Report of the
Comptroller and Auditor General of India
for the year ended March 2012

GOVERNMENT OF SIKKIM

Report No. 1 of 2013

CONTENTS

LIST OF APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report deals with the findings of performance reviews and audit of transactions in various departments, audit of autonomous bodies and departmentally run commercial undertakings.

3. The Report also contains the observations arising out of audit of Statutory Corporations, Boards, Government Companies and revenue receipts.

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

5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

6. Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government, for the year ended 31 March 2012, are included in a separate Report on State Government Finances.

7. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

EXECUTIVE SUMMARY

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

This Report contains 25 audit paragraphs (including eight general paragraphs) and six Performance Reviews including an Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of eight paragraphs.

SOCIAL SECTOR

PERFORMANCE REVIEW

Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim

The Scheme facilitated employment generation, adequate women participation, strengthening of rural infrastructure to a large extent, enhancement in purchasing power and improved health and educational status, etc.

However, the implementation needed strengthening in planning, financial management and execution of works. The development and Annual Plans need be prepared as per the stipulations in the MGNREGS guidelines to capture realistic projection of employment and asset creation. The belated transfer of funds to Blocks and GPs need be addressed to ensure timely payment of wages to wage earners. The data and record management needs to be strengthened to capture appropriate complete data. Besides, submission of dated application by the wage earners and also issue of dated acknowledgement by the GPs needs to be insisted upon to ensure provisioning of employment within fifteen days of demand. Labour intensive works needs be executed to ensure compliance to the wage material ratio of 60:40.

(Paragraph 1.3)

Transaction Audit Paragraphs

Non-deduction/short realisation of mandatory labour cess of ₹ 1.94 crore by Roads & Bridges, Building & Housing and Tourism & Civil Aviation departments besides violating the statutory provisions, adversely impacted the welfare measures targeted for the benefit of construction workers involved in various construction works all over the State

(Paragraph 1.4)

The expenditure of ₹ 5.31 crore by Social Justice, Empowerment & Welfare Department incurred on the project aimed at providing quality educational facilities to the socially and educationally backward children from the Other Backward Classes (OBC) remained unfruitful as the project was incomplete even after 10 years from the date of approval by the Cabinet.

(Paragraph 1.5)

Project initiated by Water Security & Public Health Engineering Department without proper survey and investigation and without ensuring availability of suitable land for construction of Sewerage Treatment Plants resulted in unfruitful expenditure of ₹ 6.03 crore with consequent failure to provide the necessary sewerage facilities to the intended beneficiaries.

(Paragraph 1.6)

Despite receipt of funds Health Care, Human Services & Family Welfare Deprtment from the Government of India in December 2006, due to absence of approach road and water supply, the drug testing laboratory established in East Sikkim could not be operationalised and expenditure of ₹ 1.50 crore towards its construction, purchase of equipment and manpower remained unfruitful

(Paragraph 1.7)

Non-effecting of requisite deduction of void on stone, by works executing departments, led to loss of ₹ 0.59 crore to the Government.

(Paragraph 1.8)

ECONOMIC SECTOR

PERFORMANCE REVIEWS

Forest conservation and protection in Sikkim

The State Government formulated a Forest Policy in 2000 but did not prepare Perspective Plans and also did not prepare all the Working Plans till March 2012 to ensure proper and effective implementation of policy in order to enhance the forest cover in the State in a time bound manner. Although a number of schemes were implemented to increase and conserve the forest cover in the State, the forest cover could be increased by only 97 sq km. during 2005-11. The Bird Park of Rabdentse remained incomplete for more than two years after expiry of scheduled date of completion even after incurring an expenditure of ₹ 1.31 crore due to absence of proper planning. The work plans under IFMS and Twelfth/Thirteenth Finance Commission were submitted belatedly resulting in delayed sanction and implementation besides rush of expenditure in the closing month of the years. Joint Forest Management Committees, a central and integrated part of forest activities had not been formed in 688 villages out of a total of 907 villages. Compensatory Afforestation of 1992.19 ha was not taken up by the State Compensatory Afforestation Fund Management and Planning Authority.

Monitoring and evaluation in the Department were not being done adequately.

(Paragraph 2.3)

Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

Implementation of the PMGSY in Sikkim was beset with deficiencies in planning and execution. There was shortfall in meeting targets which was due to considerable delay at almost every stage of implementation – delay in getting clearance for land over which the roads were to be laid, delay by contractors and delay due to poor project management. The State also failed to ensure maintenance of many of the PMGSY roads as it had not worked out any maintenance plan for such roads. The excess expenditure on the projects were mainly due to engagement of consultant at exorbitant cost, inflated quantities and upward revision of work costs. Besides, other deficiencies were non-obtaining performance guarantee and guarantee against advances, non-imposition of liquidated damages on defaulting contractors, non-deduction of mandatory cess from contractors' bills, non-adherence to technical specifications, etc. The Department needs to examine and initiate appropriate action to rectify the lapses and establish systems and procedures to ensure that the shortcomings are taken care of and that such deficiencies are not repeated in future.

(Paragraph 2.4)

Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department

Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD) is responsible for implementing the programmes aimed at overall improvement of the livestock position in the State, keeping them disease free, improving the economic condition of the livestock owners, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State. While the State did fairly well carrying out the welfare activities for the street animals and production of Angora wool through Angora Rabbit cultivation in North District, there are several areas where it needs to improve.

The Department was yet to achieve self-sufficiency in animal husbandry sector despite pronouncement of "Diary Mission 2009-12" (August 2009), "Poultry Mission 2009-12" (August 2009), and "Livestock Self Sufficiency Mission 2015" (2008-09). Inability to control incidences of common diseases affected the objective of attaining a disease free status of animals in the State. Animal health was affected by the absence of doctors in animal health centres during various periods between 2007 and 2012. Further, there is no system of quarantine measure in the check posts to regulate entry of only healthy animals in the State.

(Paragraph 2.5)

Transaction Audit Paragraphs

Delay by the Tourism and Civil Aviation Department in acceptance of offer and in opening

Letter of Credit led to loss of ₹ 90.23 lakh to Government exchequer.

(Paragraph 2.6)

Injudicious parking of funds by the SFAC (Small Farmers Agri-Business Consortium) in savings account with low rate of interest instead of fixed deposits at higher rates led to loss of ₹ 97 lakh.

(Paragraph 2.7)

Inclusion of incidental charges twice in unit rate of item in Schedule of Rates for civil works resulted in excess expenditure of ₹ 2.12 crore.

(Paragraph 2.8)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

PERFORMANCE REVIEW

Transmission activities of Energy and Power Department

The Energy and Power Department (EPD) did not prepare any State Electricity Plan for development of transmission infrastructure in the State based on the National Electricity Plan. The annual plans for augmentation of transmission network were prepared on felt need basis without considering the expected future load growth.

The execution of transmission projects by EPD suffered with several deficiencies mainly relating to delays in completing the preparatory and pre-work award activities. As a result, against the capacity addition of substations (302 MVA) and transmission lines (338 CKM) planned under the five annual plans for 2007-12, the EPD could complete capacity additions of the substations and transmission lines to the extent of 100 MVA (33 *per cent*) and 69.81 CKM (21 *per cent*) only.

The transmission and distribution losses during 2007-12 showed increasing trend (excepting 2008-09 and 2011-12) and EPD could not achieve the CEA norms in any of the five years. The Grid Management system of EPD was not satisfactory in absence of adequate facilities for recording real time data. The functioning of the State Load Dispatch Centre (SLDC) was also ineffective in absence of effective and complete communication network, data storage/backup facilities, etc.

The Energy accounting and audit system of the EPD was unreliable in the absence of proper metering arrangements and authentic estimation of transmission loss. No scientific system was in place for management of inventory. Monitoring mechanism of EPD was weak due to non-maintenance of necessary records on performance of the transmission system.

(Paragraph 3.2)

Transaction Audit Paragraphs

Blocking up of working capital of ₹ 6.51 crore due to ineffective mechanism of the Sikkim Industrial Development and Investment Corporation Limited (SIDICO) for monitoring and recovery of loans

(Paragraph 3.3)

Inefficient monitoring system and absence of effective recovery mechanism led to blockage of ₹ 44.66 crore sanctioned by SIDICIO under Chief Minister's Self Employment Scheme

(Paragraph 3.4)

Weak internal controls in maintenance of asset records, inadequate safeguarding of assets led the Sikkim Mining Corporation exposed to risk of loss of assets.

(Paragraph 3.5)

State Bank Sikkim was deprived of ploughing back of ₹ 6.17 crore towards its working capital in absence of professionalism in monitoring and follow up of recovery of loans disbursed.

(Paragraph 3.6)

REVENUE SECTOR

Transaction Audit Paragraphs

The cancellation of registration of nine dealers without assessing and realising the taxes due resulted in non-realisation of VAT and consequent loss of ₹ 64.62 lakh.

(Paragraph 4.5)

State Income Tax of ₹ 57.01 lakh remained to be realised over a period of more than four years after the assessment and issue of demand notices.

(Paragraph 4.6)

Despite the entry of 898 overloaded trucks in Sikkim during 2010-12, no fine was imposed by the MV Division as required under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) by the State Government for imposition of various fines on vehicles carrying loads in excess of permissible limits leading to a loss of revenue of ₹ 55.59 lakh.

(Paragraph 4.7)

Due to retention of the Cess fund in current account, instead of investing the funds in compliance with the Supreme Court's order, the Sikkim Labour and Other Constructions Workers Welfare Board suffered a loss of interest of ₹ 44.91 lakh.

(Paragraph 4.8)

GENERAL SECTOR

PERFORMANCE REVIEW

Implementation of Schemes under Rural Infrastructure Development Fund

Finance, Revenue and Expenditure Department, the Nodal Department for implementation of schemes under Rural Infrastructure Development Fund confined its function merely towards forwarding the proposals to NABARD without even taking into consideration the normative allocation declared by the Government of India. As a result, the loans sanctioned by NABARD always exceeded normative allocation except during 2011-12 leading to delay in completion of schemes due to fund constraints.

The scheme implementation was marred by i) absence of long term plan to identify the infrastructural gaps in the rural areas, ii) absence of detailed guidelines, iii) ineffective role of the FRED in fund management, iv) inadequate monitoring of the schemes, and v) improper survey and investigation. The resultant effect of these inhibiting factors on the schemes were i) implementation of RIDF schemes in urban areas in violation of the spirit of RIDF, ii) assets remaining idle or irregular utilisation of assets, iii) fund constraints leading to delay in completion of schemes, and iv) wasteful expenditure on non-functional assets due to creation of such assets in unsuitable locations and for want of repair and maintenance.

(Paragraph 5.3)

Transaction Audit Paragraph

There was short realisation of ₹ 6.34 crore from three oil companies due to negligence of the Finance, Revenue and Expenditure Department to realise cess on time, besides loss of revenue of ₹ 86.18 lakh due to belated revision of petrol and diesel prices by Food, Civil Supplies and Consumer Affairs Department.

(Paragraph 5.4)

CHAPTER I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Social Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Social Sector during the year 2011-12 are given in the table below:

Table 1.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Cultural Affairs and Heritage	30.79	23.46
Ecclesiastical	17.97	17.55
Food, Civil supplies and Consumer Affairs	22.25	18.80
Health Care, Human Services and Family Welfare	274.45	226.27
Human Resource Development	337.77	319.42
Labour	4.22	3.64
Social Justice, Empowerment and Welfare	155.85	81.83
Total	**843.30**	**690.97**

** There are seven departments which are under Social Sector*

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

Table 1.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Cultural Affairs and Heritage	Dissemination of Art & Culture	Himalayan Heritage Research & Development Society	2.63
2	Ecclesiastical	Buddhist & Tibetan Studies	Managing Committee, Sangor Chetsong Centre, Gangtok	2.50
3		Buddhist & Tibetan Studies	Sikkim Namgyal Institute of Tibetology, Gangtok	63.50
4		Buddhist & Tibetan Studies	Sikkim Buddhist Development Trust, Rinchenpong	3.00
5		Health Care for the Elderly	State Health Society	149.33
6		Tobacco Control	State Health Society	12.39

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
7	Health Care, Human Services and Family Welfare	National Programme for Prevention & Control of Diabetes	State Health Society	405.41
8		National Cancer Control programme	State Health Society	88.79
9		Hospital & dispensaries under NRHM	State Health Society	217.47
10		NRHM Central Sector	State Health Society	14.50
11		NRHM Centrally Sponsored	State Health Society	1,631.15
12		National Aids Control Programme including STD Control	Sikkim State Aids Control Society	507.43
13	Human Resource Development	Sarva Siksha Abhiyan	State Mission Authority, Sarva Siksha Abhiyan, Gangtok	4,022.84
14		Rastriya Madhyamik Siksha Abhiyan (RMSA)	State Mission Authority, RMSA	692.07
15		Research & Development Support (SERC)	Sikkim Government College	10.05
16		Skill Development Initiative.	Sikkim Skill Development Mission Society	2.00
17		Marine, Research & Technology Development	Sikkim Manipal University of Health, Medical and Technological Science	1.50
18		Science & Technology Programme for Socio Economic Development	Sikkim Manipal University of Health, Medical and Technological Science	4.00
19		Grants for training	Sikkim University Tadong	3.50
20	Information and Public Relations	North Eastern Areas	Sikkim Express, Gangtok	0.03
21	Social Justice, Empowerment and Welfare	Prevention of Alcoholic and Substance (Drugs) Abuse	Association for Social Health in India	14.93
22		Grants-in-aid to NGOs for STs including Allied schemes	Human Development Foundation of Sikkim, GRBA Road, Chogneytar, Gangtok	25.60
23		Grants in aid to NGOs for STs including Allied schemes	Muyal Liang Trust	31.87
24		Support to SC, ST, OBC Finance Development Corporation Ltd.	Sikkim SC, ST, OBC Development Corporation limited	300.00
25	Water Security and Public Health Engineering	National River Conservation Plan	Water Security and Public Health Engineering Department	930.00
26	Rural Management and Development	MG-NREGS	Panchayat Raj Institutions	10,079.77
Total				**19,216.26**

Source: Central Plan Scheme Monitoring System

1.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of 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 containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

During the year, test-check audits involving expenditure of ₹ 465.18 crore (including funds pertaining to previous years audited during the year) of the State Government under Social Sector were conducted. The Chapter contains one Performance Audit and five transaction audit paragraphs as given below:

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

1.3 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim

The implementation of MGNREGS in the State helped in generating supplementary income through employment on demand to people living in rural areas. It enhanced their living standards, and in the last five years created as many as 3,123 durable community assets thereby providing improved rural connectivity, better irrigation facilities for rural farmers, taking measures for water conservation, flood control and land development, etc. The State also did a commendable job in formulating and establishing the State Employment Guarantee Scheme, State Employment Guarantee Rules, State Employment Guarantee Council, etc. There were impressive percentages of women and SC/ST amongst those employed under this scheme. There was also an increasing trend in Registering of Households and job cards were also issued timely. The State has also received a number of awards with regard to implementation of the Scheme.

However, areas of concern included non-preparation of Development Plans by Gram Panchayat (GP), perfunctory preparation of Annual Plans by Gram Sabhas only to identify the schemes to be taken up without any reference to their likely demand for employment, defective and unrealistic preparation of Annual Work Plans and Labour Budget, etc. as seen from the extent of underachievement with regard to the targeted employment generation.

Other shortcomings were that the introductory Gram Sabha meetings to register households were belatedly convened, job cards did not bear the computerised ID number, photos of all the adult members and in some cases, the unique number and bank account number, etc. The time schedule guidelines for fund flows were not adhered to by most of the functionaries. This resulted in belated and inadequate release of funds by State Government. It also resulted in retention of funds at the year end by the DPCs, belated downward transfer to Blocks and GPs, belated sanction of projects for implementation and diversion of funds. The claim of the DPC of provisioning of employment within 15 days of demand was not verifiable in audit as the *wage earners in considerable number of cases had neither submitted dated applications nor had the GPs issued dated receipts to the applicants. Payment of wages was delayed for periods ranging from 15 days to 2 months.*

An analysis of execution of various projects revealed that the stipulated wage material ratio of 60:40 was not adhered to by East district, measurement of work was not done by technical persons, and there were wide variation between the estimates and actual expenditure.

Overall, despite these inadequacies in the implementation of MGNREGS, the performance of the Sikkim Government is much better than the national average. Working on removal of these problems and deficiencies which have been brought out in this report would ensure better performance in Sikkim and ensure that the benefits envisaged under MGNREGA are fully exploited to enhance the livelihood security and standard of living of rural households besides generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration, fostering social equity and strengthening rural governance through decentralisation, transparency and accountability.

The State Government formulated Rural Employment Guarantee Scheme and also appointed Rural Employment Guarantee Commissioner to put in place the structural mechanism for implementation of MGNREGS in the State.

(Paragraphs 1.3.6.1.1 and 1.3.6.1.3)

Planning was not accorded due priority as Development Plans were never prepared and the Annual Plans were perfunctorily prepared by the Gram Sabhas without any reference to availability of manpower, income generating assets, priority to deprived groups and maintenance of assets created, etc.

(Paragraphs 1.3.6.2.1 and 1.3.6.2.2)

The Annual Work Plans and Labour Budgets were defective and unrealistic as the mandays expected to be generated was never achieved, expenditure was between 83 and 88 *per cent* during 2009-12 of the Annual Work Plans; and target to provide 100 days employment was not achieved in any of the years under review.

(Paragraph 1.3.6.3.2)

The State share was neither released in full nor on time. The DPCs not only retained funds of ₹ 5.14 crore to ₹ 38.64 crore at the year end, but also released funds to the BACs belatedly, with delay ranging between 2 and 131 days.

(Paragraphs 1.3.6.3.4 and 1.3.6.3.5)

Payment of wages was not made within a fortnight of the work done, the delays ranging from 15 days to 2 months.

(Paragraph 1.3.6.5.3)

Stipulated wage material ratio of 60:40 was not adhered to by the East district.

(Paragraph 1.3.6.6.2)

Maintenance of records under MGNREGA was very poor. The registers such as Application Registration, Job Card, Employment Register, Asset Register, Muster Rolls, MR Issue/Receipt and Complaint Register were not maintained properly.

(Paragraph 1.3.6.8)

1.3.1 Introduction

The National Rural Employment Guarantee Act, 2005 (NREGA) was enacted (September 2005) and implemented (February 2006) initially in the 200 most backward districts of the country. Remaining districts were covered in a phased manner (2007-09). The primary objective of NREGA was to enhance livelihood security by providing 100 days annual employment per annum to rural households, generate productive assets, protection of environment, empowering rural women, reducing rural-urban migration, fostering social equity and strengthening rural governance through decentralisation, transparency and accountability.

In Sikkim, the Act in the first phase covered North district (2006-07) followed by East, South (2007-08) and West (2008-09) districts. The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.

1.3.1.1 Implementing agency

The Gram Panchayat is the single most important agency for executing works as the Act mandated earmarking a minimum of 50 *per cent* of the works to be executed by the Gram Panchayat. This statutory minimum, upto hundred *per cent* of the works may be allotted to the Gram Panchayat (GP) in the annual Shelf of Projects. The other Implementing Agencies are Block Development Officers and District Programme Coordinators.

1.3.1.2 Funding of the Scheme

The scheme is primarily funded by Central Government and partly shared by State Government as shown in the table below.

Table 1.3.1

Item of expenditure	% shared by	
	Central Government	State Government
Wages (unskilled)	100	Nil
Wages (skilled & semi-skilled)	75	25
Material	75	25
Administrative expenses	As decided by respective Governments	
Unemployment Allowance	Nil	100

(Source: MGNREG Act)

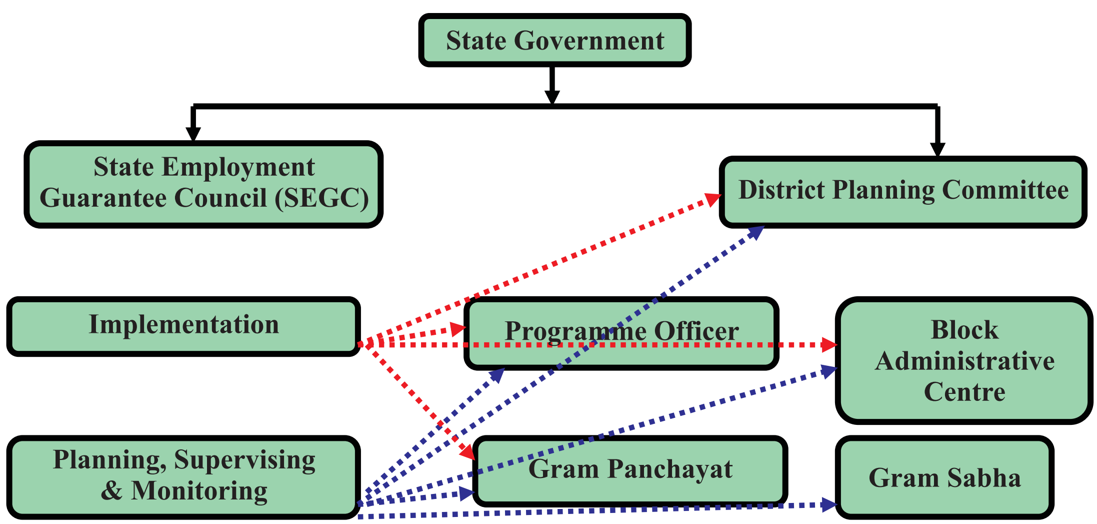
1.3.2 Organisational arrangements

At the State level, the State Employment Guarantee Council (SEGC), set up by the State Government, is responsible for rendering advice to the State Government on the implementation of the Scheme, and to evaluate and monitor it. Other roles of the State Council include deciding on the 'preferred works' to be implemented under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and recommending the proposals of works to be submitted to the Central Government.

