No segregation of duties among different level of sub-ordinate staff/ officers (Survey Inspector, Revenue Officer, Sub-Divisional Magistrate, District Collector) was done	1.7 To prepare and notify the departmental Code and Manual.	Departmental Code and Manual was not prepared.	No Departmental code or manual was found in the Department during the audit scrutiny. LRDMD in its ATN submitted (January 2018) to PAC stated that the Department would give due consideration to the recommendations while formulating State Land Policy and Departmental Code & Manual. LRDMD in the exit conference (December 2018) reiterated that the Department was formulating the Code and Manual. The exercise would be completed within six months. **Recommendation: The Department should formulate Departmental Code and Manual to effectively regulate its functions and activities.**

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
	with prescribed percentage of checking of assessment cases at each stage. **(Paragraph 1.2.11.1)**			
3. Cost of standing properties in respect of land acquired for PMGSY road and SPWD road should be thoroughly verified before approval and sanction.	Land compensation, inter alia, included cost of standing trees. For removal of more than five trees for any non-forestry project, marking order from the Forest, Environment and Wildlife Management Department (FEWLMD) was required to be obtained before the removal of the	3.1. Inclusion of cost of standing trees in respect of land acquired for PMGSY road and SPWD road only after obtaining order from FEWLMD	Cost of standing trees were included in land compensation without obtaining marking order from FEWLMD.	LRDMD did not ensure adequate checks by obtaining marking order for trees beforehand from FEWLMD to prevent inclusion of excess number of trees in compensation claims. Audit scrutiny of 12 cases (out of 47 cases involving ₹ 14.76 crore for the period 2012-18) revealed that in 10 cases ₹ 3.93 crore was paid as compensation for 9,385 trees without obtaining marking order from FEWLMD (Details are in **Appendix 5.1**). LRDMD in its ATN submitted (January 2018) to PAC stated that the system of verification at multiple levels was already in place wherein the following procedure was adopted for determining the number and cost of standing properties: 1. First, a joint survey in the presence of land owners, revenue officials, panchayats and the representatives of the requiring Department is conducted.

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
	trees. Although the assessing authorities included large number of trees for different road projects, in most cases, no marking orders were obtained from the FEWLMD for removing the trees. **(Paragraph 1.2.8.11)**			2. The Revenue official enumerates the standing property in the prescribed statement form. 3. Revenue officer scrutinises the form. 4. Revenue officer after scrutiny of said form forwards it to the District Collector, who also scrutinises the form and forward it to the LRDMD. 5. LRDMD scrutinises the forms before sending it to the land acquiring department for release of payment. 6. In case of any discrepancies in the statement the same is sent back to the concerned District Collector for rectification. The LRDMD assured (January 2018) the PAC that the Department would further strengthen the procedure. However, the District Collector during assessment of standing properties did not ensure the involvement of personnel from the Forest Department. **Recommendation: The Department should invariably obtain prior marking orders from FEWLMD for removal of standing trees from all lands proposed to be acquired for road projects.**
4. Firm criteria should be laid down	The UDHD did not have any databank	4.2 UDHD to maintain	Comprehensive data bank not	Audit checks revealed that comprehensive databank for urban land was not maintained by UDHD. The Department

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
for allotment of house sites by the UDHD to ensure allotment to the most deserving candidates. Comprehensive databank of Government land in urban notified areas should be created and maximum and minimum ceiling for allotment of house sites should be prescribed.	of total land available with it in the urban notified areas for allotment of house sites. The house sites were allotted on the basis of plots identified by the applicants themselves. **(Paragraph 1.2.10.1)**	comprehensive databank of Government land in urban notified areas.	maintained by UDHD.	stated (May 2018) that the comprehensive databank of land in urban notified areas was maintained by the nodal department *i.e* LRDMD. Further, LRDMD in its ATN submitted (January 2018) to PAC assured that the Department will duly consider the recommendation for creation of comprehensive databank of Government land in urban areas in consultation with UD&HD. UDHD in the exit conference (December 2018) stated that the preparation of comprehensive data of Government land in urban notified areas was in process.

Substantial implementation

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
1. The LRDMD should formulate a State Land Policy early. The Department may also revisit its mandate and incorporate all aspects of land acquisition like land stability, custody and monitoring of Government land, penalty against encroachment, etc. Departmental Code and Manual may be	Despite repeated Government instructions, the heads of various departments took no substantive action to mutate and register lands acquired by the Government at substantial cost. This resulted in litigation due to want of proper ownership documents. In 76 cases involving 60.2455 hectares land in respect of four Departments[7], the land was not registered and mutated in favour of	1.4 To mutate land in favour of Department acquiring land and custody thereof.	Records relating to mutation of land in favour of Department acquiring land and custody thereof were not maintained by LRDMD.	The LRDMD acquired land involving 143.5023 hectares for 47 construction works on behalf of nine land requiring departments. Test check of 16 (out of 47) cases involving six departments[8] revealed that: • in nine cases pertaining to five departments[9] involving 10.4048 hectares lands were mutated in favour of land acquiring departments. • in four cases pertaining to three Departments[10], the land was partially mutated[11]. However, area of partially mutated land was not furnished to Audit. • in the remaining three cases pertaining to three Departments[12] involving 2.9577 hectares of land, mutation was not done at all. Reasons for not obtaining mutation of land acquired by the Departments were not on record either with the District Collectorate office or with the land acquiring Departments. LRDMD in the exit conference (December 2018) stated that responsibility of mutation and registration of Government land

[7] *(i) HCHS&FWD (ii) UDHD (iii) AHLF&VSD (iv) Horticulture & Cash Crop Development (H&CCD)*
[8] *(i)E&PD (4)(ii) UDHD(1)(iii) AH, L, F&VSD (2)(iv) T&CAD (4) (v)SPWD(R&B) (4) (vi) HRDD (1)*
[9] *(i) E&PD (2) (ii) UDHD (1)(iii) AHLF&VSD (1) (iv) T& CAD (2) and (v) RBD (2)*
[10] *(i) E&PD (2) (ii) T & CAD (1) and (iii) RBD (1)*
[11] *Involved 70 nos. of plots of land, out of which 43 plots of land were mutated in favour of departments and in remaining 27 plots land were not mutated.*
[12] *(i) HRDD(1) (ii) T&CAD (1) and (iii) RBD (1)*

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
accordingly prepared and notified.	the Department/ Government. **(Paragraph 1.2.8.1)**			lay with the land acquiring departments. The cases of partially mutated and non-mutated land were being investigated and report after investigation shall be submitted to Audit. The report was awaited.
	There was no system of centralised monitoring and supervision of Government land by the LRDMD. The Department did not possess centralised databank for all the Government land under various departments. As on date, it was not clear how much land Government possessed. **(Paragraph 1.2.12)**	1.5 To devise a suitable system of centralised monitoring and prepare centralised data bank.	Suitable system of centralised monitoring and data bank was not devised.	Sub-divisions wise data of Government land by the respective Sub-Registrars/SDMs under the District Collectors were maintained electronically with proper ownership documents like Khasra number, Khatian in favour of Departments, site plan of the acquired area, *etc.* However, LRDMD had neither maintained comprehensive centralised data bank for all the Government land nor devised system of centralised monitoring. LRDMD in the exit conference stated (December 2018) that the data of Government land maintained by all the District Collectors were being sought for preparation of comprehensive data of Government land. **Recommendation: The Department should maintain comprehensive centralised data bank for all Government lands and also devise appropriate system for centralised monitoring of such data.**

Full implementation

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
2. The rates of land should be periodically revised and determined based on scientific principles in keeping with current utilisation pattern. Compensation for land should be finalised after rigorous checking and vetting at several levels.	The LRDMD normally applied the following methodology for determining the rates for acquisition of land - (i) rate notified by the Government (LRDMD) from time to time based on agricultural productivity, where the land owner agreed to sell his land willingly (ii) in the event the land owner was not willing to sell land at the Government notified rate, acquisition was effected after determining the prevailing market rate in terms of Section 23 of the Land Acquisition Act, 1894. There was no prescribed formula or methodology for determining Government rates of land. No norms had been laid down for regular and periodical revision of the rates. Audit scrutiny revealed that Government rate was not updated regularly at fixed intervals of time. The rates were enhanced and reduced arbitrarily without	2.1 Periodic revision of rate of land and determination of rates based on scientific principles in keeping with current utilisation pattern.	The Block rates have been determined based on the procedure prescribed in the First Schedule of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013. LRDMD stated (July 2018) that land compensation, before 1st January 2014 was determined as per Section 23 of Land Acquisition Act, 1894 and after 1st January 2014, the procedure prescribed as per the 1st Schedule of the RFCTLARR Act, 2013 was followed.	LRDMD revised and notified block rates (May 2018) of land for registration fees and stamp duty to serve as a bench mark for estimating the valuation of land. LRDMD in the exit conference reiterated (December 2018) that revised Block rates of land have been notified (May 2018). The Block Rates have been framed, based on the methodology prescribed under the RFCTLARR Act, 2013 for calculation of market rates. **Recommendation: The Department should undertake periodic revision of rate of land and determine rates based on scientific principles in consonance with current utilisation pattern.**

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
	following any rationale or established procedure. **(Paragraph 1.2.6.2)**			
	For the purpose of fixation of market rate and assessment of land compensation, different levels of sub-ordinate staff/officers *(Survey Inspector, Revenue Officer, Sub-Divisional Magistrate, and District Collector)* were involved in the Department, segregation of duties with a fixed percentage of checking at each stage had not been prescribed. Scrutiny of records revealed that in nine cases, extra expenditure of ₹ 22.14 crore had to be incurred by the Government due to erroneous assessment such as simple calculation mistake, *etc.* The assessment done by the lowest level officer was rarely checked by officers at higher levels. Hence, connivance of the field officers with the land owners to inflate cost of land and thereby extend undue	2.2 Compensation for land to be finalised after rigorous checking and vetting at several levels	The procedures adopted by District Collector for fixing of rate and assessment of land compensation was based on the Executive Instructions for implementation of the Land Acquisition (LA) Act, 1894.	Audit check of 25 (Out of 47) cases of land acquisition done during April 2012 to March 2017 revealed no discrepancies in calculation of land compensation. The LRDMD assured (January 2018) the PAC that Department will further strengthen the procedure. LRDMD in its reply (May 2018) stated that system for checking of land compensation at multiple levels was in place. LRDMD in the exit conference reiterated (Dec 2018) that the system of verification and determining the compensation for land at multiple levels was already in place. The system, however, was not found codified thus, leaving room for discrepancy. **Recommendation: The Department should codify the procedure for finalisation of land compensation with due rigour before finalisation.**