At the district level, the Zilla Panchayats are responsible for finalising the District Plans and the Labour Budget and for monitoring and supervising the Employment Guarantee Scheme in the District. For this purpose, District Programme Coordinators (DPCs) have been designated for ensuring implementation of the Scheme in accordance with the Act. At the Block level, instead of Intermediate Panchayat in other States, Block Development Officers (BDO) are designated as Programme Officer (PO) in Sikkim. The PO essentially acts as a coordinator for MGNREGS at the Block level and is responsible for consolidation of the Gram Panchayat (GP) plans into a Block Plan and monitoring and supervision to ensure provision of employment within 15 days of demand. At the village level, the Panchayati Raj Institutions are the key implementing agencies for the programme providing a significant opportunity for demonstrating the role of village level Institutions in transforming their village infrastructure and addressing abject poverty. The GP is the pivotal body for implementation at the village level. The Gram Sabha recommends works to be taken up under MGNREGS, conducts Social Audits on implementation of the Scheme and utilises this forum for sharing information about the Scheme.

The organisational structure for implementation of MGNREGS in the State is as follows:

Chart 1.3.1



1.3.3 Audit Objectives

The Performance Audit was taken up with the primary objective to assess that the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates were ensured and the protection of environment, empowering rural women, reducing rural-urban migration, fostering social equity, etc. were effectively achieved.

The other objectives were to assess whether:

- Structural mechanisms were put in place and adequate capacity building measures taken by the State Government for implementation of the Act;
- Procedures for preparing perspective and annual plans at different levels for estimating the likely demand for work and preparing Shelf of Projects were adequate and effective;
- Funds were released, accounted for and utilised by the State Government in compliance with the provisions of Act/Rules;
- There was an effective process for registration of households, allotment of job cards and allocation of employment in compliance with the Act/Rules;
- MGNREGS works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and Rules;
- Durable assets were created, maintained and properly accounted for;
- Convergence of the Scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy;
- All requisite records and data were maintained at various levels and data automated completely to provide reliable and timely MIS;
- Complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation; and
- There was effective mechanism to assess the impact of MGNREGS.

1.3.4 Audit Criteria

Relevant criteria from the following source documents were used to assess the audit objectives:

- MGNREG Act 2005 and amendments thereto;
- Guidelines - Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development (MoRD), GOI regarding MGNREGA and the circulars issued by MoRD;
- Fund Rules 2006, Financial Rules 2009 and Audit of Scheme Rules 2011 of MGNREGS;
- Reports of the State/District by National Level Monitors;
- Guidelines/Checklist for internal monitoring by State; and
- Performance indicators framed by Government of India/State Governments.

1.3.5 Audit Methodology

The Performance Audit commenced with an entry conference (February 2012) with the State Nodal Department. The meeting was attended by Commissioner-cum-Secretary, Rural Management & Development Department (RMDD) who is also the State Employment Guarantee Commissioner and Special Secretary, RMDD who is the State Nodal Officer for MGNREGS in Sikkim among others. Group discussions with the State Voluntary Social Audit unit and District implementing officers were also held (March 2012). The Performance Audit covering a period of five years (2007-12) was carried out through test check of records at RMDD (MGNREGS cell), DPCs offices at East and South districts, 4 Block Administrative Centre (BAC) offices[1] and 8 GPs[2]. Impact assessment of the Scheme was attempted through Household Beneficiary Survey (160), attending the Social Audit meetings (2) and physical verification of works (80) executed under the Scheme. The results of Performance Audit was discussed at the exit conference (01 November 2012) with the Secretary, RMMD and the draft report prepared duly taking into consideration the replies furnished by the Implementing agencies.

Image 1.3.1

Entry Conference in the Conference Hall of RMDD

1.3.5.1 Audit Sampling

A Stratified Multi Stage Sampling was applied for selection of samples. In the first stage, two districts (out of four) were selected by Simple Random Sampling without Replacement (SRSWOR). In the second stage, from each selected district, 2 Blocks were selected. In the third stage, 2 GPs were selected within each selected block and within each selected GP, 10 works and 20 beneficiaries were selected at random for physical verification and beneficiary survey respectively.

1.3.5.2 Scope of audit

The present Performance Audit covered a period of five years (2007-12). Records of State Nodal Department (RMDD); two districts (East and South), four BACs (Regu, Pakyong, Temi and Namchi) and 8 GPs[3] were examined.

1.3.5.3 Acknowledgement

Audit acknowledges the cooperation and support extended by the Commissioner-cum-Secretary, RMDD; its officers and staff; DPCs and its staff, BDOs and Gram Panchayat (GP)

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[1] *Regu, Pakyong, Namchi, Temi.*
[2] *Aritar, Dalapchan, Aho Yangten, Kartok Namcheybong, Assangthang, Maniram, Temi, Ben Nampring.*
[3] *Aritar, Dalapchand, Aho Yangten, Namcheybong, Temi, Ben Namprik, Assangthang and Maniram*

functionaries, etc..

1.3.6 Audit findings

The audit findings are enumerated in succeeding paragraphs.

1.3.6.1 Structural mechanism

The Act enjoined upon the State Government for setting up the Employment Guarantee Council; State Employment Guarantee Fund; appointment of full time dedicated personnel such as Gram Rozgar Sahayak, Programme Officer, District Programme Coordinators, etc. for implementation of MGNREGA. Besides, mechanism for training of MGNREGS functionaries; a network of professional agencies for technical support and quality control measures; etc. were also required to be instituted for effective implementation of the Scheme. The position in this respect in the State is given below.

1.3.6.1.1 State Employment Guarantee schemes

The Act (Section 4) enjoined upon the State Government for setting up of Employment Guarantee Scheme (SEGS) within six months from the date of commencement of the Act (September 2005) duly incorporating the essential features contained in the Act for providing not less than 100 days of guaranteed employment in a financial year to every household.

The State Government formulated (June 2006) SEGS and named it State Rural Employment Guarantee Scheme (SREGS) which *inter alia* covered all the essential features contained in the Act except for the cheque signing authorities at the District, Block and Gram Panchayat levels as described in **Appendix 1.3.1**. A summary of the Scheme was not published in two local newspapers as required under MGNREG Act (u/s 4(2) of Chapter-III) compromising the necessity of wide publicity and transparency.

1.3.6.1.2 State Employment Guarantee Rules (SEGR)

The Act (Section 32) prescribed for formulating rules for carrying out the provisions of the Act by the State Government *inter alia* covering the aspects of grievance redressal mechanism at the block and the district level and procedure to be followed in such matters; terms and conditions to determine the eligibility for unemployment allowance; provide for the manner of maintaining books of account of employment of labourers and the expenditure; and prescribing the time frame for each level i.e. GP, Block and District levels for proposing, scrutinising, and approving SREGS works.

The State Government formulated State Employment Guarantee Rules (SEGR) as late as November 2010, after a gap of four years nine months from the date of publication of the Act. The rules so made did not cover the aspects of utilisation of State Fund (as detailed in **Appendix 1.3.2**), also the time frame for proposing, scrutinising and approving SREGS works by GP, Block and District levels was not prescribed as of March 2012.

In the absence of defined time frames at GP, Block and District levels for proposing, scrutinising and approving SREGS works, there was difficulty in ensuring the Shelf of

Projects in advance thereby adversely impacting employment generation.

1.3.6.1.3 State Employment Guarantee Council

MGNREGA (Section 12) provided for setting up of a State Employment Guarantee Council (SEGC) by every State Government for advising the State Government on the implementation, evaluation and monitoring of the Scheme. SEGC was also required to decide on the 'preferred works' to be implemented under MGNREGS, recommending the proposals of works to be submitted to the Central Government and preparation of Annual Report on the implementation of the MGNREGS and submission to the State Legislature.

Audit scrutiny revealed (May 2012) that the State Government constituted SEGC in February 2008 recording a delay of nine months after enactment of the MGNREG Act. Similarly, Secretary, Rural Management and Development Department was designated as State Rural Employment Guarantee Commissioner (SREGC) during October 2007 by the State Government recording a delay of 16 months from formation (June 2006) of SEGC and the first meeting was held in May 2008.

Even after belated establishment, the SEGC did not discharge its duties as it convened only one meeting against the required 10 in five years, the list of “preferred works” to be implemented under the Scheme was not prepared; annual reports for submission to the State Legislature was not prepared; review, monitoring and redressal mechanism was not strengthened; monitoring of implementation of SREG Scheme was not undertaken and district wise studies not attempted.

1.3.6.1.4 Gram Rozgar Sahayak

The implementation of MGNREGS involved considerable organisational responsibilities at the Gram Panchayat level and accordingly 'Employment Guarantee Assistant' or Gram Rozgar Sahayak (GRS) were required to be appointed in each Gram Panchayats with clear delineation of duties.

Audit scrutiny revealed that the GRSs were not aware of their responsibilities as the duties were not delineated by the PO or the DPC at the time of appointment or thereafter. As a result, GRSs were not aware of the requirement to maintain all REGS related documents at the GP. The job cards were not updated, dated receipts against work demanded not given, “pro-active disclosure” as stipulated in the Act (*paragraph 1.4)* was not observed in the GP, etc. Thus, the spirit of the Act to give guaranteed employment in transparent manner was compromised in absence of the dated application as the employment within 15 days could not be verified in absence of dated receipt against demand for work.

1.3.6.2 Planning

Planning is critical to the successful implementation of the MGNREGS. The basic aim of the planning process in the Scheme is to ensure that the District is prepared well in advance to offer productive employment on demand. The preparedness and planning in the State is given below:

1.3.6.2.1 Development Plan

Section 16 (3 & 4) of the Act enjoined upon GPs to prepare a Development Plan duly indicating the components of assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation and physical improvements (water conservation, land productivity) and forward the same to the PO for scrutiny and preliminary approval prior to the commencement of the year.

Audit noticed that Development Plans were never prepared by any of the GPs. The Panchayat functionaries at GP level were not even aware of such Plans. They were simply drawing up the list of works to be taken up under MGNREGS during the ensuing year based on proposals passed in the Gram Sabha. The GPs never attempted identification of manpower required to complete unfinished works of previous year, cost benefit analysis, etc. Even the PO had never reminded GPs for preparation and submission of Development Plans. Absence of Development Plans affected comprehensive planning for guaranteed employment and convergence with other Schemes as indicated in **paragraph 1.3.6.5 and 1.3.6.7.**

The Department stated (September 2012) that the Development Plan is an Annual work Plan that comprise of a Shelf of Projects for each village which in turn is a compilation of the Gram Sabhas resolutions. The reply is not acceptable as the Development Plan is like a rolling plan which should include assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation; etc. which were not done. The GPs simply prepared a list of works and submitted the same to the Block without any reference to the above.

1.3.6.2.2 Annual Plan

SREGS (Para 12(b)) required preparation of Annual Plan by GPs. The Annual Plan will be the working plan that would identify the activities to be taken up on priority in a year and the framework for facilitating the identification. The PO will scrutinise the annual Plan for its technical feasibility and match the demand for employment. The DPC will scrutinise the plan proposals of all the BACs, examining the appropriateness and adequacy of works in terms of likely demand as well as their technical and financial feasibility. The DPC will coordinate the preparation of detailed technical estimates and sanction.

Audit checks in eight GPs, four BACs and two districts revealed that this procedure was not adhered to. Instead the Gram Sabha only identified the Schemes to be taken up, which was compiled by the PO in the BAC without any reference to likely demand for employment. As a result, there was mismatch between annual plans and actual execution in employment generation and in achieving the number of households which were to complete 100 days of employment as detailed in **paragraph 1.3.6.3.2.**

The Department stated (September 2012) that the Shelf of Projects is a compilation of Gram Sabhas resolutions which were compiled at Block level and sanctioned by the DPC. The reply is not acceptable as the assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation; etc. were not included in the Annual Plan. Only Shelf of Projects were prepared by the GPs.

1.3.6.3 Financial Management

Government of India (GOI) releases funds through the National Employment Guarantee Fund directly to districts for implementation of MGNREGS based on requirement submitted by the State Government. The Act and Operational Guidelines prescribed that budget will be based on a realistic estimate for the works to be taken up as per the annual Shelf of Projects in the Development Plan. State Secretaries should ensure timely submission of Labour Budgets (within January 31 each year) for all the districts to avoid delay in fund release. For this, it is important that the districts follow time bound coordination at each level in the planning process from GP to District Planning Committee.

Audit noticed that this prescription of time schedule was not followed by any of the functionaries leading to cascading effect on fund management, especially with regard to belated release of funds to Districts, Blocks and GPs, and belated sanction of projects for implementation etc. as detailed in succeeding paragraphs.

1.3.6.3.1 State Employment Guarantee Fund

The Act and the Operation Guidelines enjoined **upon** the State Government to establish State Employment Guarantee Fund (SEGF) by notification in the lines of National Employment Guarantee Fund and also to administer the fund as a Revolving Fund duly formulating rules to govern the Fund.

The State Government constituted (August 2008) the SEGF. However, rules for operation and maintenance of the above fund was established belatedly (February 2012). This resulted in deposit of MGNREGS fund (₹ 254.17 crore) in other flagship programmes such as Prime Minister Gram Sadak Yojana (PMGSY) and Swarnajayanti Gram Swarojgar Yojana (SGSY). Similarly, Revolving Funds under MGNREGS at the District, Block and GP levels were also not set up.

1.3.6.3.2 Annual Work Plan and Labour Budget

The National Employment Guarantee Fund Rules 2006 (*Rule-5*) stipulated for submission of Annual Work Plan and Labour Budget by the State to the Union Ministry by January each year for release of funds to State Employment Guarantee Fund based on State's performance on implementation of the Scheme. The Labour Budget, duly containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the Scheme, was required to be prepared by District Programme Coordinator (Section 14 (6) of the Act).

Audit noticed that the Annual Work Plan and Labour Budget were defective and unrealistic as the man days expected to be generated was never achieved; expenditure was between 83 and 88 *per cent* of the Annual Work Plan during 2009-12; target to provide 100 days employment was also not achieved as shown in the table below:

Table 1.3.2

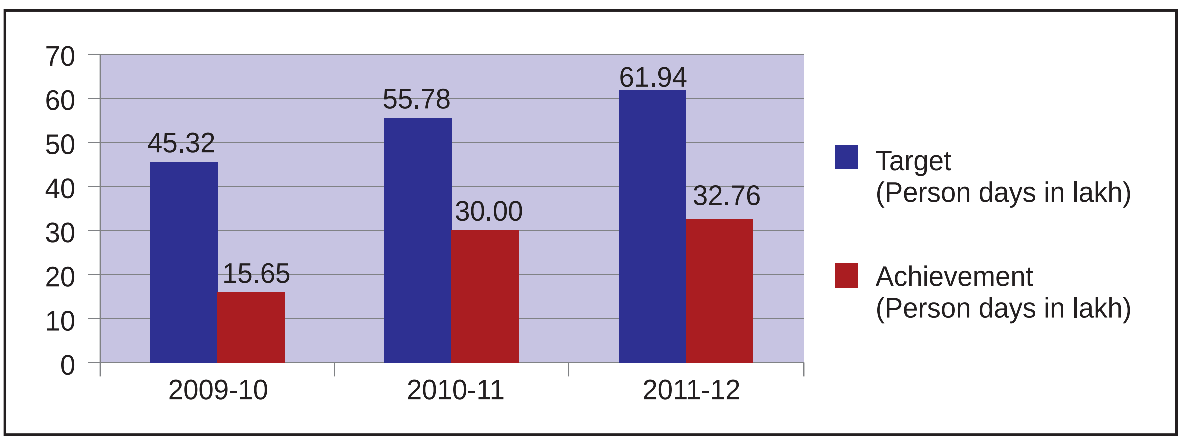
Sikkim State						
Year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
Total Rural Households	NA	NA	95,407	91,190	93,834	**2,80,431**
Total Rural BPL Households	NA	NA	21,204	26,812	28,922	**76,938**
Total Jobcards issued	36,328	62,478	74,570	77,270	79,282	**3,29,928**
Projected person days	NA	21,58,000	45,32,216	55,77,680	61,94,460	**1,84,62,356**
Projected number of HH to be provided 100 days employment	NA	NA	35,521	46,250	56,510	**1,38,281**
Projected expenditure (₹ in lakh)	NA	2,734.18	7,528.70	8,933.43	11,865.15	**31,061.46**
Actual person days generated	72,883	2,25,934 (10)	15,65,373(35)	30,00,740 (54)	32,75,845 (53)	**81,40,775 (44)**
Total expenditure incurred (₹ in lakh)	1,050.87	3,806.60 (139)	6,407.48 (85)	7,458.13 (83)	10,386.00 (88)	**29,109.08 (94)**
Number of HH completed 100 days	35	NA	2,753	7,980	8,731	**19,499**

Source: MIS data, Figures in bracket indicate percentage, NA=Not available with the Department.

Audit analysis revealed the following:

➢ Although almost all the households demanding employment were provided with employment, the total employment generation during the year 2009-12 was 15,65,373, 30,00,740 and 32,75,845 person days as against the projected employment generation of 45,32,216, 55,77,680 and 61,94,460 person days as shown in the graph below. This indicated achievement of 35, 54 and 53 *per cent* of employment generation during 2009-12 against the projected employment generation.

Chart 1.3.2



Bar Graph showing target and achievement in respect of person days in lakh during 2009-12

➢ Based on the approved Annual Work Plan and budget of ₹ 283.27 crore sanctioned for the years 2009-12, the first tranche (taking 60 *per cent*) release should have been

₹ 169.96 crore for the above period. As against this ₹ 106.14 crore, only was released in the 1st tranche (taking 60 *per cent* of approved Labour Budget) leading to shortfall ranging between 12 and 37 *per cent* even after considering the closing balances of ₹ 57.87 crore. The details are shown in the table below:

Table 1.3.3

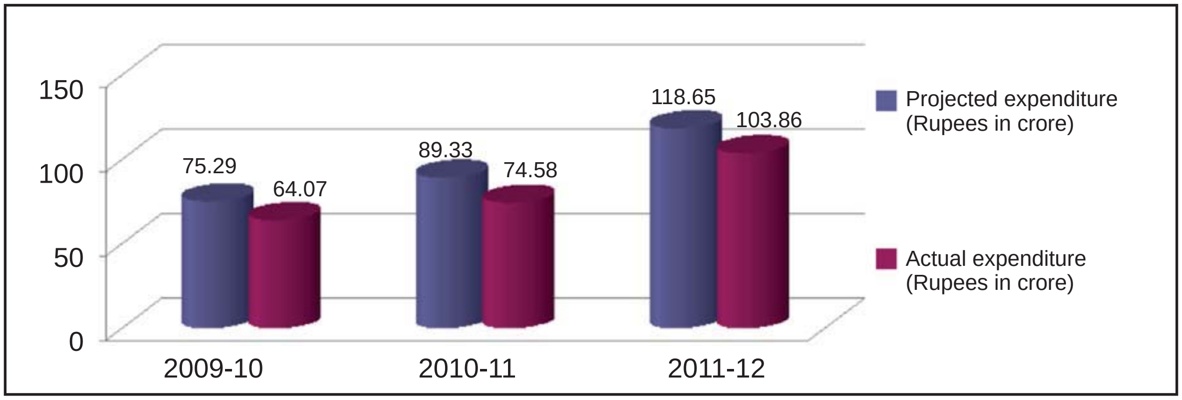
(₹ in lakh)

Year	Total Budget	60%	Released	Closing Balance	Shortfall
2009-10	7,528.70	4,517.22	2,891.27	3,864.06	-
2010-11	8,933.43	5,360.06	2,431.14	937.67	1,991.25 (37)
2011-12	11,865.15	7,119.09	5,291.44	985.32	842.33 (12)
Total	**28,327.28**	**16,996.37**	**10,613.85**	**5,787.05**	

Source: Annual Accounts (2007-11) & MIS Report (2011-12) on MGNREGS and Labour Budget
Figures in bracket indicate percentage

➢ Similarly, the actual expenditure was ₹ 64.07 crore, ₹ 74.58 crore and ₹ 103.86 crore during 2009-12 as against the projected expenditure of ₹ 75.29 crore, ₹ 89.33 crore and ₹ 118.65 crore indicating 85, 83 and 88 *per cent* of the projected expenditure as shown in the chart below:

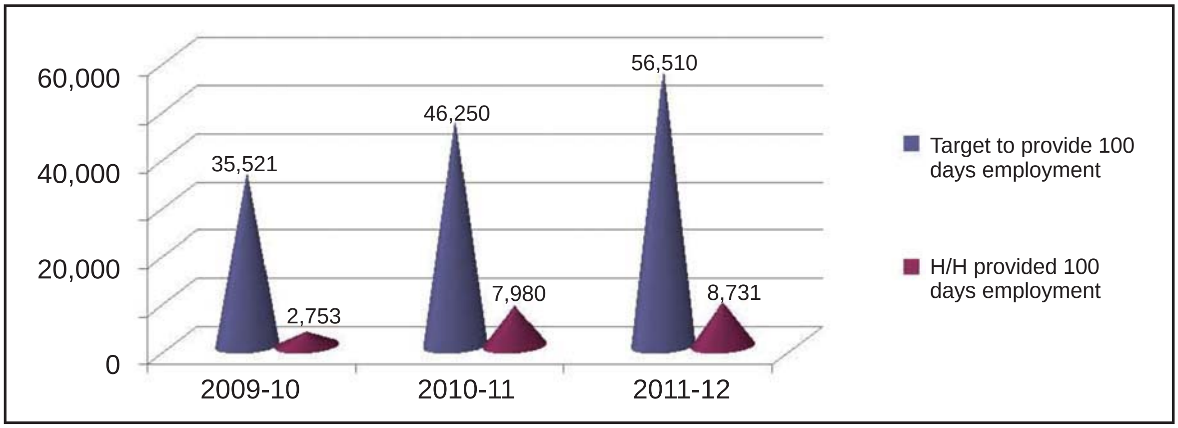
Chart 1.3.3



Bar Graph showing projected and actual expenditure during the years 2009-12

➢ The most important aspect of provision of 100 days of guaranteed employment to the wage earners was also partially achieved. As against the target of providing 100 days employment to 35,521, 46,250 and 56,510 households during 2009-12, the State could provide 100 days employment to 2,753, 7,980 and 8,731 households as shown in the graph below indicating 8, 17 and 15 *per cent* of achievement against the projection.

Chart 1.3.4



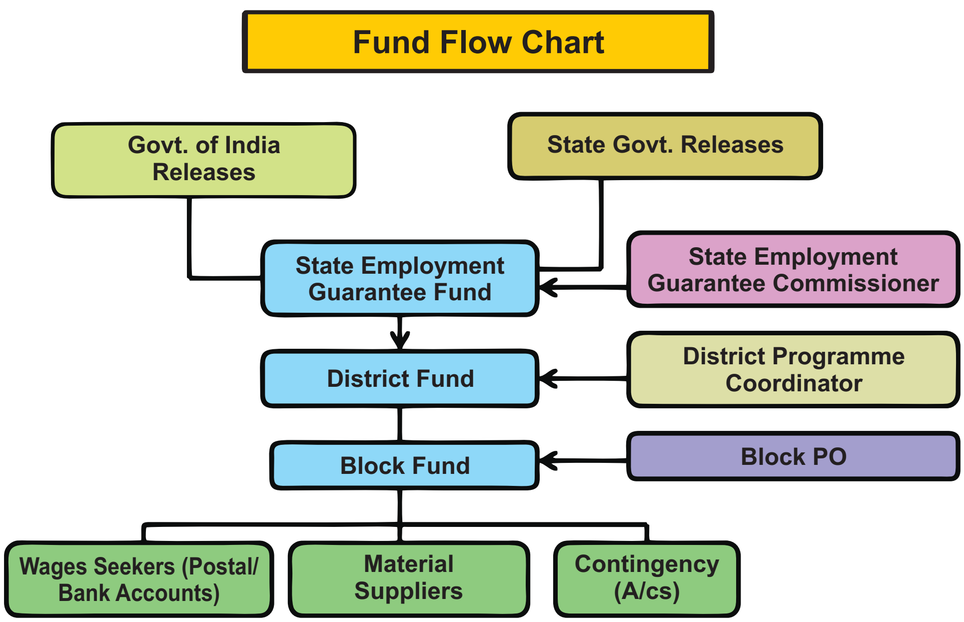
Bar Graph representing target and achievement in providing 100 days employment

The Department stated (September 2012) that the database was incomplete and analysis from the incomplete database would result in faulty conclusions. The fact however, remains that in the absence of complete and accurate database at any level, the actual position could not be verified in Audit.

1.3.6.3.3 Fund flow

The fund flow mechanism for implementation of the scheme in Sikkim is depicted below.

Chart 1.3.5



The financial position indicating total availability of funds and expenditure there against for the period 2007-12 is shown below:

Table 1.3.4

(₹ in lakh)

Year	Opening Balance	Total Receipts			Total Availability	Expenditure	Closing Balance
		Centre	State	Misc.			
2007-08	559.44	880.02	93.00(6)	32.63	1,565.09	1,050.87(67)	**514.22**
2008-09	514.22	4,151.64	202.78(4)	70.39	4, 939.03	3806.60(77)	**1,132.43**
2009-10	1,132.43	8,857.35	171.29(2)	110.47	10,271.54	6,407.48(62)	**3,864.06**
2010-11	3,864.06	4,448.55	30.00(0.4)	53.19	8,395.80	7,458.13(89)	**937.67**
2011-12	937.67	10,079.77	350.00(3)	3.88	11,371. 32	10,386.00(91)	**985.32**
Total		**28,417.33**	**847.07**	**270.56**	**36,542.78**	**29,109.08(80)**	

Source: Annual Reports on MGNREGS for 2007-11 & MIS for 2011-12
Figures in bracket indicate percentage

Analysis of fund flow revealed following:

1.3.6.3.4 Release of State Share

Audit checks revealed that the RMDD requisitioned for release of funds (State share) to the State Government during October each year. Against the proposal of ₹30.79 crore, only ₹ 8.47 crore was released by the State Government, resulting in short release of ₹ 22.32 crore with reference to the demand. The details are shown in **Appendix 1.3.3.** The State Nodal Department i.e. RMDD did not take up the issue with the State Government for release of full share.

Not only the funds were not released in full, but also released belatedly. Against the requirement to release State share within 15 days of release of Central share the State released its share belatedly, with delays ranging between 22 and 221 days during 2007-11. No reason for such delay was on record.

1.3.6.3.5 Release of funds to DPC, PO and GPs

The funds to the DPC, PO and GP are to be released within 15 days of receipt of funds from the State, District and Block respectively. While there was no delay in release of funds from State to District level, delay in release of funds from DPC to PO was noticed. Audit observed that the DPCs not only retained funds of ₹ 5.14 crore to ₹ 38.64 crore at the year end, but also released funds to the POs belatedly, with delays ranging between 2 and 131 days. This was despite fund requisition by the POs to the DPCs, which was not released in full. As against the fund requirement of ₹ 4.14 crore for five POs[4], only ₹ 1.75 crore was released by the DPC (East) during 2007-09, resulting in short release of ₹ 2.39 crore. This led to delayed payment of wages to wage earners and material suppliers.

1.3.6.3.6 Monthly squaring of accounts

The Act and the Operation Guidelines stipulated introduction of monthly squaring of accounts to ensure that all money released under MGNREGS is accounted for under (a) bank balance, (b) advances and (c) expenditure vouchers. However, the State had not introduced the system

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[4] *Regu; Rakdong Tintek; Gangtok; Duga and Rhenock*

as yet even after five years of implementation of the Act. As a result, actual expenditure and available balances with GPs, POs and DPCs were not readily available. In absence of the system, monthly closing of accounts was not done in most of the test checked GPs.

1.3.6.4 Registration, job cards and employment to households

The Act guarantees 100 days of employment to rural households on demand each year. For this, the MGNREGA Operational Guidelines enjoined submission of application for registration by households to the GP; undertaking of door-to-door survey, and issue of Job cards within a fortnight by GPs.

The position in this respect is given below:

1.3.6.4.1 Registration of households

The Act empowers rural households to apply for registration under the Scheme for 100 days employment in a year. The GPs would be required to register the households after due verification.

Audit scrutiny revealed that although registered households showed an increasing trend, it ranged between 79 and 85 *per cent* of the total households across the State; the most households were registered in West district (85 to 100), followed by South (87 to 92) and North (78 to 85) districts as shown below:

Table 1.3.5

Year	Particulars	East	West	North	South	Total
2009-10	Total rural H/H	31,599	31,250	8,008	24,550	**95,407**
	H/H registered	21,368 (68)	26,563 (85)	6,417(80)	21,415(87)	**75,763(79)**
	Job cards issued	21,071 (99)	26,047 (98)	6,381(99)	21,071(98)	**74,570(98)**
2010-11	Total rural H/H	31,902	27,278	7,718	24,292	**91,190**
	H/H registered	21,983(69)	27,278(100)	6,567(85)	22,076(91)	**77,904(85)**
	Jobcards issued	21,939(99)	26,996(99)	6,458(98)	21,877(99)	**77,270(99)**
2011-12	Total rural H/H	31,870	28,208	8,623	25,133	**93,834**
	H/H registered	22,715(71)	27,631(98)	6,686(78)	23,001(92)	**80,033(85)**
	Jobcards issued	22,608(99)	27,327(99)	6,615(99)	22,732(99)	**79,282(99)**

H/H: Households, Source: MIS, Figure in bracket indicate percentage

Audit however, noticed that an introductory Gram Sabha meeting as required under the Act was not convened in the eight GPs test checked in Audit. The survey by Audit also confirmed (April-May 2012) that introductory Gram Sabha was not convened in majority of cases and the households came to know about the Scheme through Gram Sabha (66 *per cent*), Panchayat Members (33 *per cent*) and Gram Rojgar Sahayak (4 *per cent*).

1.3.6.4.2 Job cards

The Operational Guidelines to the Act envisaged issue of job cards to every registered household after due verification by the Gram Panchayat.

Audit noticed that although job cards were issued within the stipulated time frame, the cards did not bear the computerised ID number, telephone number of DPC, PO and other grievance redressal authorities as required under the Act. Besides, photos of all the adult members of the households were not affixed, bank account number not mentioned in many cases, the register was not updated from time to time and additions and deletions neither read out in the Gram Sabha nor sent to the PO. Unique number in 65 *per cent* of job cards test checked was not given. Entries in job card were also not in complete shape in 70 *per cent* cases test checked.

1.3.6.5 Livelihood security

The Act aimed to ensure livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates and provide job on demand.

The details of number of households registered, work demanded, provided, etc. are given below:

Table 1.3.6

Performance Indicator	2007-08	2008-09	2009-10	2010-11	2011-12
H/H registered	48,150	65,161	75,763	77,904	80,033
H/H issued job cards	36,328	62,478	74,570	77,270	79,282
H/H demanded works	8,310 (23)	9,138 (15)	35,211 (47)	52,121 (67)	55,765 (70)
H/H work provided	1,250 (3)	7,814 (12)	35,198 (46)	50,618 (65)	54,464 (68)
H/H completed 100 days	35 (3)	NA	2,753 (8)	7,980 (16)	8,731 (16)
Person days generated	72,883	2,25,934	15,65,373	30,00,740	32,75,845
No. of days per H/H	58	29	44	59	60

Source: MIS, Figure in bracket indicate percentage

As would be noticed from the above table, the number of days per household provided employment ranged between 29 and 60 during 2007-12. 3 to 68 *per cent* households who demanded work were provided with employment during 2007-12 while 100 days of employment could be provided to 3 to 16 *per cent* households. This was primarily due to belated finalisation of 'Shelf of Works', coupled with delayed sanction of works, followed by delayed release of funds by DPCs. This led to belated sanction intimation to the BACs and in turn to GPs for commencement of works. Consequently employment to workers was delayed and could be provided mainly during 3rd and 4th quarter of the year.

The Department stated (September 2012) that the State was able to provide consistently 80-85 days of employment to 60 *per cent* of rural households against the national average of 45-50 days to 25 *per cent* of rural households. The reply is not acceptable as the consolidated position was not available with the Department except for the MIS data which the Department termed as incomplete. Further, even in the eight GPs test checked in Audit, the average employment ranged between 55 and 86 days during 2009-12.

1.3.6.5.1 Employment within 15 days

The Act (Para 5 & 6 of Schedule-II) entitled all registered persons belonging to a household for employment under the Scheme upto 100 days in a financial year, within 15 days of the date of application for employment.

The DPC claimed to have provided employment within 15 days of demand to the registered households. This claim however, was not verifiable as in most cases applications were neither dated nor dated receipts given to the applicants by GPs. From the samples test-checked, audit observed that while in 16 cases the exact date of application was not on record, in 20 cases undated applications were received. As a result, employment provided within 15 days was not verifiable. In absence of dated application, unemployment allowances, if any, required to be paid in accordance with the Act were not paid.

1.3.6.5.2 Social equity

The Act and the Operational Guidelines stipulated adequate representation to women (1/3rd of the beneficiaries) and SC/ST as shown in the table below:

Table 1.3.7

(₹ in lakh)

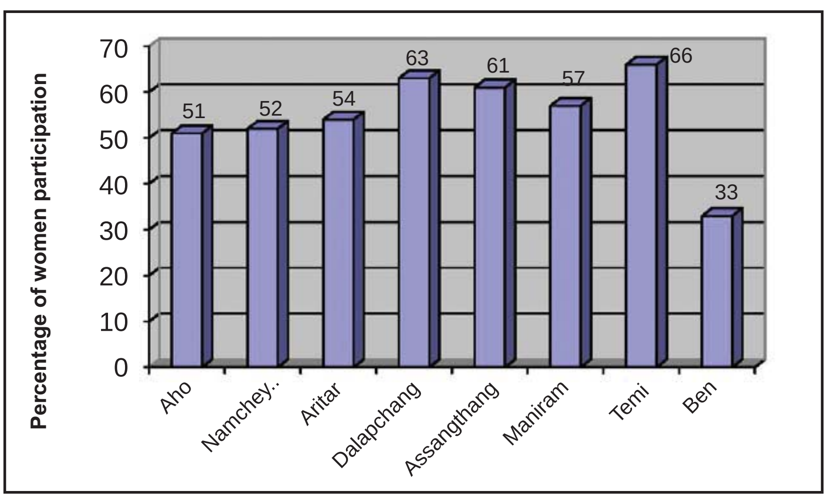
Year	H/H issued job cards			H/H employed			Person days				Wage expenditure		
	SC	ST	Others	SC	ST	Others	SC	ST	Others	Women	SC	ST	Others
2007-08	1,803	13,246	20,796	NA	NA	NA	369	68,838	3,676	21,255	NA	NA	NA
2008-09	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009-10	3,813	27,843	42,871	NA	NA	NA	70,486	6,78,036	8,16,851	6,83,629	NA	NA	NA
2010-11	3,900	28,509	44,471	2,387	19,523	28,708	1,32,407	11,82,018	16,86,315	13,46,648	139.10	1,228.18	1,774.01
2011-12	4,045	29,048	45,994	2,582	19,903	31,979	1,48,893	11,77,342	19,49,610	14,65,173	175.54	1,385.80	2,299.02
Total	**13,561**	**98,646**	**1,54,132**	**4,969**	**39,426**	**60,687**	**3,52,155**	**31,06,234**	**44,56,452**	**35,16,705**	**314.64**	**2,613.98**	**4,073.03**

Source: MIS, Figure in bracket indicate percentage.

As seen from the table, the share in employment of ST and SC were 39,426 and 4,969 indicating 39 and 5 *per cent* respectively. Similarly, the share of women was 44 to 45 *per cent,* which is higher than the minimum required (1/3rd) as per the Act.

Similarly, in the eight test checked GPs, the share of women ranged between 33 and 66 *per cent* as shown in the graph below.

Chart 1.3.6



1.3.6.5.3 Payment of Wages

Payment of timely and adequate wages through appropriate means by bank or post offices is considered important for ensuring livelihood security to the wage earners under the scheme.

The position in this respect is given below:

- ***Payment on weekly/fortnightly basis***

Operational Guidelines stipulated payment of wages on weekly basis and not later than a fortnight from the date on which work was done (Section 3(3)), failing which compensation as per the provisions of the Payment of Wages Act 1936 (MGNREGA, Schedule II, Section 30) would be paid by the State Government.

Audit check in eight GPs revealed that payment of wages was usually delayed for periods ranging between 15 days and 2 months. Not only were the wages not paid on time, the compensation for delayed payment of wages were also not given to the wage earners.

- ***Payment through bank/post offices***

Although MGNREG Act stipulated payment of wages through post offices or the banks, the workers were paid wages in cash upto 2008-09. Only from 2009-10, accounts in post offices and banks were opened covering 25 to 82 *per cent* households, indicating that 18 to 75 *per cent* of households were still not covered as required under the MGNREG Act till 2011-12. The position is reflected in **Appendix 1.3.4.**

- ***Wage slip***

Payment should be made by the Branch Manager of the concerned banks based on pay order issued in favour of group of workers as per the Muster Roll and amount credited to his account. Amount should be disbursed to the worker only on production of wage slip and the withdrawal slip by the worker or his authorised representative. It was however, noticed that although pay order was appropriately drawn, wage slip was not generated to enable the workers to know the exact wages earned by them and to facilitate them to check with the bank/ post office credit in their account.

- ***Muster Roll***

According to the MGNREGA Operational Guidelines, digitised Muster Rolls (MRs) with a unique identity number is to be issued from the Block level to GPs. The GPs were required to keep a photocopy of MRs for public inspection. Audit check at four BACs and eight GPs revealed that the MRs without full Unique Identification Numbers were utilised, entries in muster rolls were altered using correcting fluid and overwriting, attendance of workers was not verified by any authorised official, the certificate of the inspecting official was not recorded and the Measurement Book was not cross referenced with the muster rolls.

1.3.6.6 Execution of works

MGNREG Act and Operational Guidelines stipulate obtaining of administrative and technical

Image 1.3.2

sanction for all works in advance by December of the previous year, provision of worksite facilities (medical aid, drinking water, shade, crèche, etc), adherence to wage material ratio of 60:40, etc.

During 2007-12, the State Government took up a total of 4,979 works (valuing ₹ 236.11 crore), of which 3,123 works were completed (valuing ₹ 189.62 crore), and remaining 1,856 works (valuing ₹ 46.49 crore) were under progress indicating physical completion of 63 *per cent* of works as shown below:

Table 1.3.8

(₹ in lakh and 'works' in numbers)

Year	Physical (P)/ Financial (F)	OB	Added	Total	Completed	CB
2007-08	P	106	408	514	201 (39)	313
	F	133.73	1,909.92	2,043.65	1,115.10(55)	928.55
2008-09	P	313	91	404	55 (14)	349
	F	928.55	4,668.62	5,597.17	4,455.78 (80)	1,141.39
2009-10	P	349	390	739	435 (59)	304
	F	1,141.39	4,790.93	5,932.32	4,959.58 (84)	972.74
2010-11	P	304	3012	3316	1,534 (46)	1,782
	F	972.74	6,077.19	7,049.93	5,318.20 (75)	1,731.73
2011-12	P	1,782	972	2,754	898 (33)	1,856
	F	1,731.73	6,030.86	7,762.59	3,113.26 (40)	4,649.33
Total	**P**	**106**	**4,873**	**4,979**	**3,123 (63)**	**1,856 (37)**
	F	**133.73**	**23,477.52**	**23,611.25**	**18,961.92 (80)**	**4,649.33 (20)**

OB- Opening Balance; CB- Closing Balance
Source: Departmental figure.
Figures in bracket indicate percentage

Audit analysis revealed the following:

1.3.6.6.1 Variation between estimated cost and actual cost

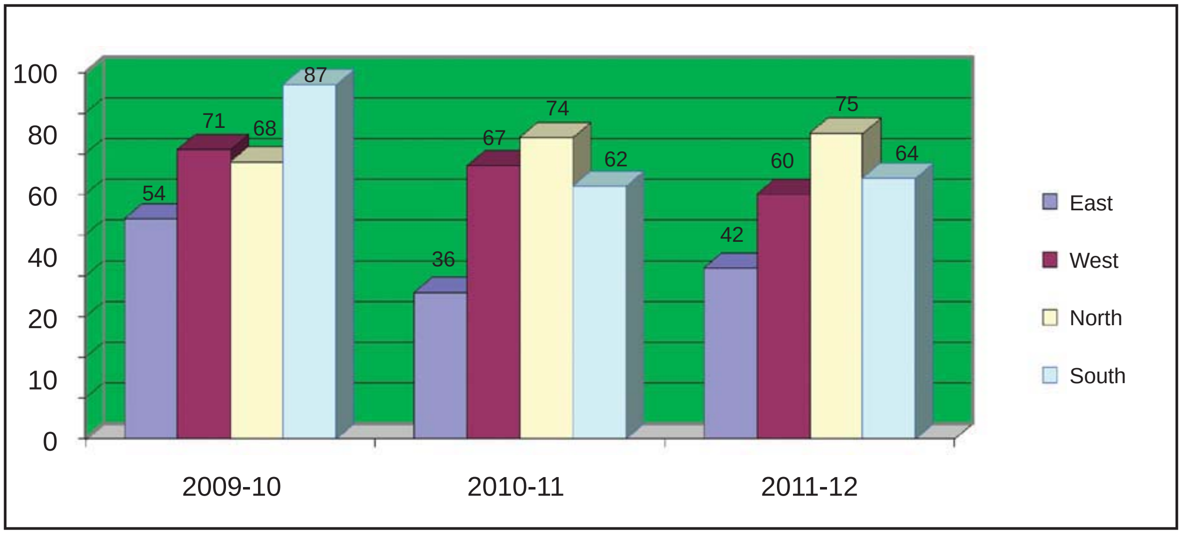
The Operational Guidelines stipulated framing of estimates based on proper survey, specific design on latest Schedule of Rates (SOR) and vetting by accredited engineers. The estimates were prepared by the Junior Engineers attached to the BAC, without proper survey and specification of each item of work. In the absence of accredited engineers, technical vetting was not carried out. The estimates were finally sanctioned by Assistant Engineers. Based on the estimates, sanction intimation to BAC were given by DPCs.