Audit Recommendations	Gist of observations made in the Audit Report of 2011	Actionable points	Current status	Audit findings/comment
	financial benefit could not be ruled out. ***(Paragraph 1.2.8.2)***			
4. Firm criteria should be laid down for allotment of house sites by the UDHD to ensure allotment to the most deserving candidates. Comprehensive databank of Government land in urban notified areas should be created and maximum and minimum ceiling for allotment of house sites should be prescribed.	No eligibility criteria like BPL, weaker sections of the society, Scheduled Caste/Scheduled Tribe, landless labourers, low income groups, eminent personalities, *etc.* were prescribed in the Act or in any Notification issued by the Government. Stringent selection procedure had also not been delineated for allotment of house sites. **(Paragraph 1.2.10.2)**	4.1. Firm criteria should be laid down for allotment of house sites by the UDHD to ensure allotment to the most deserving candidates.	The Sikkim Site Allotment Rules was notified on 22 May 2012 and all matters relating to candidature, maximum and minimum ceiling, etc. had been inserted in the said notification. Further, no fresh allotments of sites had been made after framing the above rules.	After publication of Audit Report, UDHD notified (February 2012) the Sikkim State Site Allotment Rules, 2012 and reservation criteria like BPL, scheduled weaker sections of the society, Scheduled Caste/ Scheduled Tribe, landless labourers, low income groups, eminent personalities, etc. for allotment of house sites were incorporated in the said Rules. However, no land had been allotted to any individual after framing of Site Allotment Rules, 2012.
	The UDHD had not incorporated any ceiling limit for minimum and maximum area (size limit) for allotment of house sites. In the absence of ceiling limit, the allotment of sites ranged from 49 sq. ft. to 6631 sq.ft. **(Paragraph 1.2.10.4)**	4.3 To prescribe maximum and minimum ceiling for allotment of house sites.	All matters including maximum and minimum ceiling for house allotment have been inserted in the Notification (May 2012) issued by UDHD.	Audit check of the Sikkim State Site Allotment Rules 2012 revealed that Ceiling limit of minimum of 500 square feet and maximum of 1200 square feet for allotment of house sites were incorporated.

5.3.3 Conclusion

The Audit Report comprised four audit recommendations containing 13 actionable points. Follow up Audit on the above actionable points revealed that the departments had implemented the audit recommendation regarding notification of the Sikkim State Site Allotment Rules, 2012 duly incorporating reservation for weaker sections, SC/ST, land less labour, etc. and indicating maximum and minimum ceiling limit of area for allotment of house sites, notification of Block rates for determining market rate of land and streamlining the system of checking of assessment of land compensation.

Substantial implementation was also noticed relating to the mutation of Government land and centralised monitoring system for Government land. However, the State Government had not achieved much progress relating to formulation of State Land Policy, obtaining stability and vulnerability report from Mines and Geology Department before acquisition of land, instituting penalty against encroachers of Government land, formulation of Departmental Code and Manual and maintenance of comprehensive data bank for urban land.

The Departments in the Exit Conference (December 2018) assured that expeditious action will be initiated for compliance of the remaining actionable points of Audit recommendations. As such, Audit recommend as under:

(a) The Government should formulate appropriate State Land Policy.

(b) The Government / Department should obtain stability and vulnerability report from all departments concerned seeking to acquire land so as to avoid acquiring land suffering from such issues.

(c) The Government should institute inbuilt mechanism through Statutory/legal provision or by way of an Act for imposing penalty and such other action against encroachment of Government land.

(d) The Department should formulate Departmental Code and Manual to effectively regulate its functions and activities.

(e) The Department should maintain comprehensive centralised data bank for all Government lands and also devise appropriate system for centralised monitoring of such data.

5.4 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

Departmental Audit and Accounts Committee: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the departmental Secretary/Head of Department to monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the Accountant General (Audit). It was to hold meetings once in three months and to send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2017-18, no DAAC meeting was held.

State Audit and Accounts Committee: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary. This was to monitor the response and corrective action on the findings reported by Audit to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished, though called for.

After formation of DAAC and SAAC by the State Government, Human Resource Development Department and Animal Husbandry, Livestock and Fisheries Development Department approached the Office of the Accountant General, Audit (AG) to settle outstanding paragraphs and IRs during 2011-12 and 2015-16 respectively. However, during 2012-15 and 2016-18, not a single Department approached to settle outstanding paragraphs and IRs.

5.5 Outstanding Inspection Reports

The AG conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issue of IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected, with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2018 is shown below:

Table 5.5.1
Position of outstanding Inspection Reports and Paragraphs

Year	Civil (*including works, Forest and Autonomous Bodies*)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2013-14	608	1401	62	149	78	241
2014-15	120	401	3	10	16	66
2015-16	123	512	11	37	18	132
2016-17	90	424	10	35	13	108
2017-18	81	426	5	16	7	46
TOTAL	**1022**	**3164**	**91**	**247**	**132**	**593**

This large pendency of IRs was indicative of inadequate action by the Heads of offices and departments in respect of remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

5.6 Departmental Audit Committee Meetings

The position of Audit Committee Meetings for the year 2017-18 are detailed below:

Table 5.6.1

Position of Audit Committee meetings held and IRs/Paragraphs discussed/settled

Sector	No. of meetings	Discussed		Settled	
		IR	Paragraphs	IR	Paragraphs
Civil (*including Works, Forest and Autonomous Bodies*)	3	28	112	7	69
Revenue	-	-	-	-	-
Commercial	-	-	-	-	-
TOTAL	**3**	**28**	**112**	**7**	**69**

During 2017-18, three Audit Committee Meetings were held, and 28 IRs and 112 paragraphs were discussed, out of which, seven IRs and 69 paragraphs were settled.

Gangtok
Dated: 05 July 2019

(RINA AKOIJAM)
Accountant General (Audit), Sikkim

Countersigned

New Delhi
Dated: 08 July 2019

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

Audit conducted during 2017-18 under Economic Sector

(Reference: Paragraph 1.2)

(₹ in lakh)

Name of the unit	Expenditure of the unit (i.e. of the unit for the financial year for which audit conducted)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Director, Directorate of Handicrafts & Handloom, Gangtok			953.64	952.78	
Commissioner cum Secretary, Co-operation Department, Gangtok					1,380.48
Principal Secretary, Commerce & Industries Department, Gangtok				3,362.00	
Joint Registrar, Co-operation Department, East District, Gangtok		196.00	204.00	215.00	
Principal Chief Engineer cum Secretary, Roads & Bridges Department, Gangtok.				13,173.00	
Sikkim Building Other Construction Workers Welfare Board, Gangtok		312.95	648.91	472.16	
Principal Director, cum Secretary, Small Farmers Agri Business Consortium (SFAC), Gangtok			5,325.00	3,662.00	
Principal Director, Horticulture & Cash Crop Development Department, Gangtok				11,293.16	
District Project Management Unit, North East Rural Livelihood Project, Jorethang, south Sikkim				1,282.21	
Project Director, North Eastern States, Roads Investment Programme, Gangtok				3,954.03	
District Project Management Unit, North East Rural Livelihood Project, Gyalshing, West Sikkim				1,436.40	
Secretary, National rural Drinking Water Programme, Rural Management Development Department, Gangtok	11,890.00	3,328.00	1,158.00	2,608.00	
Project Director, South Asian Tourism Infrastructure Development Project, Tadong				630.60	
Joint Director, Food Security & Agriculture Department, East District, Gangtok			462.00	387.00	
Joint Director, Food Security & Agriculture Department, West District, Gyalshing			289.86	200.04	
Joint Director, Food Security & Agriculture Department, North District, Mangan			199.00	151.00	
Commissioner cum Secretary, Food Security & Agriculture Development, Department, Gangtok				2,344.00	
Sikkim Livestock development Board, Gangtok				270.17	
Secretary, Mines Mineral & Geology Department, Gangtok				455.83	
Secretary, Tourism Department, Gangtok				3,086.74	
Director, Directorate of Fisheries, Gangtok				371.58	
Joint Director, Directorate of Fisheries, West District, Gyalshing	81.69	83.54	78.31	82.52	
Joint Director, Directorate of Fisheries, North District, Mangan		63.69	66.02	70.09	
Project Director, SRDA, Rural Management & Development Department Gangtok				723.00	
The Secretary, Animal Husbandry Livestock & Fisheries Department, Gangtok				2,189.00	
Divisional Engineer, Building & Housing Department, North Sikkim			29.53	39.90	
Project Director, Japan International Co operation Agency, Forest Department, Gangtok				1,663.88	
Director, State Institute of Rural Development, Karfectar, Jorethang				637.00	

Name of the unit	Expenditure of the unit (i.e. of the unit for the financial year for which audit conducted)				
Superintendent Engineer (S/W) Rural Management & Development Department, Jorethang			466.68	368.39	357.33
PCE cum Secretary, Building & Housing Department, Gangtok				4,097.68	
Secretary, Excise Department, Gangtok				532.00	
Principal Director cum Secretary, Horticulture & Cash Crop Development Department, Gagntok				8,632.72	
Principal Chief Conservator of Forest cum Principal Secretary, (Territorial), Forest Environment & Wildlife Management Department, Gangtok				8632.72	
Divisional Forest Officer (T) East Division, Gangtok			634.30	631.67	
The Divisional Forest Officer (T), North Division, Sikkim			265.18	281.41	
Divisional Forest Officer (T), South Division, Sikkim			430.61	433.81	
Divisional Forest Officer (T), West Division, Gyalsing		103.00	125.00	72.00	
Joint Director, South, Horticulture & Cash Crop Development Department, Namchi		258.15	298.89	231.39	
Joint Director, West Horticulture & Cash Crop Development Department, Gyalshing	469.55	634.74	878..55	805.43	
Assistant Director, Handicraft & Handloom (DHH), South, Namchi		69.87	88.83	87.64	
Assistant. Director, Directorate of Handloom & Handicraft, West District, Gyalshing		116.30	169.68	123.77	
Assistant. Director, Directorate of Handloom & Handicraft, North District, Mangan		82.06	91.84	109.94	
Principal Secretary, SNT, Gangtok			3,926.23	4,665.14	
Chief Conservator of Forest, Soil Conservation, Gangtok				211.45	
Secretary, Water Security & Public Health Engineering Department, Gangtok				6,454.88	
Divisional Engineer, Water Security & Public Health Engineering Department, South			269.79	265.34	
Divisional Forest Officer, Soil Conservation, South			103.84	106.89	
Divisional Forest Officer, Soil Conservation, Gyalsing			68.70	69.69	
Additional District Collector (Dev), East District, Gangtok			357.33	426.11	
Block Development Officer, Pakyong, East Sikkim			158.42	114.37	
Principal Chief Engineer cum Secretary, Water Resource & River Development Department, Gangtok				2,683.33	
TOTAL	**12,441.24**	**5,248.30**	**17,748.14**	**94,798.08**	**1,737.81**

Appendix 1.2
Sampling of manufacturing industries for Audit

(Reference: Paragraph 1.3.6)

Sl. No.	Type of Industrial Units	*Population*				*Samples selected for PA*				*Remarks*
		Small	**Med**	**Large**	**Total**	**Small**	**Med**	**Large**	**Total**	
1	Pharmaceutical/Cosmetics Industries	3	4	49	56	1	2	25	28	51 *per cent* large units, 40 *per cent* medium units and 31 *per cent* small units were selected
2	Distilleries & Breweries	03	01	04	08	1	1	2	4	
3	Food Processing	03	02	00	05	1	1	0	2	
4	Ancillary and other units	30	17	06	53	9	7	3	19	
	Total of Industrial Units	39	24	59	122	12	11	30	53	
5	Growth Centres/Industrial Areas	05				03				60 *per cent*

Source: C&ID

Appendix 1.3

Statement showing the details of Corporate Social Responsibility (CSR) funds earmarked by the industrial units and expenditure thereof

(Reference: Paragraph 1.3.8.1)

(₹ in crore)

Sl. No.	Name of the Unit	2014-15			2015-16			2016-17			2017-18		
		CSR due	Actual expenditure on CSR	Difference	CSR due	Actual expenditure on CSR	Difference	CSR due	Actual expenditure on CSR	Difference	CSR due	Actual expenditure on CSR	Difference
		A	B	C	D	E	F	G	H	I	J	K	L
1	Intas Pharmaceutical Ltd.I	0	0	0	0	0	0	5.57	0.18	5.39	6.72	0.18	6.54
2	Zydus Wellness Sikkim	0	0	0	0	0	0	2.00	0.00	2.00	2.15	0.00	2.15
3	Glenmark Pharma	0	0	0	0	0	0	5.35	0.43	4.92	6.23	0.35	5.88
4	Alembic Pharmaceuticals Ltd	0	0	0	0	0	0	0.04	0.05	0.01	0.68	0.14	0.54
5	Sun Pharma U -I	0	0	0	0	0	0	10.77	7.19	3.58	14.93	18.26	3.33
6	Sun Pharma U -II	0	0	0	0	0	0	10.77	0.00	10.77	14.93	0.00	14.93
7	Golden Cross Pharma	0	0	0	0	0	0	0.44	0.18	0.26	0.45	0.15	0.30
8	Swiss Garnier Genexia Science-I	0	0	0	0	0	0	0.03	0.00	0.03	0.09	0.00	0.09
9	Alkem Health Science	0	0	0	0	0	0	1.65	0.58	1.07	2.08	0.90	1.18
10	Ipca Lab	**2.23**	1.27	0.96	**3.28**	0.96	2.32	**3.57**	0.67	2.90	**3.89**	0.00	3.89
11	Cipla Ltd	0	0	0	0	0	0	3.85	0.19	3.66	5.26	0.16	5.10
12	V-Guard -I	0	0	0	0	0	0	0.00	0.00	0.00	0.08	0.14	0.06
13	Alkem Laboratories	0	0	0	0	0	0	8.10	0.64	7.46	10.01	1.03	8.98
14	Indechemic Health Spl P Ltd	0	0	0	0	0	0	0.43	0.65	0.22	0.49	0.76	0.27
15	Torrent Pharma	13.69	0.00	13.69	16.41	0	16.41	27.42	0.00	27.42	27.98	0.00	27.98
	Grand Total	**15.92**	**1.27**	**14.65**	**19.69**	**0.96**	**18.73**	**79.99**	**10.76**	**69.23**	**95.97**	**22.07**	**73.90**
	CSR due (A+D+G+J)			**211.57**									
	Actual expenditure on CSR (B+E+H+K)			**35.06**								=	
	Short contribution of CSR (C+F+I+L)			**176.51**									

Appendix 1.4

Non-recovery of Mobilisation advance from Co-operative Societies

(Reference: Paragraph 1.6)

(₹in lakh)

Sl. No.	Name of Work	Name of Cooperative societies (CS)	Sanctioned cost	MA drawn	Date of commencement	Scheduled date of completion	Physical progress *(in %)*	Financial progress	MA to be recovered	Status	Remarks
1	Carpeting of Bakcha-Labi Road, North Sikkim (Km 3 and 4)	Women Educated Unemployed CS Ltd., Phensong	167.01	14.91	21.03.12	22.03.14	Nil	0.00	14.91	Surrendered without execution	-
2	Construction of 15 mtrs span bridge over Rothak Khola along Rothak Sigyan in West Sikkim	Mabong Sigyan Ward No.4 Women Contractor CS	48.05	4.81	28.11.11	27.11.12	Nil	0.00	4.81	Surrendered without execution	-
3	Construction of road from Berthang to Bermoik-Legship road via Shiva Mandir Km-1, West Sikkim	Thangsing Ward No.4 Women CS	32.68	3.20	15.03.13	15.03.15	Nil	0.00	3.20	Surrendered without execution	-
4	Carpeting of Bakcha-Labi Road, North Sikkim (Km 1 and 2)	Contractor CS Ltd., Labi, Tingshim.	194.17	16.73	21.03.12	22.03.14	25	10.98	15.64	Stalled since January 2014	No action initiated
5	Construction of road from Kaluk Rinchenpong to L/Karthok, West Sikkim (Km-4)	Tadong Rinchenpong Labour CS	52.77	5.28	16.04.12	15.04.13	66	35.45	1.73	Stalled since January 2016	Rescinded on June 2018
6	Construction of road from Kaluk-Rinchenpong to L/Karthok in West Sikkim (Km-3)	Tadong Rinchenpong Registered Contractor CS	61.18	6.12	16.04.12	15.04.13	90	55.95	0.52	Stalled since January 2016	Warning issued for resume of work on June 2018
7	-do- (Km-1)	Tadong Rinchenpong Lower CS Ltd.	10.24	1.02	16.04.12	15.04.13	25	1.97	0.83	Stalled since June 2015	-do-
8	Construction/improvement of Km-1 Road Sribadam Deythang Mangalbaria, West Sikkim (Phase-II)	Samdong Sribadam Ward No.5 Labour CS	36.75	3.17	24.05.12	23.05.13	33	40.92	3.17	Stalled since August.15	Final notice served on 06.01.16
9	-do-Km 2-4	Deythang Parenggaon Labour CS	113.30	9.77	24.05.12	23.05.14	33	59.10	9.77	Stalled since July 2015	-do-
10	-do-Km 5-6	Deythang Parenggaon Labour Women CS	76.09	6.56	24.05.12	23.05.14	33	53.28	6.56	Stalled since August 2015	-do-
11	-do-Km 7-8	Deythang Parenggaon Ward No.4 Labour Women CS	100.27	8.64	24.05.12	23.05.14	33	57.66	8.64	Stalled since July 2015	-do-
12	-do-Km 9-10	Deythang Parenggaon Ward No.3 Labour Women CS	99.64	8.59	24.05.12	23.05.14	33	52.08	8.59	Stalled since July 2015	-do-
13	-do-Km 11-13	Deythang Parenggaon Registered CS	147.31	12.70	24.05.12	23.05.14	33	113.64	12.70	Stalled since July 2015	-do-
14	-do-Km 14-17	Deythang Parenggaon Jhusingthang Ward No.5&6 Contractors CS	158.79	13.69	24.05.12	23.05.14	33	86.94	13.69	Stalled since July 2015	-do-
15	-do-Km 17-19	Takuthang Chuchen Ward No.1,2,3 Labour CS	97.77	9.77	24.05.12	23.05.14	91	39.86	9.77	Stalled since November 2015	-do-
	TOTAL		**1,396.02**	**124.96**				**607.83**	**114.53**		

Appendix 1.5
PMGSY Phase VII works
a) Quantity executed in respect of GSB, WBM-2 and WBM-3
(Reference: Paragraph 1.7)

Sl.	Name of work	Name of contractor	Vr. and bill no.	GSB (cum)	WBM-2 (cum)	WBM-3 (cum)
1	Const of Road from Zitlang Sitey to Kamaray Stage II	Puran Kr Subba	4th RA bill VrNo. 03/East/17-18 dt. 8.3.18	2,883.012	1,601.23	1,520.28
2	RCR from Passingthang Gaucharan to Nupgaon (S-II)	Kishor Kr Rai	7th RA Bill	3,331.003	1,845.713	1,845.713
3	RCR from SPWD road to Karmithang S-II	Puran Kr Subba	2nd RA Bill Vr No. 98	3,117.10	153.047	1,623.983
4	RCR from Saurani to Nandok S-II	Kishor Kumar Rai	6th RA Bill	2,265.547	805.828	805.828
5	RCR from Lower Lingtam to Subaneydara,16% Above	Shri PK subba	Vr No 203 5th & final bill	1,201.51	678.89	686.22
6	RCR from Rhenock Bazar to Gumpa Simana 16% above	Shri PK Subba	3rd RA billVR No. 05/East/16-17 dti 27.3.17	2,539.40	330.85	330.85
7.	RCR from Sudung Rewalakha via Pam Busty16% above	PK Subba	2nd RA Bill Vr No. 89	1,937.10	1,077.530	1,073.969
8	RCRs fro Pakyong to North Karthok 16% above	PK Subba	3rd RA BillVr No. 99/Feb 17	1,396.280	771.34	771.34
9	RCR from Bering to Angukching 16% above	PK Subba	3rd RA bill, VR No. 11/East/16-17 dt 6.10.16	1,246.328	693.797	693.797
10	RCR fro Pakyong to 32 No. 16% above	PK Subba	4th RA RA bill Vr No. 09/East /17-18 dt. 8.2.18	3,097.500	1,671.89	1,670.700
11	RCR from U Samsing to Changey Tokchi 16% above	PK Subba	4th RA Bill// E-10 VrNo. 10/East/16-17 dt. 28.3.17	2,824.243	1,495.770	1,495.770
12	RCR from Basnett gaon to Kyongsee 16% above	PK Subba	Vr No. 05/East/16-17 dt. 28.03.17/ 3rd RA Bill	2,462.438	1,419.860	1,421.530
13	RCR from Rey Ranka Road to Rey Monastery 16% above	PK Subba	Vr No. 14/East/16-17 dt. 28.3.17 2nd & final Bill	712.87	362.81	351.56
14	RCR from Bista Gaon to U. Tarpin Salghari 16% above	PK Subba	2nd RA bIll Vr No. 06/East/16-17 dt. 27.3.17	1,478.37	860.19	860.19
15	Penlong to Thamidara 16% above	PK Subba	2nd RA bIll Vr No. 03/East/16-17 dt. 06.02.17	1,745.87	1,020.186	0
16	RCR from Chandaney Katrabotey to Hatichherey Mangkhim 16% above	PK Subba	2nd RA bill// 236 Vr No. 04/East // 17-18 dt. 10.03.2018	1,409.37	790.12	790.12
17	RCR from Basnett Gaon to Kyongse 16% above	PK Subba	2nd RA bill // E 07 V/r No. 04/East/16-17/ dt. 4.8.16	2,462.438	1,216.28	0
18	RCR from Bista Gaon to U Tarpin 16% above	PK Subba	Vr No. 71	984.82	287.94	287.94