Audit noticed that there was wide variation between the estimates and actual expenditure on works. The gap ranged between 18 and 39 *per cent* in 20 cases (out of 80) in execution of works in eight GPs. This was due to insertion of extraneous wage component towards jungle clearance, excavation, ground leveling and head load, etc. In actual execution, the actual requirement of these items was much less than the estimation. This indicated that the estimates were not based on sound assessment.

1.3.6.6.2 Wage-material ratio

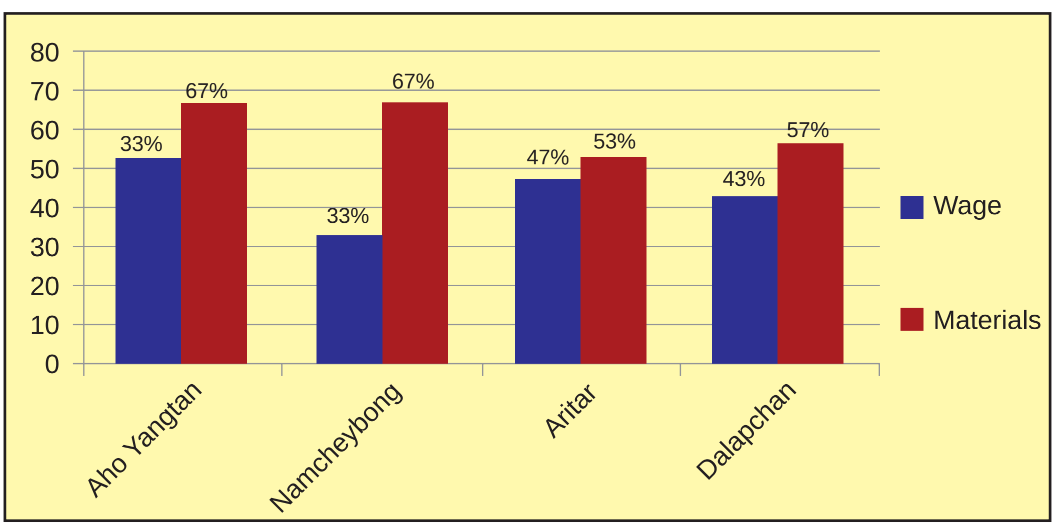
The ratio of wage costs to material costs should be no less than the minimum norm of 60:40 as stipulated in the Act. SREGS, 2006 also emphasised for maintaining the wage material ratio of 60:40. Test-check indicated that the wage material ratio was not adhered to in the East District. The ratio of wage to material ranged between 36 and 54 in many cases which is below that stipulated in the MGNREG Act. In the remaining three districts, the minimum ratio for wages was maintained as shown in the graph below.

Chart 1.3.7



The position was confirmed in the eight test-checked GPs of East (4) and South (4) districts. The wage material ratio in the GPs (Aritar, Dalapchand, Aho Yangten and Namchebong) of East district ranged between 33:67 and 47:53 as against the minimum of 60 *per cent* for wages, as shown in the chart below.

Chart 1.3.8



1.3.6.6.3 Sanctioning of works

Administrative Sanction and Technical Sanction for all works were required to be obtained in advance, by December of the year preceding the proposed implementation. Once a demand for employment was received, works would be started from the Shelf of Approved Works ready with technical and administrative sanctions. The GPs were generally the appropriate authorities empowered to 'start' works and to allocate employment among persons who had applied for work.

Audit noticed that the works were sanctioned by the DPC and communicated to GPs through BAC for commencement of work. It was noticed that Administrative Sanction and Technical Sanction were belatedly accorded between 5 months and 23 months by the DPCs instead of December each year. As a result, GPs although empowered to commence works and allocate employment could not do so till the receipt of sanction intimation by the DPCs. Consequently, commencement of works were delayed.

1.3.6.6.4 Project initiation

The Project Initiation meeting as stipulated in the Act and the Operational Guidelines before commencement of work on the worksite to explain the workers about their entitlements, wage payment, compensation in case of death or injury, quality and specification of works under the Scheme, etc. was not convened in any of worksites of the eight GPs test checked in Audit. This affected the quality of work execution as well as awareness of the workers about the Scheme. While the fact of inappropriate quality of works execution was corroborated by the State Quality Monitors in their report, the lack of awareness about workers entitlement (compensation for non-payment of wages on time) was confirmed during survey carried out by audit.

1.3.6.6.5 Measurement of work and Schedule of Rates

The Act required the State Governments to ensure notification of the Schedule of Rates (SOR), recording of measurement by qualified technical persons in the measurement book, etc. The position in this respect is detailed below:

- The comprehensive work, time and motion studies to observe out-turn and fixing rates after detailed location specific observations for preparation of SOR was not conducted by the State Government. As a result, productivity norms duly indicating possible out-turn under different geo-morphological and climatic conditions across and within Districts was not fixed.

  The Department stated (September 2012) that the creation of SOR was not agreed to by the Roads and Bridges Department which is the competent authority for preparation of SOR.

- Measurements, as required under the Act, by qualified technical personnel in charge of the worksite for recording in the Measurement Books was not undertaken in a majority of cases. Out of 80 works test checked in eight GPs, in 70 cases (88 *per cent*), no measurement was recorded.

- Similarly, daily measurements by Mates were also not recorded. In the absence of which, relationship between daily measurement of Mates and measurement by technically qualified personnel could not be established and vouched by Audit.
- Verification by qualified personnel a week before payment of wages was also absent affecting transparency besides actual extent of execution of works.

1.3.6.6.6 Project Completion Report

According to the Act (*Para 6.9*), a Project Completion Report (PCR) should be prepared on completion of every project as per the prescribed format alongwith a photograph of the completed work for verification.

Audit noticed that in none of the 80 works test checked in eight GPs involving four BACs, PCR and photographs depicting completion of works were placed. Thus, the completion of work or otherwise was not readily verifiable from records.

1.3.6.7 Convergence with other programmes

Operational Guidelines (amended upto 2009) of MGNREGA permitted (paragraph 14.1) convergence of the MGNREGS funds with funds from other sources for the creation of durable assets and additional employment. MGNREGS funds are intended to create additional employment; this will not happen if the employment currently generated by other programmes is displaced by the MGNREGS.

The only convergence programme attempted by the RMDD during 2011-12 was towards implementation of 'Chief Minister Rural Housing Scheme (CMRHS)'. The RMDD executed CMRHS and utilised ₹ 50,000 per house from MGNREGS fund for construction of CMRHS for rural poor. Out of ₹ 50,000, ₹ 20,000 was utilised for material and ₹ 30,000 for wages component. The payment of material component from MGNREGS was not permissible. Not only this, dovetailing of funds from other programme to MGNREGS was permissible and not *vice-versa*. This dovetailing also did not create additional employment to MGNREGS workers as it displaced the employment opportunity for other regular programme (CMRHS).

Thus, the only convergence attempted by the State was faulty and in effect did not contribute towards additional employment generation.

1.3.6.8 Records and data management

Maintenance of records under MGNREGA is critical to ensure verifiable compliance with the legal guarantee of 100 days of employment on demand and payment of unemployment allowance. The MGNREGA Operational Guidelines have specified details of records and registers to be maintained at different levels such as Application Registration Register, Job Card Register, Employment Register, Asset Register, Muster Rolls, MR Issue/Receipt Registers and complaint Register.

The position in this respect noticed during the course of Audit is given below:

- The Application Registration Register which records applications/requests for registration of household was maintained in all the eight GPs test checked in Audit. The photographs (20 *per cent*) of applicants, however, were not found attached to the job cards in many cases.
- In many cases, the applications for employment did not have the job card registration number, date from which employment was required, and the number of days of employment required.
- Employment Register was not maintained in seven GPs (out of eight). In one[5] GP, where Employment Register was maintained, it did not indicate the details of employment demanded, dated receipts of applications, employment allotted and employment actually taken up.
- The Asset Registers were not maintained in three GPS and maintained partially in five GPs (out of 8). In the absence of complete entries in Asset Register coupled with non-maintenance of Work Registers in GPs, the link between Asset Registers and the Work Registers could not be established.
- Muster Roll Receipt Register recording issue and receipt of Muster Rolls and omplaint Register which records details of complaints made and action taken was not maintained in eight GPs.
- The GPs did not maintain Work Register in absence of which duplication of works, if any, could not be verified in Audit.
- Management Information System (MIS) facility was not available with GPs which constrained GP functionaries to feed MIS data at BAC level leading to delayed updation of vital data on implementation of Scheme.

1.3.6.9 Transparency

The Act lays great importance to complete transparency in the process of administration and decision making, with an obligation on the government to *suo-moto* give people full access to all relevant information. Transparency is ensured through Social Audit, public grievance redressal system, people participation, consultation, consent and accountability.

The position in this respect is given in the table below:

[5] *Temi, under Temi Tarku BAC*

Table 1.3.9

Sl. No.	Particulars	Remarks
1	Social Audit	Social Audit was functional in all the four districts of the State.
2	Redressal System	The State Government designated (November 2008) the Programme Officer and the District Programme Coordinators as Grievance Redressal Officer at the Block and the District level respectively. However, their role was limited as no stakeholders came forward with any appeal which may be due to lack of wide dissemination of information and awareness.
3	Displaying of information	Information about works in local language at the worksite and in prominent places in Gram Panchayat was not displayed.
4	Employment Guarantee Day	Employment Guarantee Day was not observed in eight test checked GPs.
5	Information, Education and Communication (IEC)	IEC plan was not devised although some IEC materials were developed and distributed to the public by the RMDD
6	Accounts	Summary Accounts of MGNREGS were not displayed in any of the eight Gram Prasashan Kendras (GPKs).

1.3.6.10 Impact assessment

One of the objectives of MGNREGA is the creation of durable assets and strengthening the livelihood resource base of rural poor (Schedule-I, Section 2). Investments made under MGNREGS was expected to generate employment and enhance purchasing power, raise economic productivity, women's participation, strengthen the rural infrastructure by creation of durable assets, reduce distress migration, conserve and regenerate natural resources. The outlays for MGNREGS had to be transferred into outcomes. To assess this, the Operational Guidelines stipulated for carrying out regular evaluation and sample survey, District-wise and Block-wise studies to be commissioned by SEGC and DPC respectively. The position in this respect is given below:

1.3.6.10.1 Impact study by outside agency

The SEGC commissioned (February 2008) only one study by engaging Institute of Rural Management, Anand (IRMA), Gujarat and another study was conducted by Indian Institute of Management (IIM), Shillong at the instance of GOI. The reports indicated positive aspects of creation of supplementary income, social safety and empowerment, women empowerment, reduction in rural-urban migration and school drop-out. The causes of concerns were delayed payment of wages, inadequate availability of facilities at worksite, discontinuation of work because of lack of funds, etc. The Performance Audit also confirmed that the implementation of MGNREGS had positive impact on rural poor by providing supplementary income leading to empowerment and increased basic household facilities. However, a number of deficiencies and inconsistencies were noticed during Audit as reflected in this report.

1.3.6.10.2 Beneficiary survey

The beneficiary survey was conducted by Audit during the course of Performance Audit in eight GPs involving 160 beneficiaries from four BACs. 45 *per cent* of the beneficiaries rated the performance of MGNREGS in the State as Excellent; 38 *per cent* Very Good and 17 *per* *cent* Good and stated that the employment was provided within 15 days of demand. However, the survey disclosed minimal awareness of beneficiaries regarding unemployment allowances, insurance cover and health check up and that information boards were to be put up at work sites after completion of the works.

1.3.7 Conclusion

***T**he Scheme facilitated employment generation, adequate women participation, strengthening of rural infrastructure to a large extent, enhancement in purchasing power and improved health and educational status, etc.*

However, the implementation needed strengthening in planning, financial management and execution of works. The development and Annual Plans need be prepared as per the stipulations in the MGNREGS guidelines to capture realistic projection of employment and asset creation. The belated transfer of funds to Blocks and GPs need be addressed to ensure timely payment of wages to wage earners. The data and record management needs to be strengthened to capture appropriate complete data. Besides, submission of dated application by the wage earners and also issue of dated acknowledgement by the GPs needs to be insisted upon to ensure provisioning of employment within fifteen days of demand. Labour intensive works needs be executed to ensure compliance to the wage material ratio of 60:40.

1.3.8 Recommendations

The following are the recommendations for further improving the implementation of the MGNREGS in the State.

- Utmost priority may be accorded to Planning. Development Plans and Annual Plans may be prepared after due consultation process involving all stakeholders.
- Action may be initiated to ensure full and timely release of State share of funds, and funds should be released to BACs and GPs on demand to facilitate timely commencement of works and payment of wages to wage earners.
- Suitable steps to be taken to ensure that online data entry is done to increase transparency, accountability and reliability of the data.
- The State Government should also ensure that the requisite levels of inspection by different levels of officials are conducted at all levels.
- The Annual Work Plan and Labour Budget may be prepared realistically to ensure generation of expected mandays, provisioning of 100 days employment, etc.
- Stipulated wage material ratio may be adhered to and proper selection of works may be ensured to avoid infructuous expenditure on works.
- Data and record management may be strengthened to ensure availability of appropriate and reliable data.

LABOUR DEPARTMENT

1.4 Non-deduction/short realisation of Labour Cess

Non-deduction/short realisation of mandatory labour cess of ₹ 1.94 crore, besides violating the statutory provisions, adversely impacted the welfare measures targeted for the benefit of construction workers involved in various construction works all over the State.

The 'Building and Other Construction Workers Welfare Cess Ordinance' was promulgated by the Government of India in November 1995. The promulgation was followed by the enactment (August 1996) in Parliament, extending the provisions throughout the country, of 'Building and Other Construction Workers Welfare Cess Act 1996'. The Act envisaged levy of a minimum one *per cent* labour cess on construction cost incurred by an employer or any executing agency. The amount of labour cess so collected was to be transferred to the Building and Other Construction Workers Welfare Board. In Sikkim, the State Government notified (September 1997) the Central Act in the State Gazette for adherence by all concerned.

Despite the Government's notification for deduction of labour cess as early as in September 1997, the setting up of mandatory Board to whom the cess was to be rendered was created only in February 2010. Even after creation of the Labour Welfare Board and issue of a fresh circular in September 2010 insisting upon all departments to levy cess and render it to Sikkim Building and Other Construction Workers Welfare Board, a majority of the contractors were not levied with the cess.

Test check of records in three departments[6] revealed (February 2012) that in 124 cases[7], the departments had not deducted cess amounting to ₹ 1.90 crore during the period September 2010 to October 2011 as envisaged in the Act and in six cases, there were short deductions of ₹ 4.19 lakh. As a result, various components such as assistance in case of accidents, death benefits, pension benefits, loans and advances for house construction, insurance schemes, assistance for education of children, medical assistance and maternity benefits could not be fully extended to the welfare of labourers engaged in the construction activities in the State.

Thus, non-deduction/short realisation of cess of ₹ 1.94 crore adversely impacted the various welfare measures targeted for the benefit of workers involved in various construction works all over the State.

The matter had been reported to the Government / Department; their reply had not been received (November 2012).

[6] *SPWD (R&B) (non-deduction: ₹ 32.39 lakh; short deduction: ₹ 3.88 lakh);Building & Housing (non- deduction: ₹ 139.44 lakh); Tourism & Civil Aviation (non-deduction: ₹ 17.99 lakh; short deduction: ₹ 0.31 lakh)*

[7] *Out of 145 cases test checked.*

SOCIAL JUSTICE, EMPOWERMENT AND WELFARE DEPARTMENT

1.5 Unfruitful expenditure

The expenditure of ₹ 5.31 crore incurred on the project aimed at providing quality educational facilities to the socially and educationally backward children from the Other Backward Classes (OBC) remained unfruitful as the project was incomplete even after 10 years from the date of approval by the Cabinet.

The Social Justice, Empowerment and Welfare Department (SJEWD) initiated (July 2001) a proposal for constructing a residential school for OBC boys and girls at Kamrang, South Sikkim, for providing quality educational facilities to the socially and economically backward classes of the State. A land measuring 22.10 acre for this purpose was acquired at ₹ 65.13 lakh and handed over to the SJEWD in June 2002. The project was sanctioned at ₹ 6 crore by the State Cabinet in August 2002, except the cost and acquisition of land, and was to be executed by the Human Resource Development Department (HRDD).

The project was split into three phases: Phase I – Administrative-cum-class room block *(₹ 1.34 crore)*, Phase II - Hostel blocks for boys and girls **(**₹ *1.70 crore*) and Phase III- Construction of staff quarters and multi-purpose hall **(**₹ *1.46 crore*). The balance funds of ₹ 1.50 crore was earmarked for other services-external water supply, construction of approach road and footpath, development of play field, furnishing and furniture, boundary pillars and plantation. While the first and third phase of the project were to be funded by the State, funds for the second phase was proposed to be sourced from the Government of India from the Centrally Sponsored Scheme (CSS) of Hostels for OBC students (50:50 CSS).

The work for the first phase of the project, except electrification and purchase of furniture, was awarded to a contractor (March 2002) at 38 *per cent* above the estimate and completed in August 2005 at an expenditure of ₹ 1.66 crore. The approval of the Cabinet was obtained (December 2006) for electrification and purchase of furniture after a lapse of nearly five years from the date of award of the first phase and an amount of ₹ 47.29 lakh was incurred for purchase of furniture (March 2007) and electrification (August 2007). In the meantime, the building, without electrification, was handed over to the Department by the HRDD in July 2007. The Government also considered to hand over the school-cum-administrative building to the Kendriya Vidalaya Sangathan for temporary use, which, however did not fructify.

The cost of second phase of the project *(Hostel blocks for boys and girls)* was revised (June 2008) to ₹ 2.77 crore and awarded (January 2009) at ₹ 3.22 crore after tender.

The third phase of construction of staff quarter and multipurpose hall with revised cost of ₹ 2.34 crore was not even taken up (July 2012).

The HRDD in its progress report for June 2012 submitted to the GoI mentioned that the hostel building had been completed at a cost of ₹ 2.53 crore[8]. However, physical verification of the facility in July 2012 revealed that though the building was being used (the exact date of utilisation by the ITI was not on record) by the Industrial Training Institute, the electrification works, water supply, drainage and sanitation works were incomplete and the construction of approach road to the facility had not even been taken up.

Thus, lack of proper planning and synchronisation of the different components of the work by the HRDD and inadequate supervision by the Department resulted in non-establishment of the residential school for OBC students despite expending ₹ 5.31 crore even after 10 years from the date of approval by the Cabinet. Besides, there was also no record to indicate that other vital issues involved in running the school such as procedures for selection of students, appointment of teachers and administrative staff, arrangement of facilities for boarding and lodging in the hostel, quantum and source of funds for regular operation and maintenance of the facility, etc. had been planned, as of July 2012.

The Department while accepting (September 2012) the above facts regretted for the lapses. In a further reply, the SJEWD stated (November 2012) that the Hostel Building of Phase II had since been taken over on 30 October 2012. But the fact remains that since Phase III of the work had not even been taken up, it is uncertain as to when such facilities would be available to the intended beneficiaries.

WATER SECURITY AND PUBLIC HEALTH ENGINEERING DEPARTMENT

1.6 Unfruitful expenditure

Project initiated without proper survey and investigation and without ensuring availability of suitable land for construction of Sewerage Treatment Plants resulted in unfruitful expenditure of ₹ 6.03 crore with consequent failure to provide the necessary sewerage facilities to the intended beneficiaries.

The Namchi town with a population of 13,719 (2006) and estimated to grow to 33,508 in 2025 did not have any organised sewerage system. In its absence, the waste water found their way to the drains that ultimately flowed into the Rangit[9] river. The Department therefore, proposed a proper sanitation facility for Namchi town, with an organised sewerage system for disposal of sewage into the Rangit river after proper treatment, which would ensure proper hygiene and reduction of environmental pollution.

The project was approved (November 2007) by the State Level Sanctioning Committee for implementation under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). The Union Ministry of Urban Development sanctioned (January 2009)

[8] Out of which ₹ 1.24 crore was provided (January 2009) by the GOI being part of its share under the Centrally Sponsored Scheme of Hostels for OBC students.
[9] Second largest river of the State

the project, 'Sewerage Treatment Project for Namchi town' at a cost of ₹ 10.97 crore[10] and released ₹ 4.94 crore as first instalment. The project envisaged laying of pipelines for carrying sewage, construction of inspection chambers at various intervals in the sewer line network and construction of two Sewerage Treatment Plants (STPs) – one at a site below District Jail and the other below Kamrang College. The civil works portion of the project valued at ₹ 2.36 crore was awarded (March 2009) to the lowest bidding contractor with the stipulation to complete the works within 24 months i.e., by March 2011. Supply orders for pipes and fittings were simultaneously placed on the State Trading Corporation of Sikkim and other suppliers.

It was observed that the two sites were selected injudiciously as both the sites were later on found unsuitable. The reasons for unsuitability of the site below the District Jail were (i) requirement of approach road whose construction costs were not included in the detailed project report, (ii) unsuitability of laying pipelines along boundary wall of the District Jail and (iii) unsuitable/unstable soil. Similarly, the STP site below Kamrang College was also unsuitable as the site was near the College.

During discussion, the Secretary, Water Security and Public Health Engineering Department stated (April 2012) that alternate site for the STP earlier proposed to be constructed below the District Jail was being identified. For the other STP proposed earlier to be constructed below Kamrang College, a site 12 kilometers away from the earlier location had been identified but the Department had not acquired land for the said purpose (September 2012). It was also stated (April 2012) that the construction of the additional sewage line to the new site of the STP 12 kilometres away was included in the second phase of the UIDSSMT project for Namchi town which was forwarded (March 2011 and May 2011) to GOI for funding. However, these large-scale changes as compared to original approved plan by GOI, had not been responded to. In the absence of approval against the changes from the appropriate authority, the future of the project was uncertain even after an expenditure of ₹ 6.03 crore.