Sl.	Name of work	Name of contractor	Vr. and bill no.	GSB (cum)	WBM-2 (cum)	WBM-3 (cum)
19	RCR from Karthok Turning to Damlakha 16% above	PK Subba	Vr No. // 231 23/East/17-18 dt. 21.02.18	2,307.056	1,106.869	0
20	RCR from Reshi Kuttitar to Agrigaon 16% above	PK Subba	5th & Final Bill /// 220 Vr No. 13/East /17-18 dt. 12.2.18	1,743.95	999.85	999.85
21	RCR from Sichey to U Burtuk 16% above	PK Subba	3rd & Final Bill /// 218 Vr No. 11/East /17-18 dt. 12.2.18	860.63	480.78	594.83
22	RCR from Tshalamthang to L Tareythang 16% above	PK Subba	2nd RA bill /// 189 Vr No. 01/East /17-18 dt. 03.1.18	2,482.090	0	0
23	RCR from Beering to Ankuchen 16% above	PK Subba	2nd RA bill // E-04 /// Vr No. 3/East /16-17 dt. 25.07.16	1,246.328	693.797	693.797
	Total			**45,735.253**	**20,364.567**	**18,518.267**

b) Excess expenditure calculated on quantity executed

Contractors	Item	Quantity	Rate difference	Amount	Tender premium 16%	Amount including 16 % tender premium
PK Subba	GSB	34,138.59	163.51	55,82,000.85		
	WBM-2	15,958.75	99.28	15,84,384.60		
	WBM-3	12,722.46	106.28	13,52,143.37		
			Total	85,18,528.82	13,62,964,61	98,81,493.43
Kishor Kr Rai	GSB	5,596.55	163.51	9,15,091.89		
	WBM-2	2,651.541	99.28	2,63,244.99		
	WBM-3	2,651.541	106.28	2,81,805.78		
			Total	14,60,142.66	0	14,60,142.66
Puran Kr Subba	GSB	6,000.112	163.51	9,81,078.31		
	WBM-2	1,754.277	99.28	1,74,164.62		
	WBM-3	3,144.263	106.28	3,34,172.27		
			Total	**14,89,415.2**	0	14,89,415.20
			Grand total			**1,28,31,051.29**

Appendix 2.1

Summarised financial position and working results of Government Companies and Statutory Corporation as per their latest finalised financial statements/accounts as on 30 September 2018

(*Reference: Paragraph 2.1.16*)

(*₹ in crore*)

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Accounts comments	Capital employed [1]	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Working Government Companies													
Agriculture and Allied													
1	Sikkim Poultry Development Corporation Limited (SPDCL)	2008-09	2009-10	0.00	0.00	-0.73	0.00	-0.08	0.00	0.58	-0.08	0.00	4
2	Sikkim Hatcheries Limited (SHL)	2008-09	2009-10	0.46	0.00	-1.67	0.98	-0.14	0.00	0.33	-0.14	0.00	1
3	Sikkim Livestock Processing and Development Corporation (SLPDC)	2012-13	2014-15	0.69	0.01	-1.02	0.05	-0.01	0.00	0.05	-0.01	0.00	2
Sector wise total		**-**	**-**	**1.15**	**0.01**	**-3.42**	**1.03**	**-0.23**	**0.00**	**0.96**	**-0.23**	**0.00**	**7**
Finance													

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Accounts comments	Capital employed [1]	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
4	Schedule Caste, Schedule Tribe and Other Backward Classes Development Corporation Limited (SABCCO)	2013-14	2018-19	18.31	23.83	-15.22	2.25	0.03	0.00	26.92	0.96	3.57	27
Sector wise total				**18.31**	**23.83**	**-15.22**	**2.25**	**0.03**	**0.00**	**26.92**	**0.96**	**3.57**	**27**
Infrastructure													
5	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	2017-18	2018-19	17.14	171.51	13.86	3.37	2.22	2.43	204.88	2.22	1.08	34
6	Gangtok Smart City Development Limited (GSDL)*	2017-18	First accounts yet to be prepared	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	**0.00**	**0.00**	0
7	Namchi Smart City Limited (NSCL)*	2017-18	First accounts yet to be prepared	0.05	0.00	0.00	0.00	**0.00**	0.00	0.05	**0.00**	**0.00**	0
Sector wise total				**17.19**	**171.51**	**13.86**	**3.37**	**2.22**	**2.43**	**204.93**	**2.22**	**1.08**	**34**
Power													

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Accounts comments	Capital employed [1]	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
8	Teesta Urja Limited (TUL)	2016-17	2017-18	3,205.39	9,776.27	-97.58	44.54	-57.49	0.00	12,885.30	1,215.20	9.43	101
9	Teestavalley Power Transmission Limited (TPTL)	2017-18	2018-19	362.61	1,081.64	-13.26	30.93	-6.54	0.00	1,430.99	118.20	8.26	70
10	Sikkim Power Investment Corporation Limited (SPICL)	2017-18	2018-19	0.01	2,781.35	-782.84	0.00	-235.45	0.00	1,998.52	74.54	3.73	10
11	Sikkim Power Development Corporation Limited (SPDC)	2017-18	2018-19	67.34	50.28	-115.44	10.28	-31.67	0.00	60.87	-27.03	0.00	69
Sector wise total		**-**	**-**	**3,635.35**	**13,689.54**	**-1,009.12**	**85.75**	**-331.15**	**0.00**	**16,375.68**	**1,380.91**	**21.42**	**250**
Service													
12	Sikkim Tourism Development Corporation (STDC)	2016-17	2017-18	6.46	0.00	-1.69	2.53	0.06	2.45	4.77	0.06	1.26	71
Sector wise total		**-**	**-**	**6.46**	**0.00**	**-1.69**	**2.53**	**0.06**	**2.45**	**4.77**	**0.06**	**1.26**	**71**
Total A (All sector wise working Government companies)		**-**	**-**	**3,678.46**	**13,884.89**	**-1,015.59**	**94.93**	**-329.07**	**4.88**	**16,613.26**	**1,383.92**	**27.33**	**389**
B Statutory Corporations													

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Accounts comments	Capital employed [1]	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Finance													
13	State Bank of Sikkim (SBS)	2016-17	2018-19	0.53	178.25	1.35	161.72	10.48	13.66	209.34	11.34	5.42	400
Sector wise total		**-**	**-**	**0.53**	**178.25**	**1.35**	**161.72**	**10.48**	**13.66**	**209.34**	**11.34**	**5.42**	**400**
Service													
14	State Trading Corporation of Sikkim (STCS)	2016-17	2017-18	1.61	0.00	2.61	24.83	-2.28	47.54	4.22	-2.28	0.00	79
Sector wise total				**1.61**	**0.00**	**2.61**	**24.83**	**-2.28**	**47.54**	**4.22**	**-2.28**	**0.00**	**79**
Agriculture & Allied													
15	Government Fruit Preservation Factory (GFPF)	2017-18	2018-19	**0.00**	**0.00**	**-2.30**	**4.22**	**0.19**	**0.00**	**-2.21**	**0.19**	**0.00**	**N.A**
16	Temi Tea	2013-14	2014-15	**0.00**	**0.00**	**0.66**	**5.13**	**-0.66**	**0.00**	**0.66**	**-0.66**	**0.00**	**23**
Sector wise total				**0.00**	**0.00**	**-1.64**	**9.35**	**-0.47**	**0.00**	**-1.55**	**-0.47**	**0.00**	**23**
Total B (All sector wise working Statutory corporations)		**-**	**-**	**2.14**	**178.25**	**2.32**	**195.90**	**7.73**	**61.20**	**212.01**	**8.59**	**5.42**	**502**
C Co-operative Societies													
Agriculture & Allied													
17	Sikkim Milk Union	2016-17		0.12	0.07	1.71	62.52	0.53	0.00	2.48	0.54	21.77	166.
Sector wise total		-	-	**0.12**	**0.07**	**1.71**	**62.52**	**0.53**	**0.00**	**2.48**	**0.54**	**21.77**	**166**
Finance													

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Accounts comments	Capital employed [1]	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
18	Sikkim State Co-operative Bank (SISCO)	2016-17	Audit yet to be taken up	14.79	13.65	0.43	88.04	0.43	0.00	50.55	1.42	2.81	81
Sector wise total		-	-	**14.79**	**13.65**	**0.43**	**88.04**	**0.43**	**0.00**	**50.55**	**1.42**	**2.81**	**81**
Service													
19	Sikkim Co-operative Supply and Marketing Federation Ltd. (SIMFED)	2016-17	Audit yet to be taken up	3.56	3.38	3.08	62.50	1.37	0.00	15.47	1.87	12.09	87
Sector wise total		-	-	**3.56**	**3.38**	**3.08**	**62.50**	**1.37**	**0.00**	**15.47**	**1.87**	**12.09**	**87**
Total C (All sector wise working Co-operative Societies)		**-**	**-**	**18.47**	**17.10**	**5.22**	**213.06**	**2.33**	**0.00**	**68.50**	**3.83**	**36.67**	**249**
Grand Total (A+B+C)		**-**	**-**	**3,699.07**	**14,080.24**	**-1,008.05**	**503.89**	**-319.01**	**66.08**	**16,893.77**	**1,396.34**	**8.27**	**1225**

[1] capital employed represents shareholders' funds plus long term borrowings.

this includes an amount of ₹47.04 crore fully redeemable preference share.

Appendix 2.2

(Table detailing loan and interest accumulated vis a vis total royalty and wheeling charges accumulated as on 30 November 2013)

(Reference: Paragraph 2.3.)

(Amount in ₹)

Particulars	Actual interest incurred up to 31 Dec 2014	Calculation of interest up to 30 Nov 2013	Remarks
Original Loan value	3,75,08,807.00	3,75,08,807.00	Principal loan amount
Interest up to 31.03.2008	1,01,94,325.00	1,01,94,325.00	--
Interest for 2008-09	69,16,432.00	69,16,432.00	--
Interest for 2009-10	80,77,118.00	80,77,118.00	--
Interest for 2010-11	36,72,145.00	36,72,145.00	--
Interest for 2011-12	41,65,059.00	41,65,059.00	--
Interest for 2012-13	55,36,683.00	55,36,683.00	--
Interest for 01.04.2013 to 31.05.2013	19,81,781.00	19,81,781.00	Total interest levied for 2013-14 was ₹ 1,18,90,690. Hence, calculated for 2 months.
Total Principal and Interest accumulated up to 31.05.2013	**7,80,52,350.00**	**7,80,52,350.00**	
Interest for June 2013	9,90,891.00	9,90,891.00	Total interest levied for 2013-14 was ₹ 1,18,90,690. Hence, calculated for each month.
Interest for July 2013	9,90,891.00	9,90,891.00	
Interest for August 2013	9,90,891.00	9,90,891.00	
Interest for September 2013	9,90,891.00	9,90,891.00	
Interest for October 2013	9,90,891.00	9,90,891.00	
Interest for November 2013	9,90,891.00	9,90,891.00	
Interest for 1.12.13 to 31.12.2014	1,48,58,841.00	0.00	Total interest levied for 2013-14 was ₹ 1,18,90,690. Hence, calculated for 4 months as ₹ 39,63,563 (1.12.13 to 31.3.14) plus ₹ 10895278 for the period 01.04.14 to 31.12.14. ***Total Excess expenditure.***
Total value of principal and Interest	**9,88,56,537.00**	**8,39,97,696.00**	
Total value of principal and interest as on 30 November 2013 payable by State Government to GATI-------------------------*B*			**8,39,97,696.00**
Total royalty and wheeling charges payable by GATI to State Government as on 30 November 2013			**8,63,92,479.00**
Total value of principal and interest as on 31 December 2014 claimed by GATI and paid by SPICL in March 2015 --------*A*			**9,88,56,537.00**
Total Excess expenditure (*A-B*)			**1,48,58,841.00**

Appendix 4.1
Audit conducted during 2017-18 under General Sector

(Reference: Paragraph 4.2)

(₹ in lakh)

Name of the unit	Expenditure of the unit (i.e. of the unit for the financial year for which audit conducted)				
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Sr. Superintendent of Police, State Central Prison, Gangtok			471.00	492.00	
Chief Electoral Officer, Election Department, Gangtok				637.00	
Principal Resident Commissioner, Sikkim House, New Delhi			755.00	771.00	
Commandant, 1st IRB, Pipelay, West Sikkim				3,208.68	
Commandant, 2nd IRB, Pipelay, West Sikkim				2,357.84	
Additional Chief Secretary cum Development Commissioner, Development Planning Economic Reform North Eastern Council Department, Gangtok			27,629.63	5,200.88	
Commandant, 3rd IRB, Gangtok				2,464.97	
Secretary, Sports & Youth Affairs Department, Gangtok				1501.05	
Deputy Commandant General, Home Guards & Civil Defense, Gangtok				249.04	
Additional Director General of Police, Police Check Post, Gangtok				1,037.88	
Director General of Police, Police Headquarter, Gangtok				1,897.00	
Principal Secretary, Science & Technology Department, Gangtok				220.76	
Commissioner cum Secretary, Governor's Secretariat, Raj Bhawan, Gangtok				633.01	
Director, Department of Economic Statistics, Monitoring & Evaluation (DESME), Gangtok				504.80	
Principal Secretary, Information & Technology Department, Gangtok				435.10	
Principal Secretary, Finance Revenue & Expenditure Department, Gangtok			666.21	266.38	
Secretary, Sikkim Legislative Assembly, Gangtok			1,490.77	1,422.18	
Assistant Director, Sports & Youth Affairs Department, South/ West, Namchi		115.5	120.68	178.41	
Commissioner cum Secretary, Land Revenue & Disaster Management Department, Gangtok				596.00	
Registrar General, Sikkim High Court				1,159.30	
Director, State Lotteries, Gangtok		374.31	154.98	150.39	
Secretary, Rajya Sainik Board			285.25	278.02	
Relief Commissioner, Sate Disaster Relief Fund, Land Revenue & Disaster Management Department, Gangtok				2,751.00	
TOTAL		**489.81**	**31,573.52**	**28,412.69**	

Appendix 4.2

Details of allocation, release and utilisation of Thirteenth and Fourteenth FCs grant

(Reference: Paragraph 4.3.1)

(₹ in crore)

Sl. No	Name of the scheme/grant	Implementing Department	Thirteenth Finance Commission (2010-11 to 2014-15)			Fourteenth Finance Commission (2015-16 to 2019-2020)		
			Total Grant recommended	Total Grant released by GoI	Expenditure Incurred	Total Grant recommended	Total Grant released by GoI (up to 2017-18)	Expenditure Incurred
1	**Local Bodies**		187.20	121.21	121.21	198.39	87.82	87.82
	(i) GBG		122.40	107.46	107.46	173.56	79.65	79.65
	(a) PRI	Rural Management and Development Department (RMDD) Nodal Department	120.71	106.75	106.75	133.64	63.89	63.89
	(b) ULB	Urban and Development & Housing Department (UDHD) - Nodal Department	1.69	0.71	0.71	39.92	15.77	15.74
	(ii) GPG		64.80	13.75	13.75	24.83	8.17	8.17
	(a) PRI	RMDD	63.90	13.65	13.65	14.85	6.21	6.21
	(b) ULB	UDHD	0.90	0.10	0.10	9.98	1.96	1.96
2	**Disaster Relief**	Land Revenue Disaster Management Department	125.70	125.70	125.70	171.00	98.00	98.00
		(i) Central Share (90%)	113.14	113.14	113.14	154.00	88.20	88.20
		(ii) State Share (10%)	12.56	12.56	12.56	17.00	9.80	9.80
3	**Capacity Building for disaster response**	Land Revenue and Disaster Management Department	5.00	5.00	5.00	-	-	-
4	**Elementary Education**	Human Resource Development Department	5.00	2.00	2.00	-	-	-
5	**Improvement in Justice Delivery**	Home Department	21.78	12.07	12.07	-	-	-
6	**Incentives for issuing UIDS**	Department of Economics, Statistics, Monitoring and Evaluation (DESME)	1.10	0.66	0.66	-	-	-
7	**District Innovation Fund**	DESME	4.00	2.00	2.00	-	-	-

Sl. No	Name of the scheme/grant	Implementing Department	Thirteenth Finance Commission (2010-11 to 2014-15)			Fourteenth Finance Commission (2015-16 to 2019-2020)		
			Total Grant recommended	Total Grant released by GoI	Expenditure Incurred	Total Grant recommended	Total Grant released by GoI (up to 2017-18)	Expenditure Incurred
8	**Statistical system Improvement**	DESME	4.00	4.00	4.00	-	-	-
9	**Employee and Pension database**	DESME	5.00	5.00	4.85	-	-	-
10	**Protection of Forest**	Forest Environment and Wild life Management Department	40.56	38.03	38.00	-	-	-
11	**Water Sector Management (Irrigation)**	Water Resource and River Management Department	4.00	0.00	0..00	-	-	-
12	**Maintenance of Roads & Bridges (RMDD)**	RMDD	**26.71**	**26.67**	**26.67**	-	-	-
13	**Maintenance of Roads & Bridges (UD&HD)**	UDHD	1.57	1.68	1.57	-	-	-
14	**Maintenance of Roads & Bridges (Roads & Bridge)**	Roads & Bridges Department	**39.72**	**39.74**	**39.72**	-	-	-
	Total		**471.34**	**383.76**	**383.45**	**369.39***	**185.82**	**185.82**

*Source: Data furnished by Finance, Revenue and Expenditure Department. *Total recommendation for three years (2015-2018) was ₹191.34 crore*

Appendix 4.3
Details of allocation, release and utilisation of SSG by TFC
(Reference: Paragraph 4.3.1)

(₹ in crore)

Sl. No.	Name of the Scheme	Implementing Department	Total Grant recommended by Thirteenth FC	Total grant released by GoI	Expenditure incurred
1	Sky Walk at Bhaley Dhunga	Tourism and Civil Aviation Department	200.00	150.00	150.00
2	Development of Village Tourism	Tourism and Civil Aviation Department	80.00	60.00	59.99
3	Repair/ Renovation of Suspension Foot Bridges under North District of Sikkim	Rural Management and Development Department	35.00	31.50	31.50
4	Upgradation of Namchi water Supply and overhauling of Changay source for Gyalshing and Rabdentse Water Supply	Water Security and Public Health Engineering Department	20.00	19.99	19.99
5	Police Training Centre at Yangyang	Police Department	10.00	7.40	8.15
6	Residential & Non-residential building for Police Force	Police Department	15.00	13.50	13.56
7	Additional storage facilities for essential commodities	Food and Civil Supplies Department	6.00	5.40	5.04
8	Reinforcement of existing security infrastructure new checkpost, improving road, security equipment etc.	Police Department	15.00	13.50	13.41
9	Establishment of State Capacity Building Institute at Burtuk	Human Resources and Development Department	10.00	9.00	8.95
10	Conservation of Heritage and Culture	Culture and Heritage Department	9.00	9.00	8.68
					319.27
	TOTAL		**400**	**319.29**	**319.27**

Source: Data furnished by Finance, Revenue and Expenditure Department

Appendix 4.4

Details of expenditure incurred on ineligible items

{Reference: Paragraph 4.3.8.2 (A)}

Sl. No	Name of work	Amount in ₹
1	Construction of Cross Drain at Chalamthang (near Zilla Ghar) along Pakyong Rorathang Road	1,43,000
2	Construction of Cross Drain near Gurungkholajhora along Pakyong Rorathang Road	1,43,000
3	Construction of protective wall for restoration of Soreng School Ground	20,00,000
4	Payment to President, OMAS for organising musical show	2,35,000
5	For implanting R.O based water plant at M. G marg	3,99,171
6	Payment for demolition of buildings at airport area, Pakyoung	2,50,000
7	Payment to M/s Rajeev Electronics for purchase of Handy com video camera for Secretary LR&DMD	24,739
8	Shifting and realignment of existing water supply main of Pathang, Bojoghari from under construction buildings of Sri. T.P Dorjee at Tashi View Point, Gangtok	3,49,969
9	Immediate restoration of damaged of water supply for Saramsa Garden	3,50,000
10	Payment to M/s Urbase Traders on a/c of supply of wind cheater	23,2675
11	Payment to M/s Sikkim Motors for purchase of Bolero for SDM Soreng	7,41,216
12	Immediate restoration of electrical repairing of HRDD Secretariat building at Gangtok	2,43,515
13	Immediate restoration of electrification of division at Tathanchen, Gangtok	2,58,640
14	Immediate repair & restoration of old teacher's training institution at Tathangchen	8,00,000
15	Immediate temporary restoration work at Rhenock Degree College	5,00,000
TOTAL		**66,70,925**