The Department thus, sent the project proposal for the Sewerage Treatment Project for Namchi without ensuring its feasibility through proper survey and investigation. Availability of suitable land was also not ensured for construction of the STPs. Thus, the sanction of the GOI was obtained without conducting background work with due diligence which resulted in the stalled project and required further major changes to the original proposal. The stalled project deprived the residents of Namchi town of the expected sewerage disposal facilities and had also led to blocked/unfruitful expenditure of ₹ 6.03 crore as of August 2012 with no idea as to when the project was likely to be completed.

The matter was reported to the Department/ Government; their reply had not been received (November 2012).

[10] *Funded 90 per cent by the Government of India and 10 per cent by the State Government*

HEALTH CARE, HUMAN SERVICES AND FAMILY WELFARE DEPARTMENT

1.7 Failure to operationalise drug testing lab

Despite receipt of funds from the Government of India in December 2006, due to absence of approach road and water supply, the drug testing laboratory established in East Sikkim could not be operationalised and expenditure of ₹ 1.50 crore towards its construction, purchase of equipment and manpower remained unfruitful.

The Health Care, Human Services and Family Welfare Department of the Government of Sikkim submitted (November 2006) a proposal to the Ministry of Health and Family Welfare (MHFW) for establishment of a drug testing laboratory at Chuwatar, Singtam, East Sikkim at a cost of ₹ 1.75 crore[11] under the scheme 'Quality Control of Ayurveda, Unani, Siddha and Homeopathic drugs'. The lab was proposed to be established for quality control of Ayurvedic and Homeopathy drugs manufactured in the State and also to provide lab testing facilities for State Medicinal Plant Board functioning under the aegis of Forest, Environment and Wildlife Management Department, one Central Research Unit of Homeopathy working in the State and one Central Ayurvedic Research Institute working at Tadong, Gangtok. The MHFW sanctioned and released (December 2006) the maximum permissible amount of ₹ 1.50 crore under the scheme for establishment of the drug testing facility in the State.

Scrutiny of records (January - February 2012) revealed that the estimate of ₹75 lakh for the building component was prepared without including provision for the very basic items like electrification, external water supply and approach road. Eight months after receipt of funds from the MHFW, the Department realised these lapses and resubmitted (August 2007) a revised estimate of ₹ 1.05 crore for the building component of the project to the MHFW for sanction of funds, after including provision for water supply, electrification and approach road. While rejecting the revised proposal, the MFHW suggested (December 2008) that the Department arrange the additional funds from the State's own resources. The Department did not approach the State Government for the additional funds required for the project but re-designed the building by reducing the floor area of the lab by 33 *per cent* from the approved standard of 6,000 sq. ft. to 4,030 sq. ft. with a view to accommodate the cost of electricity and cost escalation within ₹ 50 lakh provided by the MHFW for the building component indicating that the proposal was prepared in an unprofessional manner without site verification and survey.

The building work (with reduced floor size) was put to tender and awarded (March 2009) to the lowest bidder at 15 *per cent* above the estimated cost to be completed in February 2010 (12 months), without ensuring provision for approach road and water supply. The building was completed at an expenditure of ₹ 49.87 lakh (February 2011) and taken over by the Department

[11] *(I) lab equipment (₹ 80 lakh) (ii) building for housing the lab (₹75 lakh), and (iii) hiring human resources for five years (₹ 20 lakh).*

in March 2011. Physical verification (April 2012) revealed that the building was lying in a state of disuse in the absence of approach road, water supply, equipment and manpower, defeating the objective of establishment of the drug testing lab to test the drugs and other medicinal plants available in the State and regulation of its quality, marketing and trade in the State. The Department had never approached the State Government for providing additional funds for approach road and water supply for the project, even after denial of additional funds by the MHFW.

While accepting the Audit observations, the Department stated (August 2012) that the delay in procurement of equipment was due to non-completion of some minor works, which had since been completed and the proposal for procurement of the materials was under process along with the proposal to appoint manpower for the laboratory as per guidelines.

Thus, the facility created at a cost of ₹ 49.87 lakh remained unused and unmaintained while the balance fund of ₹ 1 crore provided by the MHFW was lying idle in the State Government Account. Further, it was not certain as to whether the reduced size of the building would be adequate to accommodate the lab and whether the earmarked amount of ₹ 80 lakh provided more than five years ago for the equipment would be sufficient to meet the cost of the equipment keeping in view the time and cost overrun.

DEPARTMENTS OF: BUILDING & HOUSING; WATER SECURITY & PUBLIC HEALTH ENGINEERING; URBAN DEVELOPMENT & HOUSING; HUMAN RESOURCE DEVELOPMENT; HEALTH CARE, HUMAN SERVICES & FAMILY WELFARE; ROADS & BRIDGES; IRRIGATION & FLOOD CONTROL; ENERGY & POWER; RURAL MANAGEMENT & DEVELOPMENT AND FOREST, ENVIRONMENT & WILD LIFE MANAGEMENT

1.8 Loss due to non-deduction of void on stone

Non-effecting of requisite deduction of void on stone, by works executing departments, led to loss of ₹ 0.59 crore to the Government.

Mention was made in the Comptroller and Auditor General's Audit Report (Paragraph 4.2) for the year ended 31 March 2002 about non-deduction of void[12] on stone and stone chips. The Public Accounts Committee (PAC), on being satisfied with the reply furnished by the departments[13] that the void at the rate of 15 *per cent* would be deducted from the stone, issued no recommendation (March 2005). The departments also informed (March 2005) the PAC that necessary direction in this regard had already been issued to the field divisions/sub-divisions for effecting the said deduction on all ongoing works.

[12] *Empty space between the stones and stone chips*
[13] *Irrigation & Flood Control Department; Energy & Power Department; Water Security & Public Heath Engineering Department; Building & Housing Department and Roads & Bridges Department*

Test check of vouchers pertaining to the period from March 2011 to March 2012 revealed (July 2012) that the departments had not effected the deduction in a number of cases. While the departments were adhering to the prescription in some cases, in a number of cases, the requisite deduction was not being effected. Out of 560 cases test checked involving ten departments[14], in 258 cases, 15 *per cent* mandatory deduction of void on stone amounting to ₹ 0.59 crore for supply of 93,55,224 cft of stone involving all the departments was not effected (details given in **Appendix 1.8.1**). The non-deduction of void led to a loss of ₹ 0.59 crore to the Government and extension of undue benefit to the contractors/suppliers of equivalent amount. The loss to the Government on account of non-deduction of void on stone is likely to increase many fold if the payment of all other cases are taken into consideration.

The matter was reported to the Government/Department; reply had not been received (November 2012).

[14] *Departments of: Roads & Bridges; Building & Housing; Water Security & Public Health Engineering; Urban Development & Housing; Irrigation & Flood Control; Human Resource Development; Energy & Power; Health Care, Human Services & Family Welfare; Rural Management & Development and Forest, Environment & Wild Life Management*

Economic Sector

CHAPTER II

ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Economic Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Economic Sector during the year 2011-12 are given in the table below:

Table 2.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Animal Husbandry, Livestock, Fisheries and Veterinary Services	57.38	46.96
Buildings	43.14	34.20
Commerce and Industries	88.49	88.52
Co-operation	11.21	10.55
Energy and Power	175.87	134.85
Food Security and Agriculture Development	77.88	63.51
Forest, Environment and Wildlife Management	130.46	74.85
Horticulture & Cash Crops Management	37.60	34.38
Irrigation and Flood Control	123.59	43.45
Mines, Minerals and Geology	2.53	2.53
Roads and Bridges	314.21	161.40
Rural Management and Development	201.87	138.27
Tourism and Civil Aviation	193.24	65.92
Transport (Motor Vehicles)	3.08	3.11
Transport (Sikkim Nationalised Transport)	32.90	32.13
Urban Development and Housing	258.30	87.94
Water Security and Public Health Engineering	105.60	48.23
Total	**1,857.35**	**1,070.80**

** There are 16 departments which are under Economic Sector*

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

Table 2.1.2

(₹ in lakh)

Sl. no.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Animal Husbandry, Livestock, Fisheries and Veterinary Services	Dairy development	North- District Milk Producers Cooperative Union Ltd, Mangan	34.24
2	Forest, Environment and Wildlife Management	Environment Information Education & Awareness	State Environment Agency	14.37
3		National Medicinal Plants Board	State Environment Agency (Sikkim Medicinal Plant Board)	322.17
4		National Afforestation Programme	State Forest Development Agency	675.14
5		Pollution Abatement	State Pollution Control Board	5.12
6		Integrated Watershed Management Programme (North & East)	State Level Nodal Agency, Social Forestry Wing	115.02
7	Food Security and Agriculture Development	Support to State Extension Services for Extension Programme	State Agriculture Management & Extension Training Institute	249.26
8		National Project on Management of Soil Health & Fertility	State Agriculture Management & Extension Training Institute	65.00
9		National Mission on Micro Irrigation.	State Micro Irrigation Committee, Gangtok	400.00
10	Horticulture and Cash Crop Development	National Mission on Medicinal Plants	Small Farmers Agri-business Consortium (SFAC)	91.10
11		National Mission on Bamboo	Horticulture & Cash Crops Development Department	350.00
12		Horticulture Mission for North East & Himalayan States	National Research Centre for Orchid, Pakyong	800.00
13	Handicraft and Handloom (Directorate)	Human Resource Development	Sikkim Handloom & Handicraft development Society	5.00
14		Marketing & Export Promotion Scheme	Sikkim Handloom & Handicraft development Society	50.53
15		Marketing Support and Services and Export Promotion Scheme	Sikkim Handloom & Handicraft development Society	10.35
16		Baba Saheb Ambedkar Hasta Silpa Vikas Yojana.	Sikkim Handloom & Handicraft development Society	49.03
17		Design & Technical Upgradation Scheme	Sikkim Handloom & Handicraft development Society	21.80
18		Marketing Support and Services & Export Promotion Scheme.	Nayuma Women Cooperative Society, Gangtok	1.01
19	Information Technology	Electronic Governance	Centre for Research & Training in Informatics	255.69
20		North Eastern Areas	Centre for Research & Training in Informatics	2.57
21		PMGSY	Special Secretary, Sikkim Rural Road Development Agency	8,000.00
22		Aajeevika	Special Secretary, District Rural Development Agency (East) Sikkim	170.00

Sl. no.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
23	Rural Management and Development	DRDA(Admn)	District Rural Development Agency (East) Sikkim	123.87
24		Rural Housing(IAY)	District Rural Development Agency (East) Sikkim	501.54
25		National Rural Drinking Water Programme	State Water Sanitation Mission, Gangtok	6,919.17
26		Information, Publicity & Extension	Sikkim Renewable Energy Development Agency, Gangtok.	4.88
27		Off-grid DRPS	Sikkim Renewable Energy Development Agency, Gangtok.	1,033.00
28		Renewable Energy Fund Application for All Villages	Sikkim Renewable Energy Development Agency, Gangtok.	12.54
29		E-panchayats	Sikkim Rural Development Agency	60.86
30		Panchayat Mahila Evam Yuva Shakti Abhiyan	Sikkim Rural Development Agency	8.76
31		Panchayat Empowerment & Accountability Incentive Scheme	Sikkim Rural Development Agency	132.74
32		Integrated Watershed Management Program(IWMP)	Zilla Panchayat (East)	86.17
33		Integrated Watershed Management Program(IWMP)	ZillaPanchayat (West)	67.88
34	Science and Technology	Science & Technology Programme for Socio Economic Development.	Sikkim Consultancy Centre , a division of W. Bengal Consultancy Limited, Kolkata,	9.84
35		Sikkim State Science & Technology Programme	Sikkim State Council of Science & Technology	68.00
36		Science & Technology Programme for Socio Economic Development	Sikkim State Council of Science & Technology	7.71
37		Technology Development Programme	Sikkim State Council of Science & Technology	1.72
38		Research & Development Support (SERC)	Sikkim State Council of Science & Technology	58.00
39		Bio-informatics	Sikkim State Council of Science & Technology	3.90
40		Environment Information, Education & Awareness.	Sikkim State Council of Science & Technology	12.12
41	Tourism and Civil Aviation	Capacity Building for Service Provider	Institute of Hotel Management , Rumtek	27.27
42		Capacity Building for Service Provider	Food Craft Institute Kuchidumira, Hamch	26.43
43		NE Areas	Sikkim Tourism Development Corporation Ltd.	149.82
44		NE Areas	Travel Agent Association of Sikkim	27.90
			Total	**21,031.52**

Source: Central Plan Scheme Monitoring System

2.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of 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 containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

During the year, test-check audits involving expenditure of ₹ 769.75 crore (including funds pertaining to previous years audited during the year) of the State Government under Economic Sector were conducted. The Chapter contains two Performance Reviews on 'Forest Conservation and Protection in Sikkim' and 'Implementation of Pradhan Mantri Gram Sadak Yojana'; Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department and three transaction audit paragraphs.

The major observations detected in audit during the year 2011-12 are given below:

FOREST, ENVIRONMENT AND WILDLIFE MANAGEMENT DEPARTMENT

2.3 Forest conservation and protection in Sikkim

The State Policy of Environment, Forest and Land Use 2000 seeks to achieve sustainable forest management in the State i.e., maintaining environmental stability, conserving natural heritage, checking soil erosion, increasing forest cover/ productivity of land and preventing diversion of forest lands.

The Forest, Environment and Wildlife Management Department (FEWMD) was responsible for managing the forest cover, seven wildlife sanctuaries and one national park. The Department implemented a number of schemes to conserve and protect the forest and wild life in the State. The programmes viz., State Green Mission, Intensification of Forest Management Scheme (IFMS), Award of Twelfth and Thirteenth Finance Commission (TFC), State Ecology Fund, Bird Park at Rabdentse and Compensatory Afforestation were also implemented by the Department. However, the objective of achieving sustainable forest management in the State in accordance with State Forests Policy was not achieved in full as the Department had not prepared any perspective plan to undertake a time bound programme of afforestation. Similarly, scientific management of Protected Areas (PAs) as per National Wild Life Action Plan (NWLAP) 2002-2016 was also not achieved in full as the Management Plan to conserve *wildlife in each sanctuary was not approved by the State and Government of India.*

Perspective plan of the Department and the working plan for each district during the audit period was not drawn up to undertake a time bound programme of afforestation and actionable time frame to achieve the goal of covering the available area by tree cover.

(Paragraphs 2.3.8.1 and 2.3.8.2)

Absence of proper planning for establishment of Bird Park at Rabdentse led to delay in finalisation, implementation and completion of project costing ₹ 6.53 crore.

(Paragraph 2.3.10.3)

Delay in submission of work plan under Intensification of Forest Management Scheme (IFMS) and under Thirteenth Finance Commission led to delayed sanction, delayed implementation and rush of expenditure in the closing months of the years.

(Paragraphs 2.3.10.4 and 2.3.10.5)

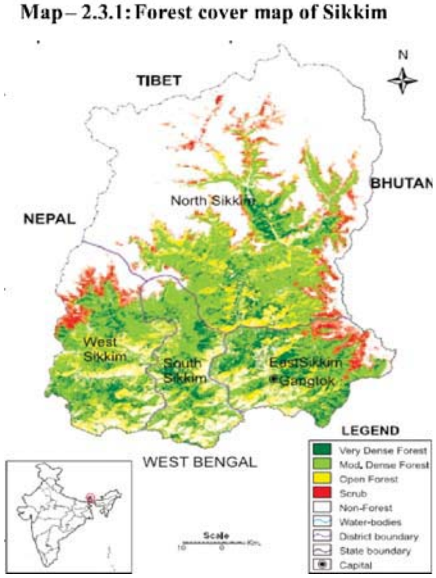
Management plan to conserve wildlife in each sanctuary had not been approved by the GOI. Thus, activities on conservation of wildlife in each protected area were being done in an ad hoc manner.

(Paragraph 2.3.10.9)

2.3.1 Introduction

Sikkim has forest area of 5,841 sq km representing 82.31 *per cent* of the total geographical area (7,096 sq km) of the State. There are seven wildlife sanctuaries and one national park covering an area of 2,179.10 sq km constituting 30.70 *per cent* of the State's geographical area.

Map – 2.3.1: Forest cover map of Sikkim



Source : Forest Survey of India

The Forest, Environment and Wildlife Management Department (FEWMD) through various Circles and Divisional Offices implemented a number of schemes to protect and conserve the forest and wildlife in the State.

Seven[1] major and eight[2] minor out of a total 29 schemes to conserve and protect forest were test-checked and evaluated of which eleven schemes were fully funded by Central Government; one scheme was funded under Twelfth and Thirteenth Finance Commission grants and one under Compensatory Afforestation Fund Management and Planning Authority (CAMPA). The funds for the remaining two schemes were borne by the

[1] *1. Bird Park at Rabdentse (CSS), 2.Intensification of Forest Management Scheme (CSS), 3.State Green Mission (State Scheme), 4. Sikkim Ecology Fund (State Scheme), 5. Twelfth/Thirteenth Finance Commission (Grants-in-aid), 6. Compensatory Afforestation (Non-Budget Scheme) and 7. National Afforestation Programme (Off Budget Scheme).*

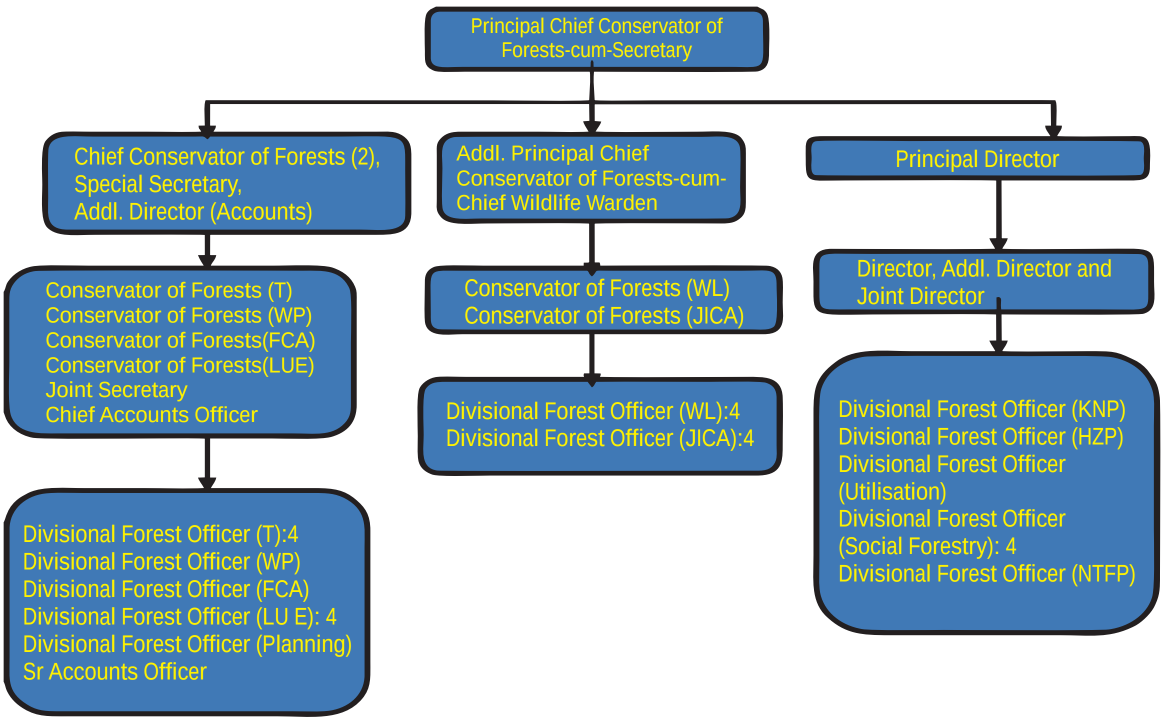
[2] *1.FambungLho sanctuary (CSS), 2.Pangulakha sanctuary (CSS), 3.Kyongnosla sanctuary (CSS), 4.Shingba sanctuary (CSS), 5.Moinam sanctuary (CSS), 6.Kitam sanctuary (CSS), 7. Barsey sanctuary (CSS) and 8. Khangchendzonga National Park (CSS).*

State Government.

2.3.2 Organisational Set-up

Principal Chief Conservator of Forests-cum-Secretary is overall in charge of the Forest, Environment and Wildlife Management Department and is assisted by the Additional Principal Chief Conservator of Forests-cum-Chief Wildlife Warden, Principal Director, Chief Conservator of Forests, Director, Conservator of Forests, Additional Directors and Joint Directors in head office and Divisional Forest Officers in district offices as shown below:

Chart 2.3.1



T: Territorial, WP: Working Plan, FCA: Forest Conservation Act, LUE: Land Use and Environment, WL: Wildlife, JICA: Japan International Co-operation Agency , KNP: Khangchendzonga National Park, HZP: Himalayan Zoological Park and NTFP: Non Timber Forest Produce.

2.3.3 Scope of Audit

A performance audit on Forest Conservation and Protection in Sikkim **for the period 2007-12** was conducted through test-check of records maintained at the Forest Secretariat, four district offices and records of four (out of eight) Protected Areas during April - September 2011 and the position was updated in April - May 2012. The control on forest areas have been segregated into two parts viz.,(i) 24 ranges under the control of normal foresters and (ii) eight Protected Areas (PAs) under the control of wild life foresters. Two ranges from each district constituting 33 *per cent* and four PAs, one from each district, constituting 50 *per cent* were selected on the basis of Simple Random Sampling Without Replacement (SRSWR) method.

2.3.4 Audit Objectives

The main objectives were to assess the performance of the State Government in taking up works with a view to conserve and protect forest, improve the sustainability of environment, provide infrastructure, reduce encroachment and preserve wildlife.

This included assessing as to whether:

- Long term and specific plans were formulated based upon accurate and reliable inputs and these plans resulted in augmentation of forest cover, infrastructure and protection of afforestation, plantations and wildlife;
- System of financial management was efficient and effective and procedure, rules and regulations specified thereof were adhered to;
- Effective efforts were made for protection of forest and wild life in an efficient, economical and time-bound manner; and
- The monitoring mechanism and evaluation of programmes were adequate and effective.

2.3.5 Audit Criteria

Audit objectives and findings were benchmarked against the following criteria:

- Provisions of the framework and guidelines issued by the Union Ministry/ State Government from time to time for implementation of schemes;
- Acts, Manuals, Notifications and Orders of the GOI / State Government / Supreme Court ; and
- Sikkim Financial Rules and Forest Schedule of Rates.

2.3.6 Audit Methodology

The performance review of Forest Conservation and Protection in Sikkim commenced with an entry conference (April 2011) with the Principal Chief Conservator of Forests-cum-Secretary wherein the audit objectives, scope, criteria and methodology were discussed. Audit methodology comprised discussions with executers, examination of records maintained by the Department, analysis of data, joint inspections and photographs as secondary/corroborative evidence, wherever necessary. Audit conclusions were drawn after the scrutiny of records, analysis of available data, joint physical verification of works executed, etc., and photographs taken as corroborative evidence supporting audit contentions wherever necessary. The report was finalised after taking into consideration the replies put forth by the Department. An exit conference was held on 17 October 2012 with the Principal Chief Conservator of Forests-cum-Secretary.

2.3.7 Acknowledgement

The office of the Principal Accountant General appreciates and acknowledges the support and co-operation of the Principal Chief Conservator of Forests-cum-Secretary, officers and staff of the Forest, Environment and Wild Life Management Department in providing necessary records and information for Audit.

Audit findings

2.3.8 Policy and Planning

2.3.8.1 State Forest Policy and its Perspective Plan

The State Government formulated (March 2000) its forest policy within the broad parameters of National Forest Policy 1988 for sustainable management of the forest and wild life resources. To translate the policy into action, formulation of perspective plan should ideally be prepared for charting out the plan of action of the Department. This would facilitate focused attention on important areas of concern and judicious utilisation of resources for forest conservation and protection. It was however, observed that the Department had not prepared any perspective plans. There was no comprehensive plan to chart out the course of action for achieving sustainable management of the forest and wild life resources, and programmes thereof to achieve them as the plan for both Central/State Schemes were adhoc in nature.

The Department stated (October 2012) that there was no logging operation in the State and the Department was mostly dependent on Centrally Sponsored Schemes and therefore, cannot constitute a perspective plan.

The reply was not acceptable as the State Forest Policy was formulated with the objective of increasing substantially the forest/tree cover in the State especially on all denuded and degraded slopes, rejuvenation of natural forests through inducing natural regeneration, etc. To translate the policy into an action, preparation of plan was necessary and important to address the objective of policy in a phased manner through intervention from available schemes/programmes.

2.3.8.2 Working Plan

The National Forest Policy 1988 envisaged that no forest activities should be permitted without approval of the Working Plan by the GOI. Further, as per directive of the Supreme Court (January 1998), forest works on regeneration, protection and development should be carried out strictly in accordance with the approved Working Plans.

It was seen that the Working Plan of South District was approved in August 2001 excluding the harvesting decisions (felling of trees). The Working Plans of East and West Districts were approved in August 2011 and of North District in March 2012. Thus, the three Divisions (except South district) had worked without approved Working Plans during the last five years which was not in conformity with the National Forest Policy 1988 and also not according to the direction of the Supreme Court.

2.3.8.3 Management plan

National Wild Life Action Plan 2002-16 envisaged preparation of Management Plan (MP) for each sanctuary by the State Government concerned. Audit noticed that the FEWMD had prepared a draft MP for each sanctuary in October 2008 but approval of the State Government as well as Government of India (GOI) had not been obtained (May 2012). Thus, in the absence of an approved MP, conservation activities in each PA were being carried out in an ad hoc manner and therefore lacked a holistic approach.

The Department stated (October 2012) that draft MPs were sent to the GOI for approval. Even though, the GOI had not communicated their approval but so far Annual Plan of Operations (APOs) were being sanctioned by the GOI on the basis of draft MPs which had been forwarded.

The reply was not acceptable as the Department could neither produce the document of having forwarded the MP nor the approval from GOI.

2.3.8.4 Perspective and Annual Plan (National Afforestation Programme)

According to Programme guidelines *(Para 4.2)*, FDA should draw a five year perspective plan, followed by year-wise annual plan of operation (APO) for treatment of the project areas in consultation with the JFMC/EDCs.

Audit noticed that although five year perspective plan and year-wise APO was prepared by the FDAs, it was without undertaking proper survey. Area required to be considered for Aided Natural Regeneration (ANR) and Artificial Regeneration (AR) were not identified, records for total project area before implementation of project, area covered till date and balance to be covered were not reflected in the plans.

JFMC-wise register to record opening balance, addition, completion and closing balance of project area was also not maintained by any of the FDAs test checked in audit. Thus, it appears that the perspective plans and APO was perfunctorily prepared for submission to Government of India (NAEB) for obtaining funds under the programme rather than incorporating the attainable targets with respect to treatment of project areas for fulfillment of the objectives of the NAP.

2.3.9 Financial Management

The Department receives funds through budgetary allocation from the State for implementation of Centrally Sponsored Schemes, State Schemes and Externally Aided Projects. The Department also receives non-budgeted funds from the Government of India for implementation of schemes like Compensatory Afforestation Programme, National Afforestation Programme, etc.

2.3.9.1 Budgetary Outlay and Expenditure

The budgetary allocation of funds and expenditure incurred by the Department during 2007-12, were as under:

Table 2.3.1

(₹ in crore)

Year	Budget provision			Expenditure			Excess(+) Savings(-) (Revenue)	Excess(+) Savings(-) (Capital)
	Revenue	Capital	Total	Revenue	Capital	Total		
2007-08	38.72	2.79	41.51	37.06	2.34	39.40	(-)1.66(4.29)	(-)0.45(16.13)
2008-09	44.04	4.82	48.86	42.18	4.60	46.78	(-)1.86(4.22)	(-)0.22(4.56)
2009-10	55.63	6.83	62.46	52.14	6.66	58.80	(-)3.49(6.27)	(-)0.17(2.49)
2010-11	82.54	5.71	88.25	66.71	2.65	69.36	(-)15.83(19.18)	(-)3.06(53.59)
2011-12	116.43	5.57	122.00	66.85	4.11	70.96	(-)49.58(42.58)	(-)1.46(26.21)
Total	**337.36**	**25.72**	**363.08**	**264.94**	**20.36**	**285.30**	**(-)72.42(21.47)**	**(-)5.36(20.84)**

Source: Appropriation Accounts and Departmental statement of accounts.
Figures in the parenthesis indicate percentage

There were persistent savings in all the five years (2007-12) both in Revenue and Capital, particularly under Revenue in 2011-12. There were savings, both in Revenue and Capital provisions in all the five years ranging between 4.22 *per cent* and 42.58 *per cent* in respect of Revenue and 2.49 *per cent* and 53.59 *per cent* in respect of Capital respectively indicating a gap between planning and implementation of planned activities mainly due to delayed submission of schemes/projects to the Government of India.

The Department stated (June 2012) that the savings during 2011-12 occurred mainly under Externally Aided Project of Japan International Co-operation Agency (JICA) to the extent of ₹ 41.82 crore as the expenditure was restricted to the extent of reimbursement made by JICA. Similarly, savings of ₹ 2.07 crore under Sikkim Ecology Fund was attributed to non-furnishing of bank guarantee for advance payment by the supplier. The Department in its subsequent reply (October 2012) reiterated the same.

2.3.9.2 Non-budgeted scheme financed under CAMPA

Prior to the formation of CAMPA in August 2009, the work under Compensatory Afforestation Programme was executed out of budget allotted by the State Government and thereafter from 2009-10, the funds were received directly from the CAMPA, Ministry of Environment and Forest, GOI. The details of funds received and expenditure incurred during the period of audit were as follows:

Table 2.3.2

(₹ in crore)

Year	Fund available	Expenditure	Closing balance
2007-08	0.26	0.26	-
2008-09	0.11	0.11	-
2009-10	8.16[3]	4.43	3.73
2010-11	14.19[4]	13.34	0.85
2011-12	10.09[5]	10.08	0.01
Total	**32.81**	**28.22**	

Source: Departmental figures

[3] *includes interest of ₹14.89 lakh*
[4] *includes interest of ₹23.43 lakh*
[5] *includes interest of ₹19.88 lakh*

➢ *Outstanding Net Present Value (NPV)*

In case of diversion of forest land for non-forestry purposes, the NPV was to be realised at prescribed rates from the user agency as cost of benefits lost in respect of forest tracts. Audit scrutiny (April 2012) revealed that in 2 cases involving 57.652 ha, the State CAMPA had not realised the NPV funds totalling ₹ 3.19 crore as detailed at **Appendix 2.3.1**. The Department stated (June 2012) that the matter was being pursued persistently and the receipt of NPV would be intimated as and when received from user agencies.

➢ *Loss of interest*

According to CAMPA guidelines, the funds received by the State CAMPA may be invested in any nationalised bank, Government securities, bonds, etc. It was noticed that the State CAMPA received a fund of ₹ 8 crore from GOI on 22 August 2009 against which the State CAMPA invested ₹ 7 crore in the Union Bank of India on 2 December 2009. There was delay in investment by 101 days leading to loss of interest of ₹ 0.10 crore[6]. In reply, the Department stated (June 2012) that the observation was noted for future guidance.

2.3.9.3 Off-Budget Scheme financed under National Afforestation Programme

The National Afforestation Programme (NAP) is a significant off-budget Central Sector Scheme implemented by the State through funds provided by the GOI. The year-wise actual release of funds by GOI and funds utilisation are shown below:

Table 2.3.3

(₹ in lakh)

Year	Opening Balance	Fund			Fund available	Expenditure	Closing Balance
		GOI	Interest	Total			
2007-08	86.75	1,208.48	-	1,208.48	1,295.23	958.35	336.88(26)
2008-09	336.88	697.86	-	697.86	1,034.74	944.50	90.24(9)
2009-10	90.24	819.94	0.99	820.93	911.17	802.93	108.24(12)
2010-11	108.24	1,207.29	-	1,207.29	1,315.53	1,174.41	141.12(11)
2011-12	141.12	987.71	-	987.71	1,128.83	832.26	296.57(26)
Total		**4,921.28**	**0.99**	**4,922.27**		**4,712.45**	

Source : Departmental figure

During the period (2007-12), the Department had available funds amounting to ₹ 50.09 crore (GOI: ₹ 49.21 crore, ₹ 86.75 lakh as opening balance and ₹ 0.99 lakh as interest). At the end of March 2012, the Forest Development Agencies (FDAs) utilised ₹ 47.12 crore (94 *per cent*) and balance ₹ 2.97 crore was lying unutilised as per departmental records.

Audit scrutiny revealed that there was delay in release of funds by GOI to SFDA[7] and also from SFDA to FDAs[8], as enumerated in succeeding paragraphs.

[6] *@5 per cent per annum x Px101/365 days*
[7] *State Forest Development Agency.*
[8] *Forest Development Agencies.*

➢ ***Delay in release of funds by GOI***

The Programme guidelines *(Para 6.5.1)* stipulated release of 50 *per cent* of the approved cost of the APO of the State by NAEB to the State FDA as first installment at the commencement of the financial year, preferably by 30th April, without waiting for Utilisation Certificate and Progress Report of the previous year in order to match the timing of plantation activities.

Audit scrutiny revealed that despite this provision, first installment was released belatedly, recording a delay of 55 to 245 days during 2007-12 as detailed in **Appendix 2.3.2**. The FDAs did not initiate adequate steps to obtain the funds on time.

➢ ***Release of funds by SFDA to FDAs***

The Programme guidelines *(Para 6.5.1)* enjoined upon the SFDA to transfer the proportionate funds to the concerned FDAs within seven days of receipt of funds from NAEB.

Audit scrutiny revealed that SFDA, which was formed during May 2010 transferred the proportionate funds to the concerned FDAs belatedly, recording a delay of 5 to 73 days as detailed in **Appendix 2.3.3**.

➢ ***Release of funds to JFMCs/ EDCs***

The Programme guidelines *(Para 6.5.2)* enjoined upon the FDAs to transfer 80 *per cent* of the funds to the concerned JFMCs/EDCs within 15 days of receipt of funds for implementation of the works to be undertaken by JFMCs/EDCs. The balance 20 *per cent* of the funds should be released after utilisation of 50 *per cent* of funds already released to JFMCs/EDCs.

Audit noticed that four FDAs (out of five) did not transfer the funds to JFMCs/EDCs within 15 days of receipt of funds to enable the JFMCs/EDCs to undertake implementation of the works envisaged in the annual plan. Not only were the funds not released on time but the release was also much less than the stipulated 80 *per cent* of the funds to the concerned JFMCs/EDCs.

While the delay in release of funds to JFMCs/EDCs ranged between 5 and 203 days in the five FDAs checked in Audit, the release of funds ranged between 60 and 70 *per cent* of the stipulation (80 *per cent)* indicating a shortfall of ₹ 19.63 lakh (25 *per cent*) and ₹ 99.10 lakh (56 *per cent)*. The details are shown in the **Appendix 2.3.4**. The short and belated releases of funds by FDAs to JFMCs constrained the JFMCs in executing the programme as per micro plan.

2.3.9.4 Departmental receipts

The main source of internal revenue receipts was from the royalties of forest produce (sand, stone, timber), entry fees from garden, park, etc. and receipt as per Forest Conservation Act (FCA) 1980. Forest receipts realised during the years 2007-12 and percentage of variation were as under:

Table 2.3.4

(₹ in crore)

Year	Target	Actuals	Variations :Excess (+) or shortfall (-)	Percentage of variation
2007-08	7.50	10.95	(+) 3.45	(+) 46.00
2008-09	8.00	11.26	(+) 3.26	(+) 40.75
2009-10	8.10	8.79	(+) 0.69	(+) 8.52
2010-11	11.00	12.25	(+) 1.25	(+) 11.36
2011-12	11.00	12.53	(+)1.53	(+)13.91
Total	**45.60**	**55.78**	**(+) 10.18**	**(+) 22.32**

Source: Finance Accounts and Departmental statement

The above table indicated that during the above period, there was excess receipts as compared to the targets ranging from 8.52 *per cent* to 46 *per cent. Thus, there was* a variation between the estimates and the actual receipts. It was also seen that receipts increased from ₹ 10.95 crore to ₹ 11.26 crore (2007-08 to 2008-09), which however, decreased to ₹ 8.79 crore during 2009-10.This was due to reduction in receipts under the head 'Receipt from FCA Act 1980' on account of elimination of crop compensation upon formation of State CAMPA in August 2009.

The Department stated (October 2012) that it was difficult to estimate closely, as the recoveries made by the works departments on royalties depend on sanction, budgetary support and resource available. However, the Department was making efforts to coordinate with the concerned departments and work out a solution.

2.3.9.5 Expenditure Control

Financial Rules require that expenditure should be evenly managed and the rush of expenditure, particularly in the closing month of the financial year, should be avoided. The year-wise expenditure incurred in March as a percentage of the total expenditure in respect of two schemes[9] test-checked for 2007-12 are given below:

Table 2.3.5

(₹ in crore)

Schemes	Integrated Forest Management (IFMS) Scheme		Twelfth and Thirteenth Finance Commissions (TFC)	
Year	Total expenditure	Expenditure in March	Total expenditure	Expenditure in March
2007-08	1.52	1.23 (81)	1.44	0.58 (40)
2008-09	2.83	1.60 (57)	1.59	1.02 (64)
2009-10	3.29	2.92 (89)	2.07	1.36 (66)
2010-11	2.45	2.17 (89)	5.04	4.77 (95)
2011-12	2.87	2.73 (95)	5.02	4.20 (84)
Total	**12.96**	**10.65 (82)**	**15.16**	**11.93 (79)**

Figures in the parenthesis indicate percentage
Source: Detailed Appropriation Account and Departmental statement of Account

Audit analysis on both the above schemes revealed that funds ranging between 57 *per cent* to 95 *per cent* and 40 *per cent* to 95 *per cent* in respect of IFMS and TFC respectively were spent

[9] *Integrated Forest Management Scheme (IFMS) and Twelfth/Thirteenth Finance Commission (TFC).*

during the closing months of the financial years.

While admitting the fact, the Department stated (June 2012) that the rush of expenditure was due to delay in submission of proposal, obtaining approval and sanction was due to relocation of Secretariat, deployment of officers and staff in rescue operations owing to earthquake of September 2011. Department should ensure that delays are minimised and expenditure evenly incurred since the rush of expenditure in March was noticed during the entire period covered under review. The Department in its subsequent reply (October 2012) reiterated the same.

2.3.10 Programme Implementation

As mentioned in the preceding paragraph, the Department did not prepare the perspective plan and working plan. Instead, the plans for State /Central Schemes were scheme specific and ad hoc in nature and hence did not address the issue in its entirety.

Of the total expenditure of ₹ 360.64 crore incurred by the Department during 2007-12, audit test-checked an expenditure of ₹ 132.75 crore (37 *per cent*) incurred on seven[10] major schemes and eight[11] minor schemes (Protected Areas) implemented in the State. The audit findings are enumerated in the subsequent paragraphs:

2.3.10.1 Afforestation and Protection

➢ ***Afforestation***

The National Forest Policy (NFP) 1988 envisaged a goal to have a minimum of one-third of the total land area of the country under forest or tree cover. In the hills and in mountainous regions, the aim should be to maintain two-third of the area under such cover in order to prevent erosion and land degradation and to ensure the stability of the fragile eco-system. To achieve this, a massive time bound programme of afforestation and tree planting was necessary.

Afforestation covers all the plantation works carried out under different programmes and schemes so as to improve the forest cover. Against the target of 60,000 ha (600 sq km) plantation during the last five years (2007-12), the Department achieved plantation of 24,799 ha (247.99 sq km) registering a shortfall of 35,201 ha (59 *per cent*). In the absence of perspective plan (2007-12), only nominal increase of forest cover by 97 sq km (1.37 *per cent* as against 66 *per cent* as stipulated in the National Forest Policy 1988) could be achieved increasing the forest cover from 3,262 sq km[12] in 2005 to 3,359 sq km in 2011. This was due to the absence of a holistic approach towards planning. An analysis of the forest cover indicated that there was intermittent increase of moderate dense forest by only 3.51 *per cent* and decrease of non-forest by 1.37 *per cent* from 2005 to 2011, as per report of the Forest Survey of India as shown below:

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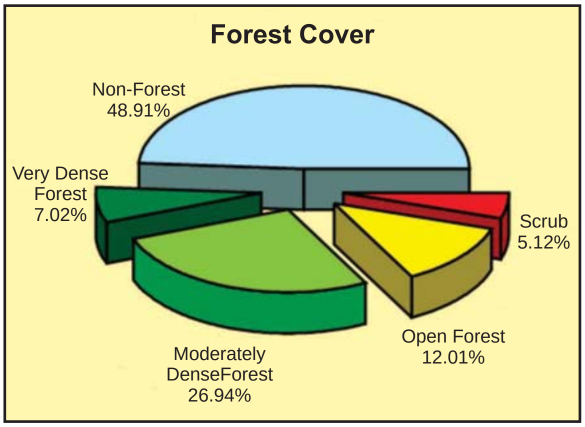
[10] 1. State Green Mission, 2. Bird Park at Rabdentse, 3.Intensification of Forest Management Scheme, 4.Twelfth/Thirteenth Finance Commission, 5.Sikkim Ecology Fund, 6.Compensatory Afforestation, and 7. National Afforestation Programme.

[11] 1.FambungLho sanctuary, 2. Pangulakha sanctuary, 3. Kyongnosla sanctuary, 4. Shingba sanctuary, 5. Moinam sanctuary, 6. Kitam sanctuary 7.Barsey sanctuary and 8.Khangchendzonga National Park.

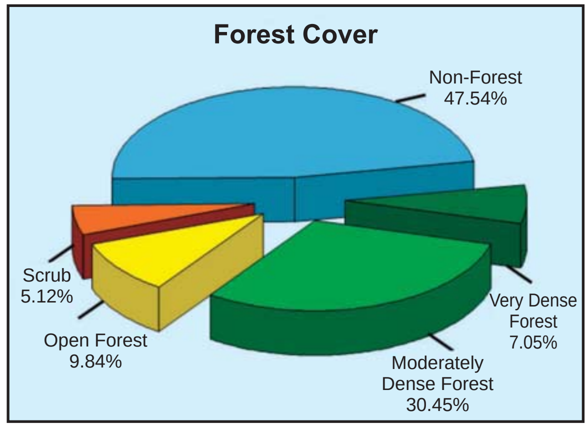
[12] Excludes shrub.