(Source: Departmental figures)

Appendix 4.5

Details of expenditure incurred out of funds meant for *ex-gratia* relief

{Reference: Paragraph 4.3.8.2 (A)}

Sl. No.	Particular	Cheque no/date	Amount in ₹
1.	Payment for restoration of log bridge at Sok Khola at Jarney	917766/11.4.2016	23,000
2.	Payment to Dawa Namgay Lepcha for construction of protective wall at Phesong	917768/18.4.2016	7,100
3.	For repair of wall to Namok Karma Tunkar Choling Monestry	917769/19.4.2016	9,100
4.	Construction of protective wall to Kalay Bhutia of Ramtang	917770/19.4.2016	4,300
5.	Restoration of log bridge at Sikpo to Sri Gyatso Lepcha	917776/20.4.2016	15,000
6.	Immediate restoration of protective wall at Kabi busty to Sri Duzom Bhutia	917778/20.4.2016	19,000
7.	Construction of log bridge to Chinzo Bhutia at Namo.	649180/27.4.2016	23,000
8.	Debri clearance to Zamgyal Lachungpa of Pentok	649214/4.8.2016	5,000
9.	Debri clearance to Tek Brd Biwakarma of Pentok	649215/4.8.2016	5,000
10.	Debri clearance to Nima Lhamu Lepcha of Pentok	649216/4.8.2016	5,000
11.	Debri clearance to Rinchen Kipa of Pentok	649217/4.8.2016	5,000
12.	Payment for supply of poly pipes and sintex water tank to M/s Deepak Thakur Mangan Bazar	078034/16.12.16	1,66,542
13.	Payment for supply of poly pipes and sintex water tank to Trivong and Kusum of Mangan Bazar	078042/12.1.17	57,500
14.	Slip clearance along SBS Road 1 to 10 KM	10.3.2016	1,00,000
15.	Slip clearance along SBS Road 1 to 4 KM U/ Dzongu	10.3.2016	1,00,000
16.	Payment to land damaged at Phodong to Shri Sluturey Gyatso	917764/11.4.2016	9,100
17.	Payment to land damaged at Phodong to Deogay Wangmo	917765/11.4.2016	7,300
18.	Minor house damaged to Shri Dorjee Nedup Bhutia of RAngpo Busty	917777/20.4.2016	5,700
19.	Immediate relief for peotective wall to Shri Chewang Rinzing house at Rinick	917780/20.4.2016	5,700
20.	Damaged P/w of Sri Pema Dorjee Lepcha's house at Rongong	917781/20.4.2016	5,700
21.	Repair of damaged bridge at upper dzongu	917782/20.4.2016	4,700
22.	Repair of damaged p/w at upper lingdem	917783/20.4.2016	4,500
23.	Repair of damaged p/w at Chewang Lhamu house at lower phodong	917784/20.4.2016	4,100
24.	Repair of damaged p/w of house of wangyal bhutia at phodong	917785/20.4.2016	4,500
25.	Repair of damaged p/w of house of Chung Chung Lhamu at lower phodong	917786/20.4.2016	4,300
26.	Repair of damaged p/w of house of Loden Dubo Bhutia at Congpa	917787/20.4.2016	5,900
27.	Repair of damaged p/w of house of Lenkia at Namok	917788/20.4.2016	4,700
28.	Repair of damaged p/w of house of Lama Chopal at Upper Phodong	917789/20.4.2016	4,900
29.	Repair of damaged p/w of house of Phunchog Bhutia at Sakyong Kabi	917790/20.4.2016	7,200
30.	Repair of damaged p/w of house of Doma Lepcha	917791/22.4.2016	3,700
31.	Construction of log bridge over Khusa Khola to Sri Palzor Bhutia of Namok Swayam	917779/20.4.2016	4,300
32.	Repair of damaged p/w of house of Sonam Thargay at Kabi	649181/4.5.2016	33,000
33.	Construction of log bridge to Phurba Lepcha of Lingdom	649182/9.5.2016	15,000
34.	Construction of log bridge over Rumit Khola	649183/9.5.2016	21,500
35.	Construction of p/w at Ramthang Mani Gumba	649184/12.5.2016	50,000
36.	House damage payment to Tika Ram Sharma	649193/30.5.2016	1,01,900
37.	House damage payment to Budhi Raj Limbo at U. Mangshilla	649195/30.6.2016	25,000
38.	House damage payment to Dawa Doma Bhutia at Tigchu	649196/30.6.2016	30,000
39.	House damage payment to Kham sum Bhutia at Tingdim	649197/30.6.2016	5,200
40.	House damage payment to Dhan Bdr. Biswakarma at Mangshilla	649198/30.6.2016	5,200
41.	House damage payment to Chungden Bhutia at Tingdim	649199/30.6.2016	5,200
42.	House damage payment to Rantuk Bhutia at Togchin	649200/30.6.2016	5,200
43.	House damage payment to Somi Bhutia at Tingdim	649201/30.6.2016	5,200
44.	House damage payment to Dal Bdr. Biswakarma at Mangshilla	649202/30.6.2016	5,200
45.	Debri clearance to Mark Tshering Lepcha	649203/1.7.2016	20,000

Sl. No.	Particular	Cheque no/date	Amount in ₹
46.	House damage payment to Dum Chezay Bhutia at Kabi	649206/20.7.2016	4,100
47.	Kitchen damaged to Sonam Palzor Lepcha of Lower Berfou	649213/3.8.2016	5,200
48.	Damaged toilet and loss of utensil at Pentok	649218/4.8.2016	7,000
49.	Damaged cardamom field of Pentar Lepcha at Mayong	649219/12.8.2016	9,520
50.	Debri clearance to prem brd sunnar of Malling	649220/12.8.2016	5,000
51.	House damaged compensation to Smt Choki Lepcha, Mangan	649221/12.8.16	95,100
52.	Land damage to Sangden Lepcha	649222/12.8.16	2,925
53.	Land and crop damage to Sri Sanu Ram Tamang of Malling	649223/12.8.16	7,500
54.	Land and crop damage to Sri Dawa Tenzing Tamang of Malling	649224/12.8.16	3,750
55.	Land and crop damage to Sri Sherab Bhutia of Malling	649225/12.8.16	21,562
56.	Land and crop damage to Sri Issac Luxsum of Malling	649226/12.8.16	6,750
57.	Land and crop damage to Sri Dawa Tenzing Tamang of Malling	649227/12.8.16	13,500
58.	Land and crop damage to Sri Pasang Zoba Lepcha of Malling	649228/12.8.16	13,500
59.	Land and crop damage to Sri Batuk Lepcha of Malling	649229/12.8.16	6,000
60.	Land and crop damage to Sri Palden Lepcha of Malling	649230/12.8.16	15,075
61.	Land and crop damage to Phurba Wangdu Lepcha of Malling	649231/12.8.16	14,550
62.	Land and crop damage to John Tshering Lepcha of Malling	649232/12.8.16	15,037
63.	Land and crop damage to Sri Phurba Kesang Lepcha of Malling	649233/12.8.16	3,750
64.	Land and crop damage to Smt. Pemkit Lepcha of Malling	649234/12.8.16	12,750
65.	Log bridge repairment	649236/12.8.16	17,500
66.	House damaged to Pemu Lepcha	649259/22.8.16	30,000
67.	Toilet damage to Tulsi Tamang	649260/24.8.16	4,100
68.	Payment to Dy CFO(emergency fire service) Mangan for restoration of underground static tank.	873936/24.8.2016	10,320
69.	To Dawa Doma for restoration of land	873937/24.8.2016	20,000
70.	Land damaged for Sonam Lepcha	873941/26.8.2016	5,375
71.	House damaged due to fire to Shri Topden Lepcha	873942/27.8.2016	1,01,900
72.	-do- to Ten Tshering Lepcha	873943/27.8.2016	95,100
73.	-do- to Lagden Lepcha	873944/27.8.2016	95,100
74.	-do- Pasang Lepcha	873945/27.8.2016	95,100
75.	-do- Pandim Lepcha	873946/27.8.2016	95,100
76.	-do- Chuden Lepcha	873947/27.8.2016	95,100
77.	-do- Dawa Pintso Lepcha	873948/27.8.2016	95,100
78.	-do- Rinchen Laden Lepcha	873949/27.8.2016	95,100
79.	-do- Sonam Loden Lepcha	873950/27.8.2016	95,100
80.	-do- Pasang Tamang	873952/31.8.2016	4,100
81.	Payment to crop damaged to Shri Ashim Lepcha of Molling	078046/17.1.2017	5,336
82.	-do- to Shri Sonam Tashi Lepcha of Molling	072049/17.1.2017	4,000
83.	-do- to Pasang Lepcha	078050/17.1.2017	2,904
84.	-do- Shri Sani Ram Tamang	078051/17.1.2017	2,752
85.	-do- Karsung Bhutia	078052/17.1.2017	9,600
86.	Construction of log bridge at Rumbit Kyong	/12.1.2016	15,000
87.	Debri clearance at Mangan Hospital	31.3.2016	60,000
88.	Repair of water supply line at PHC	31.3.2016	87,000
89.	Repair of water supply line at Mangan DAC	31.3.2016	49,500
90.	Repair of damage C.C footpath	31.3.2016	30,000
91.	Repair of water supply line at Rangrang khola	31.3.2016	1,48,600
92.	Repair of damaged wall of class III qrt at Chungthang	31.3.2016	99,339
93.	Payment to crop damaged to - Naksung Bhutia	078053/17.1.2017	4,000
94.	-do- Leda Bhutia	078054/17.1.2017	2,960
95.	-do- Sherap Bhutia	078055/17.1.2017	33,600
96.	-do- Isac Lepcha	078056/17.1.2017	2,816
97.	-do- Lhunzang Kazi	078057/17.1.2017	20,000
98.	-do- Sonam Topgay Kazi	078058/17.1.2017	8,176