Chart 2.3.2



2005

Chart 2.3.3



2011

Source: Forest Survey of India.

While accepting the fact, the Department stated (May 2012) that the working plan for all the districts had been completed and now onwards the prescription of working plan would be followed for plantation and management of forest.

➢ ***Protection***

The Forest Department has been entrusted with the responsibility to protect some of the most valuable resources of the country. Protection of forest resources requires a strong infrastructure at the disposal of the protecting agency such as forest roads, buildings, vehicles, arms, wireless equipment, etc. It was noticed that schemes such as IFMS, TFC funded the above infrastructural requirements. Audit scrutiny revealed the following:

Encroachment: The Forest (Conservation) Act (FCA) 1980 envisages that no diversion of forest land is permissible without the prior approval of the Government of India. The State Government in its own Forest Policy (March 2000) also pronounced that there would be no regularisation of existing encroachments.

Audit analysis of encroachment in the forest area revealed that, no data was available for the years 2000 and 2001, but 3,613 ha of forest area were found under encroachment during the year 2002-03. However, the Department evicted illegal encroachments from 166.94 ha of forest area during 2004-05 to 2006-07 leaving a balance of 3,446.06 ha under encroachment at the end of 2007-08 as shown below:

Table 2.3.6

(Area in hectare)

Year	Total area encroached (Opening Balance)	Encroachment evicted	Net area under encroachment (Closing Balance)
2007-08	3,446.063	-	3,446.063
2008-09	3,446.063	-	3,446.063
2009-10	3,300.96	68.09	3,232.87[13]

Source: Departmental statement. Figures in respect of 2010-12 not compiled by the Department

[13]*North: 2305.69 ha, South: 396.67 ha, East: 528.47 ha and West: 2.04 ha.*

It was noticed that the closing balance of area under encroachment during 2008-09 was 3,446.06 ha but the figure of the opening balance for 2009-10 was 3,300.96 ha. The Department had not been able to explain this difference (November 2012). It was seen that the Department evicted 68.09 ha during 2009-10. Although, Monitoring Committee at the State level, PCCF level and the Forest Circle Level were formed (2002) to plan, monitor and evict the encroachers, however, no report on activities undertaken by those Committees were available on record. Thus, action taken by those Committees could not be examined. It indicates that the State adopted a rather passive attitude towards eviction from these encroachments contrary to its own policy.

The Department stated (May 2012) that a District Level Committee had been constituted to examine the cases of encroachment and recommend for regularisation wherever appropriate as per the FCA 1980. The report of the Committee was awaited. The Department in its subsequent reply stated (October 2012) that the Scheduled Tribes and Traditional Forest Dwellers (Recognition of Rights) Act, 2006 provides for regularisation of areas that have been occupied by the Tribals and Traditional Forest Dwellers. The process for identifying such people who have been in occupation of forest land for Recognition of Rights under this Act was also required to take place before eviction can be undertaken.

The reply was not acceptable as the Department was yet to take action on either regularisation or eviction.

Illegal felling of trees: Illegal felling of trees continued to be a major menace in forests. Cases of illegal felling of trees during the period of audit were as below:

Table 2.3.7

Year	No. of cases of illicit felling	No. of trees illicitly felled	Loss of timber (in cu mt)	Value of losses (₹ in crore)	No. of offenders arrested
2007-08	15	29	30.00	0.05	8
2008-09	54	72	52.00	0.09	4
2009-10	14	22	27.03	0.03	13
Total	**83**	**123**	**109.03**	**0.17**	**25**

Source: Departmental statement. *Figures in respect of 2010-12 not yet compiled by the Department*

The above table indicates that in 83 cases, 109.03 cu mt of timber valuing ₹ 0.17 crore were lost, of which 25 offenders were arrested by the Department. The details of cases settled/pending and the fines imposed on those offenders were not on record. One of the reasons for inadequate control could be attributed to the absence of proper weaponry and mobility facilities at the level of frontline foresters as it was noticed that against the requirement of 40 rifles, the Department procured only 18 rifles from 2005 to 2010. This could also have an adverse impact on the morale and the motivation of the forces engaged in containing and arresting offenders.

The Department stated (May 2012) that utility vehicle had been provided to the Territorial Divisions and motor bikes to the Range/Block Officers in strategic places. Provision had been made under Sikkim Biodiversity Conservation and Forest Management Project to cater to the requirement of mobility for field level officials under Territorial and Wild Life Ranges. The Department also added that the variation in number of arms had arisen due to price fluctuation and admitted that not all the Range/Block officers were equipped, and that weaponry would be provided whenever the need arises. The reply of the Department corroborates the fact that not all the Range/Block officers had been provided with the required mobility, and with regard to purchase of arms, the Department had utilised only ₹ 10 lakh against the allotment of ₹ 16 lakh from the award of TFC.

Forest fire: A forest fire management policy provides for zoning of the forests on the basis of their vulnerability, assessed ecological impacts and intrinsic value so that different zones can be dealt with differently as per their requirements.

It was noticed that during 2007-08 to 2008-09, forest fires had damaged 1,654 hectares of forest land which led to an estimated loss of ₹ 3.50 crore. The information for the subsequent periods was not compiled in the Department and therefore, could not be examined in audit. Audit analysis on the information furnished by the individual Divisional Offices for the year 2009-2010 and 2011-2012 revealed that as much as 703.67 ha[14] of forest land was damaged. The forest fires were attributed to human negligence during dry weather. It was seen that despite spending ₹ 1.57 crore and ₹ 1.42 crore for forest fire control and management under IFMS and TFC respectively, it had not been successful in preventing fires. Had the Department conducted zonation in the vulnerable areas and prescribed treatment, the loss could have been reduced /avoided.

The Department stated (May 2012) that the observation was noted for future guidance.

2.3.10.2 State Green Mission

The State Government launched the State Green Mission (SGM) during 2006-07 with the objective to create green belts and avenues mainly for meeting aesthetic recreational needs of the people, beautify the areas for tourist attraction, reduce surface run-off discharge and check erosion in the downhill side, create a storehouse of genetic diversity by planting all indigenous trees, shrubs, herbs, conifers including fruits and medicinal plants, reduce encroachment of road reserve areas, reduce temperature and increase humidity through mass afforestation along the roads and vacant land, streams and waterfalls besides other aims to be covered by 2008-09. The Mission was extended for 2009-11for maintenance.

➢ ***Planning for State Green Mission***

Planning for implementation of the State Green Mission was required to be formulated through preparation of District Detailed Project Report (DDPR). The DDPR identifies strategies and operational schedules within a time bound frame work. It was noticed during audit that the Department had not prepared any DDPR. The results of non-preparation of DDPR are discussed in the succeeding paragraphs.

[14] *East: 323.15 ha, South: 300.02 ha and West: 80.50 ha*

(i) Plantation targets were to be fixed in the District Detailed Project Report (DDPR) after ascertaining individual road lengths and availability of space. It was however, observed that target and budget were finalised unilaterally from Head Office without preparation of DDPR. This indicated that there was lack of proper planning on the actual requirement of plantation and requirement of funds at the executing level (District level).

(ii) As per the approved plan, the Department was required to carry out 1,015 km of Avenue Plantation (AP) and 94 ha of Block Plantations (BP), for which 18.66 lakh seedlings were required. Against these, the Divisional offices executed 1,191.30 km of AP and 233.26 ha of BP by using 20.88 lakh of seedlings during 2006-07 to 2008-09.

(iii) Analysis of seedlings used vis-à-vis requirement as per approved plan (norms) revealed that seedlings used were less than the requirement by 6.84 lakh as detailed below:

Table 2.3.8

Phase	Year	Approved Plan		Seedling requirement as per Approved Plan (No. in lakh)	Achievement as per execution		Seedling requirement (No.in lakh)	Actual use (No. in lakh)	Less use of seedling (No. in lakh)
		AP (Km)	BP (Ha)		AP (Km)	BP (Ha)			
I.	2006-07	310.00	15.00	5.05	367.90	15.00	5.86	5.76	0.10
II.	2007-08	395.00	60.00	8.37	597.90	148.69	15.41	10.14	5.27
III.	2008-09	310.00	19.00	5.24	225.50	69.57	6.45	4.98	1.47
	Total	**1,015.00**	**94.00**	**18.66**	**1,191.30**	**233.26**	**27.72**	**20.88**	**6.84**

Source: Departmental figures

The Department while admitting that the preparation of DDPR was necessary, stated (May 2012) that the works were monitored and supervised from Head Office. The Department also added that excess achievement was due to active participation of the people. The reply of the Department did not address the issue of short utilisation of seedlings which was in contravention to approved plan (norms).

The Department in its subsequent reply stated (October 2012) that while undertaking avenue plantation, road conditions changed as a result of road widening, etc. and therefore, space for plantation was not available as planned. Besides, those saplings that survived from earlier plantation were also present at many road sides which accounted for reduced plantation as compared to the norm. The reply was not acceptable as the analysis of the monitoring report of Department itself speaks of less usage of seedlings and further the availability of saplings of earlier plantation was neither on record nor was adjusted from the requirement.

➢ ***Wasteful expenditure***

Joint physical inspections were conducted (July 2011) on the works executed under State Green Mission in eight Ranges, out of which in three ranges viz., Ranipool, Kyongnosla and

Yuksom, plantations to the extent of 19.50 km were destroyed owing to road widening and carpeting works carried out by Border Roads Organisation (BRO). Thus, execution of plantation work without coordination with the BRO resulted in wasted expenditure of ₹ 0.05 crore as detailed below:

Table 2.3.9

Name of the Range	Areas affected	Total km	Rate per km(₹)	Total amount (₹)
Ranipool	32 mile to Ranipool	3.00	36,518	1,09,554
Kyongnosla	Kupup	1.50	38,227	57,341
Yuksom	Yuksom	15.00 (on one side)	38,227/2	2,86,703
Total		**19.50**		**4,53,598**

Source: Departmental figures

Image 2.3.1

Kupup road 18 July 2011

The Department stated (May 2012) that necessary measures would be taken in future to avoid such expenditure.

➢ ***Survival rate of plantations***

The survival rate of plantation ranged between 68.75 and 73.50 *per cent* during 2006-09 as shown below:

Table 2.3.10

Year	Average percentage of survival
2006-07	68.75
2007-08	73.50
2008-09	72.00

Source : Monitoring report of the Department

Physical verification (July 2011) of plantation by audit of eight out of 24 Ranges involving all the districts of the State in the presence of departmental officers revealed that the survival rate of North district was lowest ranging between 37 and 44 *per cent*, followed by East 51 to 63 *per cent* and West 58 to 70 *per cent*. The details are shown in **Appendix 2.3.5**. Since, the Department had not set the benchmark on survival rate of plantations, the aforesaid survival rate could not be analysed with reference to benchmark.

The Department stated (May 2012) that decrease in survival rate was due to the road widening works and also forest fire. The reply indicated absence of coordination between BRO and the State Government (Forest Department) as pointed out in preceding paragraph and also inadequate monitoring mechanism to contain forest fire.

2.3.10.3 Bird Park at Rabdentse

➢ ***Improper planning and non-achievement of objective***

Sikkim harbours over 552 species of birds. Among these a variety of rare species birds were identified as threatened. In order to prevent the loss of bird population, the State Government came up with conservation strategies by conceiving the project 'Establishment of Bird Park at Rabdentse'.

The State Government engaged (May 2006) a consultant for the preparation of Concept and Feasibility Report (CFR) and also for estimating the budget for establishment of a Bird Park at Rabdentse. The consultant submitted (February 2007) the CFR at an estimated project cost of ₹ 63 crore phased out for three years (2007-08 to 2009-10), out of which phase I was for ₹ 5 crore, later revised to ₹ 6.53 crore by inserting new items of work by the departmental engineers which was approved by GOI (September 2008) and by State Government (October 2008). Accordingly, GOI released ₹ 6.50 crore (₹ 0.50 crore in 2008-09 and ₹ 3 crore each in 2009-10 and 2010-11).

Image 2.3.2

Bird Aviary under progress at Rabdentse 7 July 2011

Audit scrutiny revealed (May 2012) that the work order for the work 'Establishment of Bird Park at Rabdentse' was issued in March 2009 with stipulation to complete the work within 12 months i.e., February 2010. While the work was in progress, the project cost of Phase I was once again revised to ₹ 23.23 crore from ₹ 6.53 crore and submitted (October 2010) to GOI, which was not approved. The delayed progress resulted in the entire allotment of ₹ 3 crore pertaining to 2010-11 being surrendered. The project expected to be completed by February 2010, was behind schedule with physical progress of only 25 *per cent* as of May 2012. Thus, the injudicious estimation of financial requirement in the beginning and failure thereafter to obtain sanction against the additional fund, led to non-fulfilment of the objective of establishing the Bird Park.

Audit also noticed that advances of ₹ 2.96 crore were released to State Trading Corporation of Sikkim (STCS) (₹ 0.25 crore during March 2009 and ₹ 1.92 crore during March 2010) and contractor towards Mobilisation Advance (MA) for ₹ 0.79 crore in March 2010. Against these advances, while the STCS had supplied materials worth ₹ 0.52 crore as of May 2012; the deduction on account of MA from the contractor was effected to the tune of ₹ 0.23 crore as of May 2012. This led to a total fund of ₹ 2.21 crore (₹ 1.65 crore with STCS and ₹ 0.56 crore with contractor) remaining locked outside Government account.

While accepting the audit observation, the Department stated (May 2012 and October 2012) that the delay was due to the change in scope of work and the project would be completed within 2012-13 with the balance sanctioned grant available with the Department. The fact remains that the entire project was envisaged with an estimate of ₹ 63 crore but the Department at the initial stages revised the estimates which was not approved by the GOI. Therefore, it is evident that the Department would not be able to complete even the first phase of the project with the available funds.

2.3.10.4 Intensification of Forest Management Scheme (IFMS)

The scheme Integrated Forest Protection Scheme (IFPS) had been formulated by the merger of two schemes i.e., Forest Fire Control and Management and Bridging of Infrastructure Gaps in the Forestry Sector. The IFPS was renamed as Intensification of Forest Management Scheme (IFMS) from 2009-10. The Scheme aimed at bringing about infrastructure development and forest fire control and management. The scheme was financed by the GOI and the State Government in the ratio of 90:10. Audit scrutiny revealed the following:

➢ ***Delayed submission of Annual Works Plan (AWP)***

As per scheme guidelines, AWP was to be submitted to GOI within a reasonable time frame so that AWP could be executed within the same year.

Audit analysis (June 2011 and May 2012) revealed that the submission of AWP to GOI was delayed and there was delay in obtaining the State Government approval also as shown below:

Table 2.3.11

Year	AWP sent to GOI	AWP sanctioned by GOI	AWP approved by State Government.
2007-08	26.09.2007	06.12.2007	28.02.2008
2008-09	03.05.2008	06.07.2008	22.10.2008
2009-10	08.05.2009	15.10.2009	13.01.2010
2010-11	Not available	14.07.2010	15.11.2010
2011-12	10.05.2011	19.07.2011	28.11.2011

Source: Departmental figures

The delay resulted in partial/non-utilisation of funds as detailed below:

➢ ***Non-utilisation of funds***

The Department proposed (September 2007) the AWP for the year 2007-08 at ₹ 2.20 crore. The GOI sanctioned (December 2007) AWP for ₹ 1.68 crore which was administratively approved (February 2008) by the State Government. Audit analysis (June 2011) revealed that due to delay in the process as stated above, the Department could utilise only ₹ 0.64 crore leading to non-utilisation of ₹ 1.04 crore as detailed in **Appendix 2.3.6**.

Thus, the objectives to provide forest fire control and management, working plan, survey and demarcation and strengthening of infrastructure for forest protection could be achieved only to the extent of 55 *per cent*, 17 *per cent* and 55 *per cent* respectively during the year 2007-08.

While accepting the fact, the Department stated (May 2012) that attempts would be made to minimise the procedural delays and also added that in future attempts would be made so that non/underutilisation is brought to the minimum. The Department in its subsequent reply (October 2012) reiterated the same.

➢ ***Construction of quarters for front line foresters***

(i) The IFMS aimed at bringing about infrastructure development which stressed on the provision of offices and residences for front line foresters. As per the AWP approved by GOI, the Department was required to construct 43 quarters for the front line foresters during 2007-12 at a cost of ₹ 4.47 crore.

Audit observed (June 2012) that the Department constructed 34 (79 *per cent*) quarters by spending ₹ 3.41 crore pertaining to the front line foresters as detailed in **Appendix 2.3.7**. Thus, the objective of bringing about infrastructure development for front line foresters was partially achieved**.**

(ii) Joint physical inspection conducted in July 2011 at Ranipool Range revealed that the Block Office building at Assam Lingzey was in a dilapidated condition due to non-maintenance by the Department and no record of its being utilised could be produced even after the physical verification.

Image 2.3.3

Block Office at Assam Lingzey 19 July 2011

While accepting the fact, the Department stated (May 2012) that the construction of quarters were delayed and the remaining quarters were proposed to be constructed in the following years. The Department in its subsequent reply stated (October 2012) that the unconstructed quarters which had not been taken up earlier were constructed in the following years and all the quarters were finally completed. While no documentary evidence in support of completion of all the 43 quarters could be produced to Audit, delay in completion of the quarters could not be justified by the Department.

2.3.10.5 Twelfth and Thirteenth Finance Commission

The broad objective of providing grants-in-aid under Twelfth Finance Commission was to preserve and maintain forest wealth. The funds provided was an additionality over and above the State's own plan funds. Twelfth Finance Commission (TFC) approved maintenance of forest at an approved outlay of ₹ 8 crore for the years 2005-10. Thereafter, allocation as per the Thirteenth Finance Commission for the years 2010-15 was for ₹ 40.56 crore against which allotments for 2010-11 and 2011-12 were ₹ 5.07 crore in each year.

Audit scrutiny revealed following:

- ***Delayed submission of Annual Works Plans (AWPs)***

AWP for the year 2010-11 was drawn up almost at the end of the year (November 2010) which was approved by State High Level Monitoring Committee (SHLMC) in December 2010 leaving little time for execution. Owing to delay in submission of proposal, there was short execution of the components in the areas of (i) enhancement and conservation of biodiversity and (ii) eco restoration of hill slopes leading to rush of expenditure in March to the extent of 95 *per cent.*

The Department stated (May 2012) that attempts would be made to minimise the procedural delays. The Department in its subsequent reply (October 2012) reiterated the same.

- ***Irregular expenditure***

According to Twelfth Finance Commission's (TFC) stipulations, the funds allotted under TFC were not to be used for repairs/maintenance of quarters/offices and emphasis was given to regeneration and protection of forests. Accordingly, the modified revised Perspective Plan (PP) was approved (January 2006) by SHLMC.

Audit scrutiny (June 2011) however, revealed that the revised PP excluded items such as repair of quarter and office, but it incorporated "maintenance" which was not admissible. It was seen that ₹ 6.90 lakh was incurred on maintenance of seven check posts against the grant. It was also noticed that the electrification of the wireless repeater station at Tendong, South Sikkim was not incorporated in the PP. However, the item was irregularly included in the AWP and a fund of ₹ 14 lakh was transferred (August 2008) to the Energy and Power Department for providing the same. The status of work was not on record.

The Department stated (May 2012) that the protection of forests depends heavily on the check post and it was thus repaired. The Department in its subsequent reply (October 2012) reiterated the same.

The reply was not acceptable as the funds provided under this grant did not have provision for repair works.

2.3.10.6 Sikkim Ecology Fund

The Sikkim Ecology Fund and Environmental Cess Act was notified in 2005 and the Rules thereunder were framed in 2007. As per the Act, whoever brings non-biodegradable materials to the State of Sikkim with whatsoever purpose would be levied environmental cess at the rate of one *per cent* of total turnover on sale price and in respect of hotels, resorts and lodges, it would be levied at the rate of five *per cent*.

The broad objective of this fund was to protect and improve the quality of environment, control and abating environment pollution and to take measures for restoration of ecological balance of the State. Audit scrutiny revealed the following:

➢ ***Non preparation of Perspective Plan (PP)***

Principal Chief Conservator of Forests-cum-Secretary (PCCFS) was appointed as the prescribed authority for proper utilisation of the funds, who was assisted by members consisting of senior officers from Finance, Revenue and Expenditure Department, FEWMD and Planning Department. However, planning on utilisation of funds was neither defined in the Act and Rules nor was worked out by the Authority. It was seen that the Annual Work Programme (AWP) submitted by various wings of the Department was passed during the meeting held under the chairmanship of the PCCFS.

Audit scrutiny (June 2011) revealed that the budget for Sikkim Ecology Fund (SEF) was provided every year. Thus, there was a need to prepare a Perspective Plan (PP) for a long term goal to achieve the objectives in a holistic manner. It was noticed that no PP was prepared. Only the AWPs were proposed and got passed annually in an ad hoc manner.

The Department stated (May 2012) that requirement for preparation of PP is well taken and appreciated and the PP and the AWP would be prepared soon. The Department in its subsequent reply (October 2012) reiterated the same.

➢ ***Delayed response time***

The Department procured four tranquiliser guns along with its accessories for ₹ 0.12 crore during March 2011. However, it was seen that none of the Divisional Offices in the Districts was provided with the said guns and the same were stored in the Head Office at Gangtok. Under the circumstances, it may be concluded that in case of emergency, the response time would be too long defeating the objective of procuring the guns. In this context, incidence of menace by black beer throughout the State during 2009 may be referred to in which the State Government had spent a sum of ₹ 8 lakh towards crop compensation and allied expenses due to delayed response.