Sl. No.	Particular	Cheque no/date	Amount in ₹
99.	-do- Tarten Lepcha	078060/17.1.2017	3,488
100.	-do- Palden Lepcha	078061/17.1.2017	4,984
101.	-do- Topgay Lepcha	078062/17.1.2017	11,304
102.	-do- Soloman Lepcha	078064/17.1.2017	10,352
103.	-Payment for land damaged to Shri Sonam Tshering Bhutia Melling	078065/17.1.2017	8,850
104.	-do- Kersang	078066/17.1.2017	7,125
105.	-do- Loday Bhutia	078068/17.1.2017	7,387
106.	-do- Bhim Lepcha	078069/17.1.2017	12,075
107.	-do-Samten Lepcha	078070/17.1.2017	9,260
108.	-do- Sonam Topgay Bhutia	078071/17.1.2017	6,937
109.	-do- Loden Lepcha	078072/17.1.2017	7,875
110.	-do- Pasang T Lepcha	078079/2.2.2017	2,000
111.	-do- Sheda Bhutia	078080/2.2.2017	6,937
112.	Payment to Chinzay Lachungpa of Lachung for house gutted by fire	078074/23.1.2017	1,01,900
113.	-do- Nari Lachungpa	078075/23.1.2017	1,01,900
114.	-do-Tamdin Lachungpa	078076/23.1.2017	1,01,900
115.	-do- Chezom Lachungpa	078078/23.1.2017	1,01,900
116.	-do- Smt. Sharda Rai	078087/2.3.2017	1,01,900
117.	-do- Payment for petrol for motor boat for ferry	078088/6.3.2017	1,08,737
118.	Payment to Deepak Thakur for tubes for boat at Ramtar	078099/6.3.2017	7,223
119.	Payment to Deepak Thakur for transportation of boats and cable from Plubari to Mertam U. Dzongu	078091/11.3.2017	30,500
120.	Payment to M/s Sikkim Refuling Mangan for petrol used for boat at mangan	078098/26.4.2017	68,493
121.	Payment to Tingvong Sr. School for repair of play grounds	078099/19.5.2017	8,665
122.	Payment to Shri Nawang Dubu Lepcha for land damage	078100/31.5.2017	11,095
123.	Payment for crop and land damage to U. Shingila	078102/13.6.2017	10,257
124.	-do- to Sangay Bhutia	078103/13.6.2017	11,232
125.	Payment to Br. Bahadur Limbu for fire gutted house	078104/16.6.2017	1,05,700
126.	Payment for supply of POL to boat at Mangtam to North Sikkim	078105/27.6.2017	87,064
127.	Payment to house damaged by land slide to Anita Sherpa	151632/27.6.2017	1,01,900
128.	Crop damaged to Sri Palden Lepcha	151633/28.6.2017	18,700
129.	Payment to Chanda Thakur for supply of 27 MT rope and boat repair	151640/16.8.2017	79,150
130.	-do- VAT	151641/27.6.2017	2,573
131.	-do- CESS	151642/16.8.2017	566
132.	Payment for crop damage	151644/21.9.2017	16,800
133.	Payment for crop damage	151643/24.9.2017	1,02,058
134.	Payment to M/s North Sikkim Refueling center for supply of POL to boat at Martam	151648/9.12.2017	58,965
135.	Payment to Chandra Thakur for boat repair	151649/9.12.2017	10,810
136.	Payment to North Sikkim Refueling Center for supply of POL	151650/9.12.2017	20,714
137.	Payment to SDM for room accommodation and lunch for participant for FAMEX programme	151651/9.12.2017	1,21,420
138.	Relief for Soloman for crop damage	151655/28.12.2017	10,352
139.	Payment to Pasang Lepcha for crop damage	151656/5.1.2018	30,000
140.	Payment to S.K Kundu for lunch and break fast	151657/6.1.2018	17,700
141.	Payment for house damaged by fire to Shri Lhick Man Tshering Lepcha	151659/23.1.2018	95,100
142.	Payment to Citi Computer Mangan for supply of computers	151665/6.4.2018	1,59,699
143.	Payment to DCSO North for supply of buffer stock	151671/18.4.2018	40,640
144.	Payment for supply of rope, wire for construction of bamboo bridge at Martam	151647/8.12.2017	60,996
	TOTAL		**47,65,872**

(Source: Departmental figures)

Appendix 4.6

Details of Residential & Non-Residential Building of SSG by TFC

{Reference: Paragraph 4.3.9.1 (C)}

(₹ in Lakh)

Sl. No.	Name of Work	Sanctioned Cost	Revised Cost if any	Expenditure	Status
Residential Buildings					
1	Construction of Class-IV 8 Unit, Rhenock	137.20	137.34	137.34	Completed
2	Construction of Class-IV 6 Unit, Rangpo	111.46	120.88	120.88	Completed
3	Construction of Class-III 8 Unit, Rongli	164.16	144.69	144.69	Completed
4	Construction of Class-IV 8 Unit, Singtam	131.00	130.99	130.99	Completed
5	Construction of Class-IV 8 Unit, Mangan	142.29	NA	142.29	Completed
6	Construction of Class-IV 8 Unit, Temi	130.65	NA	130.65	Completed
Sub-total		***816.76***		***806.84***	
Non-Residential Buildings					
1	Construction of Composite building at Palzor Stadium, Gangtok	334.84	NA	334.84	Completed
2	Construction of lecture hall and amenities faculty building, Gangtok	24.59	NA	24.59	Completed
3	Construction of Prefab structure for supervisory officers' accommodation, Mangley	0.00	37.66	37.66	Completed
4	Construction of Prefab structure, Delhi for First 1RBn	0.00	76.93	76.93	Completed
5	Restoration Work at Melli, Jorethang and Jalipool	50.97	NA	50.97	Completed
6	Construction of Armoury at Sikkim Armed Police	75.91	NA	75.91	Completed
7	Construction of Armed Police Barrack, Jalipool	20.06	18.29	18.29	Completed
8	Construction of Vertical Extension of Police HQ	14.40	25.21	25.21	Completed
9	Pavilion for SDRF at Sikkim Armed Police	51.45	NA	51.45	Completed
10	Extension of Armed Police Complex, Piplay	3.26	NA	3.26	Completed
11	Construction of Armed Police Barrack, Namchi	50.00	NA	50.00	Completed
12	Construction of Armed Police Barrack, Gangtok	57.76	50.00	50.00	Completed
Sub-Total		***683.24***		***799.11***	
Grand Total		**1,500.00**		**1,605.95**	

(Source: Departmental figures) *NA – Not Applicable*

Appendix 4.7

Details of expenditure incurred by ULBs towards activities other than basic services

{Reference: Paragraph 4.3.9.3 (A)}

Name of ULB	Particular	Amount (₹ in lakh)
Namchi Municipal Council (NMC)	Construction of protective wall below private household based on the request of the individual	3.71
	Construction of ATM room at Namchi Car Parking Plaza	1.80
	Towards internet facility at District Institute of Education and Training	0.50
	RCC foot bridge at Dambudara, South Sikkim	0.38
	Salary to the Municipal staff of NMC.	11.62
Rangpoo Nagar Panchayat	Construction of Integrated Child Development Scheme Centre at Majhi Gaon.	3.60
Gangtok Municipal Corporation	Upgradation and modification of Children Park in Gangtok	72.25
TOTAL		**93.86**

Appendix 4.8

Details of irregular expenditure incurred by Twelve GPUs

{Reference: Paragraph 4.3.9.3 (B)}

Sl. No	Name of work	Amount (₹)
1	Purchase of furniture for Village Administration Centre	1,64,617
2	Purchase of sofa beautification of GPU	4,00,000
3	Const. of Milk collection Centre at upper Mukrung	5,13,000
4	Const. of Milk collection Centre at Daring	2,35,678
5	Purchase of computers for Office use	1,45,680
6	Computer training and Summer camp	2,94,570
7	Cosnt. Of Store at GPK	39,500
8	Const. Of Cabin in GPK	1,13,675
9	Renovation of conference hall	1,00,000
10	Repairing work of GCI roof of Nasa Primary School	50,000
11	Conducting consultancy level awareness on Dalley cultivation	1,00,000
12	Fencing work of L/Chongrang JHS	50,000
13	Maintenance and repair of steel bridge	2,46,085
14	Const. of Footpath at Gumpadara ward	6,50,000
15	Const. of CCFP	1,87,000
16	Maintenance of office	1,01,000
17	Purchase of Laptop	35,000
18	Awareness programme	50,000
19	Do	1,20,000
20	Construction of pavilion shed at KGSS School, Daramdin.	3,92,569
21	Const. of ecofriendly footpath at ward No. 01	1,79,577
22	-do- at ward No. 03	1,79,577
23	Const. of crematorium shed at Daramdin Chandara	4,04,100
24	Purchase of office furnishing	194,997
25	Repair work of GPK	1,00,000
26	Iron fencing of Mendogaon Govt. Jr. High School	80,000
27	Const. of crematorium shed at Yangthong chyan dara	74,400
28	Const. of waiting shed at PWD road, lower yanthang.	74,000
29	Const. of waiting shed near Karthok school	74,000
30	-do- at upper Bojek dara	74,000
31	-do- at Ring yang khola murda ghat.	74,000
32	Health Awareness Camp	50,000
33	Const. of CCFP at Malbassey	563,400
34	Repairing works of VAC	1,60,000
35	Purchase of computers and printers.	2,05,773
36	Const. of crematorium shed at Martam Rafong Ward.	3,36,000
37	Const. of crematorium shed at Harey dara, U/Namphing ward	2,28,500
38	Const, of School playground at L/Namphing ward	2,86,158
39	Const. of multipurpose community shed at challamthang	2,04,842
40	Land development for parking yard at Adarsh Gaon.	2,07,469
41	Driving training	1,10,000
TOTAL		**78,49,167**

Appendix 5.1
Statement of Standing Trees
(Reference: Paragraph 5.3.2)

Sl. No.	Name of tree (species)	Name of the work	No. of trees	Total no. of trees	Amount (in ₹)
1	Arupatey	Road - Ribdi to Bharang	12	25	19,872
		Road - Soreng to Buriakhop	13		7,488
2	Aughasi	Road - Chimchey	78	78	3,58,020
3	Bantey	Road - Ribdi to Bharang	285	285	3,84,876
4	Bazratey	Road - Ribdi to Bharang	32	32	1,03,392
5	Chaap	Road - Chimchey	69	265	10,75,717
		Road - Kaluk to Lidung	15		1,83,600
		Road - Onglop to Bhaluthang	4		61,200
		Road - Ribdi to Bharang	117		6,52,400
		Road - Sardong to Lungzik	8		1,50,450
		Road - Soreng to Buriakhop	52		1,72,800
6	Chekrasi	Road - Chimchey	8	8	49,504
7	Cherry	Road - Soreng to Buriakhop	6	6	5,796
8	Chilawney	Road - Chimchey	239	986	14,88,159
		Road - Kaluk to Karthok	9		59,924
		Road - Kaluk to Lidung	35		1,47,900
		Road - L Gom to Bhari khola	148		1,09,308
		Road - Onglop to Bhaluthang	204		8,88,251
		Road - Sardong to Lungzik	38		2,04,425
		Road - Soreng to Buriakhop	44		40,032
		SSB Hdqtr Melli Aching	269		2,11,960
9	Dabdabay	Road - Chimchey	3	3	13,260
10	Dhupi	Road - Chimchey	42	616	3,91,999
		Road - Kaluk to Lidung	7		27,200
		Road - Onglop to Bhaluthang	49		1,73,400
		Road - Ribdi to Bharang	474		7,43,280
		Road - Sardong to Lungzik	8		40,800
		Road - Soreng to Buriakhop	36		34,560
11	Ghurpis	Road - Chimchey	12	41	53,040
		Road - Ribdi to Bharang	29		26,496
12	Gobrey	Road - Ribdi to Bharang	4	4	3,456
13	Gokul	Road - Chimchey	15	70	1,74,866
		Road - L Gom to Bhari khola	21		24,192
		Road - Reshi to Mabong	34		51,840
14	Guava	Road - Chimchey	7	7	3,500
15	Guras	Road - Chimchey	18	18	1,32,269
16	Hamlock	Road - Ribdi to Bharang	29	29	21,840
17	Harra	Road - Chimchey	6	6	26,520

Sl. No.	Name of tree (species)	Name of the work	No. of trees	Total no. of trees	Amount (in ₹)
18	Kaijal	Road - Chimchey	5	9	22,100
		Road - Onglop to Bhaluthang	1		3,400
		Road - Sardong to Lungzik	1		5,100
		Road - Soreng to Buriakhop	2		1,728
19	Kalikath	Road - Ribdi to Bharang	5	5	5,328
20	Kapas	Road - Ribdi to Bharang	89	98	1,79,516
		Road - Soreng to Buriakhop	9		5,184
21	Katera	Road - L Gom to Bhari khola	1	1	5,000
22	Katus	Road - Chimchey	57	355	9,79,085
		Road - Kaluk to Karthok	11		1,00,980
		Road - Kaluk to Lidung	8		55,080
		Road - L Gom to Bhari khola	3		6,300
		Road - Onglop to Bhaluthang	20		1,74,420
		Road - Ribdi to Bharang	97		1,69,080
		Road - Soreng to Buriakhop	23		22,080
		SSB Hdqtr Melli Aching	136		1,41,312
23	Kaulo	Road - Chimchey	28	151	1,23,760
		Road - Ribdi to Bharang	81		1,32,408
		Road - Soreng to Buriakhop	42		29,160
24	Khamari	Road - L Gom to Bhari khola	8	8	4,608
25	Kharaney	Road - Chimchey	163	179	7,28,748
		Road - L Gom to Bhari khola	16		11,808
26	Khari	Road - Chimchey	26	26	1,50,556
27	Khasrey	Road - Chimchey	4	4	17,680
28	Kholma	Road - Chimchey	1	1	5,500
29	Kimbu	Road - Chimchey	68	128	12,57,214
		Road - Kaluk to Karthok	49		10,51,234
		Road - L Gom to Bhari khola	11		52,800
30	Lalupatey	Road - Ribdi to Bharang	8	8	6,912
31	Lampatey	Road - Chimchey	60	315	6,51,950
		Road - L Gom to Bhari khola	139		1,71,180
		Road - Reshi to Mabong	116		2,37,120
32	Lapsi	Road - Chimchey	30	74	3,51,314
		Road - L Gom to Bhari khola	4		6,720
		Road - Onglop to Bhaluthang	37		2,01,026
		Road - Soreng to Buriakhop	3		1,728
33	Malagiri	Road - Ribdi to Bharang	7	23	22,400
		Road - Sardong to Lungzik	16		4,27,125
34	Malata	Road - Chimchey	68	340	3,71,280
		Road - Onglop to Bhaluthang	147		6,73,838
		Road - Sardong to Lungzik	41		2,24,401

Sl. No.	Name of tree (species)	Name of the work	No. of trees	Total no. of trees	Amount (in ₹)
		Road - Soreng to Buriakhop	22		14,400
		SSB Hdqtr Melli Aching	62		37,440
35	Mauwa	Road - Chimchey	162	241	10,05,274
		Road - Kaluk to Lidung	2		6,800
		Road - L Gom to Bhari khola	26		14,976
		Road - Onglop to Bhaluthang	11		49,513
		Road - Sardong to Lungzik	1		3,400
		Road - Soreng to Buriakhop	39		34,056
36	Okhar	Road - Chimchey	12	317	3,73,766
		Road - Kaluk to Karthok	14		2,77,312
		Road - Kaluk to Lidung	56		7,54,800
		Road - Onglop to Bhaluthang	29		3,41,700
		Road - Ribdi to Bharang	15		48,000
		Road - Sardong to Lungzik	144		24,88,206
		SSB Hdqtr Melli Aching	47		1,96,800
37	Paiyong	Road - Chimchey	8	8	48,620
38	Panisaj	Road - Chimchey	59	522	9,10,690
		Road - Kaluk to Karthok	82		10,59,780
		Road - L Gom to Bhari khola	13		40,800
		Road - Onglop to Bhaluthang	73		6,99,670
		Road - Reshi to Mabong	79		4,18,650
		Road - Sardong to Lungzik	73		10,27,650
		SSB Hdqtr Melli Aching	143		4,47,600
39	Phaledo	Road - Chimchey	4	14	26,520
		Road - Ribdi to Bharang	10		23,760
40	Phunchey	Road - Soreng to Buriakhop	36	36	37,584
41	Phusrey	Road - Chimchey	1	1	6,630
42	Pipli	Road - Chimchey	72	117	7,28,704
		Road - Ribdi to Bharang	23		67,566
		Road - Soreng to Buriakhop	22		30,120
43	Ritha	Road - Reshi to Mabong	5	5	8,400
44	Sal	Road - Chimchey	42	456	5,99,738
		Road - L Gom to Bhari khola	412		13,53,800
		Road - Sardong to Lungzik	2		24,480
45	Saur	Road - Chimchey	39	115	4,72,609
		Road - Onglop to Bhaluthang	1		10,413
		Road - Ribdi to Bharang	72		1,71,120
		Road - Soreng to Buriakhop	3		4,320
46	Simal	Road - Chimchey	26	169	1,35,915
		Road - L Gom to Bhari khola	77		92,880
		Road - Onglop to Bhaluthang	2		6,800

Sl. No.	Name of tree (species)	Name of the work	No. of trees	Total no. of trees	Amount (in ₹)
		Road - Reshi to Mabong	53		98,544
		Road - Sardong to Lungzik	11		65,450
47	Siris	Road - Chimchey	48	280	3,67,136
		Road - Kaluk to Lidung	1		3,400
		Road - L Gom to Bhari khola	5		10,500
		Road - Onglop to Bhaluthang	28		1,60,225
		Road - Reshi to Mabong	39		84,864
		Road - Sardong to Lungzik	27		1,29,414
		Road - Soreng to Buriakhop	10		8,448
		SSB Hqtr Melli Aching	122		1,64,544
48	Sisam	Road - L Gom to Bhari khola	6	6	22,950
49	Tarpin	Road - Chimchey	5	5	48,344
50	Teak	Road - L Gom to Bhari khola	378	452	17,12,000
		Road - Reshi to Mabong	74		4,81,800
51	Tuni	Road - Chimchey	21	22	2,02,278
		Road - Onglop to Bhaluthang	1		13,388
52	Uttis	Road - Chimchey	66	2415	3,37,523
		Road - Kaluk to Karthok	29		1,87,636
		Road - Kaluk to Lidung	80		3,24,700
		Road - Onglop to Bhaluthang	125		5,69,714
		Road - Ribdi to Bharang	765		8,97,552
		Road - Sardong to Lungzik	236		14,40,965
		Road - Soreng to Buriakhop	336		2,28,312
		SSB Hqtr Melli Aching	778		5,10,624
TOTAL			**9,385**	**9,385**	**3,92,77,326**

Glossary of Abbreviation

Glossary of Abbreviation

Abbreviation	Full form
AAP	Annual Action Plan
AE	Assistant Engineer
AO	Accounts Officer
AoR	Analysis of Rates
ATNs	Action Taken Notes
ATR	Action Taken Report
BAC	Block Administrative Centre
BHD	Building and Housing Department
C&ID	Commerce and Industries Department
CAU	College of Agricultural Engineering and Post-Harvest Technology
CRC	Community Recreational Centre
CVC	Central Vigilance Commission
DAAC	Departmental Audit and Accounts Committee
DSSL	Directorate of Sikkim State Lotteries
EoI	Expression of Interest
ETP	Effluent Treatment Plant
FFC	Fourteenth Finance Commission
GBG	General Basic Grants
GoI	Government of India
GPDP	Gram Panchayat Development Plan
GPG	General Performance Grants
GPK	Gram Prasashan Kendras
GPU	Gram Panchayat Unit
GSB	Granular Sub Base
GST	Goods and Services Tax
HCHSFWD	Health Care, Human Services and Family Welfare Department
HSs	Home Stays
IDF	Infrastructure Development Fund
IDF	Industrial Development Fund
IIUS	Industrial Infrastructure Up-gradation Scheme
IRB	Indian Reserve Battalion
IRC	Indian Road Congress
ITD	Information Technology Department
LRDMD	Land Revenue and Disaster Management Department
MA	Mobilisation Advance
MHA	Ministry of Home Affairs
MMGD	Mines, Minerals and Geology Department
MPF	Modernisation of Police Force
NEDF	North Eastern Development Finance Corporation
NEIDS	North East Industrial Development Scheme
NEIIPP	North East Industrial and Investment Promotion Policy
NIT	Notice Inviting Tender
NMC	Namchi Municipal Council
PA	Performance Audit
PAC	Public Accounts Committee

Abbreviation	Full form
PCI	per capita income
RDA	Rural Development Assistant
RFCTLARR	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement
RMDD	Rural Management and Development Department
RTFC	Rural Tourism Facilitation Centre
SAAC	State Audit and Accounts Committee
SBFP	Sikkim Bio-diversity Conservation and Forest Management Project
SCS	Special Category State
SDB	Standard Data Book
SDRF	State Disaster Relief Fund
SFB	Suspension Foot Bridge
SHLMC	State High Level Monitoring Committee
SIMFED	Sikkim State Cooperative Supply and Marketing Federation Ltd
SIP	State Industrial Policy
SIPI	Sikkim Industrial Promotion and Incentive
SRSWOR	Simple Random Sampling With Out Replacement
SRSWOR	Simple Random Sampling Without Replacement
STCS	State Trading Corporation of Sikkim
TCAD	Tourism and Civil Aviation
TFC	Thirteenth Finance Commission
UC	Utilisation Certificate
UDHD	Urban Development and Housing Department
WBM	Water Bound Macadam