The Department stated (May 2012) that the guns could not be provided to the Districts due to lack of trained manpower and that training would be provided and the guns would be issued soon.

➢ ***Diversion of funds***

The broad objective of SEF was to (i) protect and improve the quality of environment, (ii) control and reduce environment pollution and (iii) take measures for restoration of ecological balance of the State.

Audit scrutiny (June 2011) however, revealed that the Department spent ₹ 12.03 lakh during 2009-2011 on the works on construction of walls for the monastery, strengthening of Range Office etc., as detailed at **Appendix 2.3.8**, which did not fall within the ambit of SEF leading to diversion of ₹ 12.03 lakh.

The Department stated (May 2012) that ₹ 12.03 lakh was spent on above items with a view to minimise environmental hazards, improve aesthetic view of the local area. Besides, the walls for the monastery were constructed as provided under the provision of Funds. The Department in its subsequent reply stated (October 2012) that with the objective to protect biodiversity of the monastery complex and the monastery, wall was constructed. The reply was not tenable as the construction of walls also does not fit within the scope for which funds were sanctioned.

2.3.10.7 Compensatory Afforestation

Compensatory Afforestation (CA) was one of the most important conditions stipulated by the Government of India (GOI) to be ensured while approving proposals for de-reservation or diversion of forest land for non-forest uses. CA was to be carried out over twice the area that had been diverted. In order to streamline the process and in compliance with order issued by the Supreme Court in 1995, Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was constituted (April 2004) at the Union level for the purpose of management of the funds and according approval for non-forestry uses of forest land. In line with the Union CAMPA and as per directives of the GOI, State CAMPA was formed in August 2009.

Audit scrutiny revealed following

➢ ***Non-completion of afforestation***

No Annual Plan of Operation (APO) and progress report prior to the formation of State CAMPA (August 2009) was furnished to Audit. Audit analysis on the CA carried out prior to the formation of State CAMPA revealed that despite the fund availability of ₹ 12.31 crore, 147 cases comprising 942.95 hectare was not afforested as of September 2009 as shown below:

Table 2.3.12

Period	From 1980 to 2009
Total no. of cases to be covered	231
Total hectares to be covered	3,095.69
Total no. of cases covered	84
Total hectares covered	2,152.74
Balance no. of cases to be covered	147
Balance hectares to be covered	942.95

Source : Departmental notes

The reasons for non-completion of afforestation regarding the above cases were not on record.

Further, Audit analysis on the CA undertaken progressively since inception (1980) to March 2012 revealed that the Department was yet to accomplish the afforestation on 1,992.19 ha of land against the target of 4,731.43 ha as shown in **Appendix 2.3.9**.

The Department stated (June 2012) that no activity was undertaken prior to the formation of State CAMPA and after transferring (November 2006) the fund to the Ad hoc CAMPA only the maintenance of CA was taken up with a meagre fund. The funds of the compensatory afforestation received from the user agencies were transferred to the Ad hoc CAMPA while the fresh cases of CA started accumulating further. The Department in its subsequent reply reiterated (October 2012) the same. The reply was not acceptable as the balance of 1,992.19 ha of CA as on 31.03.2012 also included the cases which were brought forward since 1980 (prior to the formation of Union CAMPA) during which period the Department had the fund availability of ₹ 12.31 crore at their disposal which could have been utilised but was transferred to Union CAMPA in August 2006 and November 2006 despite, the GOI intimation (June 2004 and August 2006) that the State Forest Department could utilise funds lying with them for taking up the required activities. The Department further added (October 2012) that delay in achievement of CA was also due to less receipt of funds from the Union CAMPA.

➢ ***Delayed implementation of Catchment Area Treatment (CAT) Project***

The Catchment Area Treatment (CAT) plan pertains to preparation of a plan for treatment of erosion prone areas of the catchment through biological and engineering measures. A CAT plan also includes the social dimensions associated with the catchment and not only controls the sedimentation of reservoir but also provides a life support to the local population through their active involvement. Scrutiny of implementation of CAT in the State revealed the following deficiencies:

i) As per the terms of environment clearance under FCA, Government of India approved (January 2006) diversion of 7.4598 ha of forest land for construction of 99 MW Chuzachen Hydro Electric Project at Chuzachen, Rongli, by Gati Infrastructure Limited (GIL). Accordingly, funds amounting to ₹ 1.69 crore was transferred (March 2007) by GIL to the CAMPA. The CAT plan was to be completed within three years from the date of approval of project i.e., by January 2009. Scrutiny revealed that the work pertaining to the 1st phase started after three years of approval of conversion during 2009-10. A further analysis of APO 2009-10 revealed that the proposal (APO

2009-10) was submitted belatedly (September 2009) and approved (November 2009) leading to inclusion of CAT works valuing ₹ 0.52 crore as against the Management Plan of ₹ 0.75 crore. Even this low pegged target could not be achieved. This led to shortfall in execution to the extent of 150 ha of plantation and 1,463 cum of stone masonry works reflected in APO of 2009-10.

ii) Similarly, GOI approved (May 2008) the diversion of 32.0506 ha of forest land for construction of 96 MW Jorethang Loop Hydro Electric Project in South and West Sikkim by Dans Energy Private Limited (DEPL). Accordingly, ₹ 1.37 crore was transferred (March 2008) by DEPL to the CAMPA. As per the terms of environment clearance, the CAT plan was to be completed within five years from the date of approval of the project i.e., within 2012-13. However, it was seen that the work pertaining to the 1st phase (2008-09) started during 2009-10 with delay of one year. It was also noticed that the APO for 2009-10 was for ₹ 0.68 crore. However, the proposal for the same was submitted as late as September 2009 and was approved in November 2009. Due to belated submission of APO, the Department could only complete work valued at ₹ 0.60 crore. Delay in submission led to non-inclusion of 35 ha afforestation work in the APO as the plantation season was already over.

The Department stated (October 2012) that there was a shortfall in achievement of the CAT Plan due to less receipt of funds from the Ad hoc CAMPA. But the fact remains that the Department could not even utilise the funds received from the Ad hoc CAMPA.

➢ ***Extra expenditure on CAT plan***

Diversion of 236.73 hectares of forest land for construction of hydel projects by five power agencies were approved by the GOI during January 2006 to May 2008. As per approval received on these diversions, Catchment Area Treatment (CAT) programme was to be completed within periods ranging between three to five years. Audit scrutiny (July 2011 and May 2012) revealed that despite the stipulations to complete the CAT programme within the scheduled period, the proposals were sent belatedly for sanction. As a result, sanction was belated and thus execution also delayed by one to three years which led to increase in rate of items of work and consequently led to cost escalation in these projects by ₹ 1.89 crore as detailed in **Appendix 2.3.10**.

The Department stated (October 2012) that due to less receipt of funds, the CAT Plan could not be achieved as programmed and subsequently resulted in the cost escalation of CAT Plan in the successive years. The reply was not acceptable as the proposal for work was submitted belatedly which led to increase in rate of items of work and consequently led to cost escalation.

2.3.10.8 National Afforestation Programme

National Afforestation Programme (NAP) was launched by the Government of India with the objective of sustainable development and management of forest resources by securing people's participation in planning and regeneration efforts and to promote the partnership concept in the management and administration of forests and common property resources.

The scheme was being implemented through the Forest Development Agencies (FDAs). FDAs are registered as a Federation of all Joint Forest Management Committees (JFMCs) within a territorial/wildlife Forest Division under the Societies Registration Act, 1860, of which the Conservator of Forests (CF) was the Chairman and the Divisional Forest Officer (DFO) was the Member-Secretary of respective FDAs. Other members were to be drawn from the JFMCs, Panchayats and the field level functionaries of the Department. Under the project, grants-in-aid were released directly by the Ministry of Environment & Forests (MoEF) to the FDAs concerned who were made responsible for implementation of the scheme. The revised plan of operational guidelines effective from 2010-11 envisaged a three-tier institutional set up, namely SFDA at the State level, FDA at the Forest Division level and JFMC at the village level for effective implementation of the scheme. Joint Forest Management (JFM) would be the central and integral part of the project under the scheme. To this end, focused efforts were to be made at all levels for constitution of JFMCs in all forest-fringe villages, creation of awareness about JFM procedure, micro-planning and its implementation, capacity building of JFMC members and participatory monitoring and evaluation.

Important aspects of the programme management of NAP was examined and the results are enumerated below:

➢ ***Formation of Joint Forest Management Committees***

The programme guidelines stipulates setting up of JFMCs at the village level for effective implementation of the scheme. The guidelines also enjoined upon the FDAs to strengthen the existing JFMCs and create new ones in villages where those Committees did not exist. FDA should make the effort to explain to village communities, through JFMCs, the objectives and the scope of the project, mutual obligations, etc.

Audit scrutiny of records revealed that JFMCs and EDCs were not constituted in 688 villages as detailed below:

Table 2.3.13

District	Villages	No. of JFMC/EDC actually created	Shortfall
East	275	69	206
North	103	43	60
South	255	48	207
West	274	59	215
Total	**907**	**219**	**688**

Source: Departmental figures

This would have an impact on coverage of the scheme all over the State and deprival of the targeted communities from their right of enjoying the benefits of forest resources, collection of non-timber forest produces, development of social and community infrastructures and improvement of living conditions through enhanced income levels as envisaged in the programme.

➢ ***Micro-planning***

Micro-planning is a major component of the National Afforestation Programme (NAP). According to the programme guidelines *(Para 4.3),* the work programme based on micro-plans has to be drawn up by the FDAs prior to project implementation in consultation with JFMCs and the local communities to ensure that the micro-plans are not in conflict with the existing working plans of forest of these areas. Audit scrutiny of five FDAs and 20 JFMCs / EDCs revealed that each State had had to prepare operating guidelines for preparation of micro-plans. This however, had not been prepared by the State Government. This had therefore, resulted in a number of lacunae in the preparation of micro-plans as detailed below:

➢ Three FDAs (out of 5) had achieved (September 2010) the task of formulating the micro-plans at JFMC levels and remaining two FDAs were in the process of formulating micro-plans for the JFMCs under their jurisdictions.

➢ Micro-plan prepared for one JFMC had been used as template for other JFMCs/EDCs to emulate and therefore, there was uniformity in the micro-plans in the FDAs (5) test-checked in Audit. The modelling for activities under various interventions suggested in the programme guidelines, especially to suit local requirement, was therefore not addressed appropriately in the micro-plans.

➢ Although micro plans were prepared in consultation with the JFMCs in three FDAs (out of 5 test checked), people were consulted only during the initial stages of micro-planning and not thereafter in 16 JFMCs.

➢ The participation of communities in the micro-planning process was often weak. There were negligible efforts on the part of Forest officials and Committee members to integrate micro planning in the overall developmental scenario of the district and to seek funding from outside the domain of forestry such as MG-NREGA, IWDP, etc.

➢ While carrying out micro-planning in the villages, participatory rural appraisal (PRA) exercises were not carried out in any of the 20 JFMCS/EDCs. Many members were not aware of the micro-plans in the JFMCs.

➢ Resource mapping for micro-plans was done without following Participatory Rural Appraisal (PRA) procedures properly.

Thus, micro-planning process in the JFMCs was inadequate as participatory approach was not followed adequately in PRA procedure and resource mapping exercise.

➢ ***Plantation***

The NAP inter-alia included physical and financial targets for various items of works such as i) Aided Natural Regeneration, ii) Artificial Regeneration, iii) Bamboo Plantation, iv) Pasture Development/Silvi Pasture, v) Mixed Plantation of trees having medicinal values, vi) Planting of canes and other allied activities.

The component wise position of target and achievement for the last five years (2007-12) of 4

FDAs[15] (out of five[16]) test-checked in the performance audit is detailed in **Appendix 2.3.11**. It was seen that the Department achieved 100 *per cent* target of 7,005 ha (low altitude: 5,265 ha and high altitude: 1,740 ha) at an extra cost of ₹ 38.88 lakh against the sanctioned cost of ₹ 16.01 crore.

➢ ***Training and Capacity Building***

Programme guidelines (*Para 6.3)* stipulated imparting of training to the members of FDAs, JFMCs/ EDCs, and also to build their capacity through organising linkages with the programmes/schemes of other departments/organisations in the public and private sector for the furtherance of the objectives of the scheme. Special emphasis was to be given on the needs of the marginalised groups of the village community, the primitive tribal groups and traditional forest-based artisans.

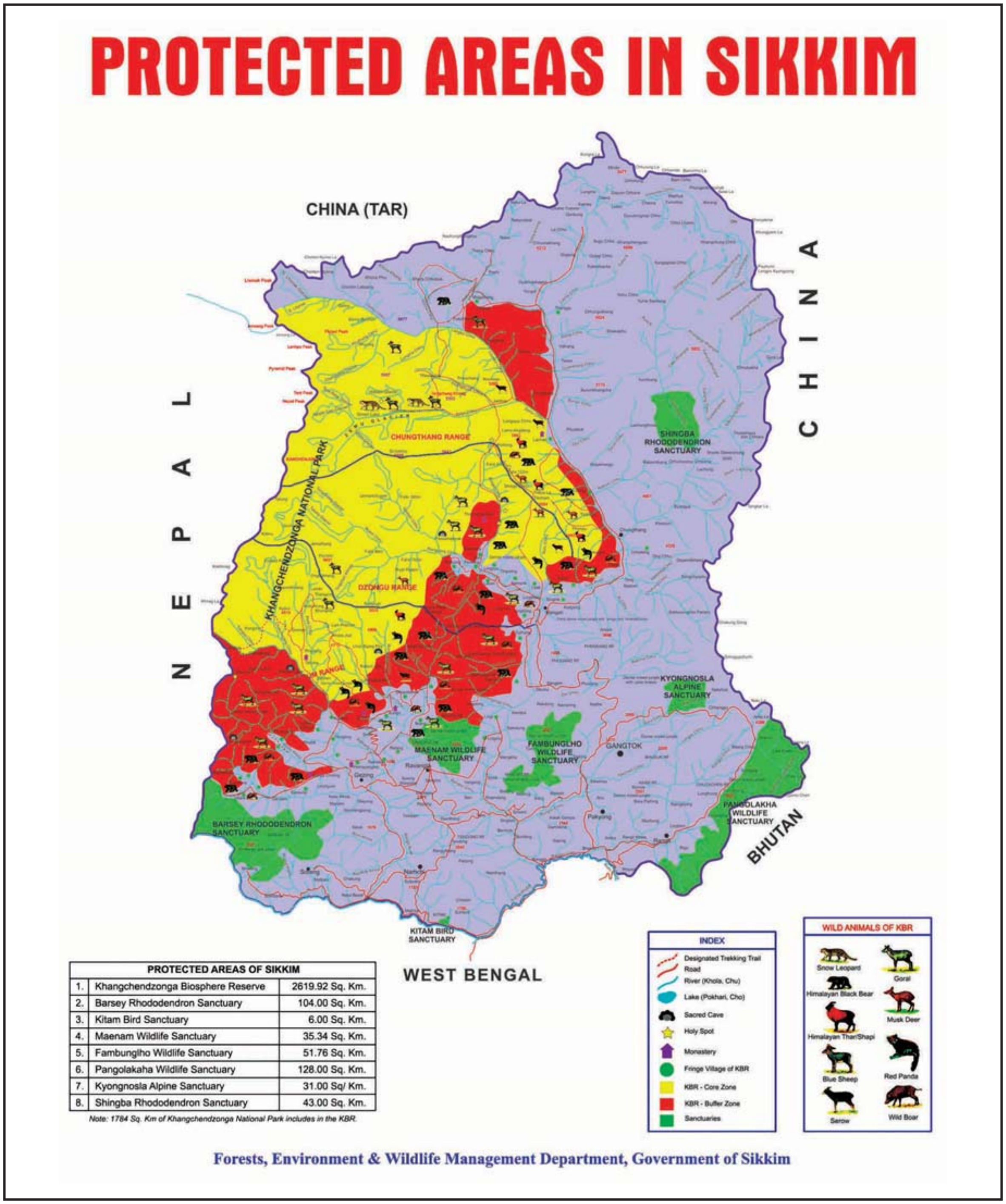
Accordingly, ₹ 31.71 lakh (out of ₹ 36.55 lakh) was utilised towards imparting training to office staff (202) and community members (4,294) of JFMC/EDC during the period 2007-12 by five FDAs. While no training programme for FDAs were organised, the details of training imparted to JFMC / EDCs were not readily available with the FDAs and JFMCs/EDCs. The details of selection of resource person, name of the resource person, topics covered, date and duration of training programme, feedback of the participants, etc. were not available. Thus, suggested packages in the programme guidelines for the training were not adhered as detailed in the **Appendix 2.3.12.**

2.3.10.9 Protected Areas

In order to protect critical ecosystems and also to preserve genetic resources, over the years, Protected Areas (PAs) were created in the State. Following a decision taken under the National Wildlife Action Plan (NWLAP), adopted by the country in 2002, for meeting the new challenges in wildlife conservation, the National Board for Wildlife was constituted in September 2003 as a statutory authority with the responsibility for providing a thrust to conservation activities.

[15] *East (T), West (T), West (W) and KNP*
[16] *East (T), West (T), East (W), West (W) and KNP*

Map 2.3.2



Source: Forest, Environment and Wildlife Management Department, Government of Sikkim

Audit scrutiny revealed the following:

➢ ***Absence of approved Management Plan (MP)***

Implementation of the Management Plan (MP) ensures policy based action for scientific management of PA with proper prioritisation. This institutional mechanism guides the Divisional Officer in implementing and proper monitoring with reference to such plan. The

Supreme Court of India in February 2000 directed that conservation activities in PAs shall not be undertaken unless the MP is approved by the GOI.

A test check of records (May 2011) of seven sanctuaries and one national park covering an area of 2,179.10 sq km constituting 30.70 *per cent* of the State's geographical area revealed that draft MPs in respect of all these PAs were prepared in October 2008. However, no document could be shown as to whether these MPs were submitted to the State Government and the GOI for approval. Thus, in the absence of an approved MP, conservation activities in each of the PA was carried out in an ad hoc manner, apart from violating the Supreme Court's directives.

The Department stated (May 2012) that these MPs had already been forwarded to the GOI for approval and it was presumed that the MPs had been accepted by the GOI. The reply was not acceptable as no records were produced either of having forwarded these MPs to the GOI or receipt of GOI approval.

➢ ***Non-creation of trust funds out of revenue generated***

According to NWLAP 2002-16, all tourism receipts and penalties collected from PAs should go to a local trust fund to be operated by Joint Committees headed by the Divisional Officers of PA concerned. The funds collected from PAs should be utilised in the ratio of 70:30 for community benefit work and for development activities of the PAs.

It was noticed that entry fees of ₹ 0.58[17] crore was collected by the Divisional Officers during the last five years ending March 2012 and deposited as revenue into Government account instead of creating local trust funds. Thus, the funds collected for community benefit works and for development activities of the PAs were not made available for the purpose it was collected. The Department stated (May 2012) that a proposal had been initiated on the above lines with the State Government.

➢ ***Non-demarcation of zone inside PAs***

For systematic management of PAs, zones had to be demarcated into core and buffer zone. Core zone consists of wilderness zone, habitat improvement zone and eco-tourism zone. Wilderness zone was to be so managed as to retain them in their pristine status and development in this zone should be restricted to the minimum. Within the habitat improvement zone, managerial intervention on habitat manipulation is to be carried out for development as an ideal wild life habitat. Further, for eco-tourism zone, this zone may partly overlap with both the above zones to encourage eco-tourism activities. Furthermore, the buffer zones include the forest areas adjoining the sanctuaries/national park.

Demarcation of zones was mentioned in the draft MP prepared by the Divisional Office. However, audit scrutiny (June 2011) of the Annual Plan of Operations (APOs) of Shingba, Kyongnosla, Moinam Sanctuary and the Khangchendzonga National Park indicated that

[17] *Fambonglho: ₹32,830, Pangolakha: ₹ 6,095, Kyongnosla: ₹ 13,005, Barsey: ₹ 6,19,320 during 2010-11 and KNP: ₹ 50,48,335, Moinam: ₹ 56,445.*

zonation was not included in APOs of any of the sanctuaries in any year. Thus, the objectives of classification of zones were not achieved.

While accepting the fact, the Department stated (May 2012) that delay in the exercise for zonation was due to inadequate manpower especially the frontline staff coupled with the difficult mountainous terrain. It was further stated that the PA managers had already been directed to take initiative for zonation.

- ***Non-survey of sanctuaries on total boundary in running kilometre***

Demarcation of boundary of the PA was important so as to protect the PAs from encroachment, human-animal conflict, etc. Although, the total area of these PAs were found recorded, the total boundary length in terms of running km of these PAs were not on record.

As per the analysis of the Department, on an average, ten pillars was required to cover a distance of one kilometre. It was seen that in these eight PAs, 188.40 km was covered during the last five years (2007-12) incurring an expenditure of ₹ 1.04 crore as detailed at **Appendix 2.3.13**. However, no record could be shown on survey or GPS undertaken for estimating the total requirement of boundary pillars. Thus, the erection of boundary pillars was done in an ad hoc manner without ensuring that the actual requirements were met.

While accepting the fact, the Department stated (May 2012) that all PA boundaries would be ascertained and included in the MP and in future all boundary works would be proposed after survey with GPS.

- ***Non-declaration of areas outside PAs as ecologically fragile***

Under the Wildlife Protection Act 1972 and the NWLAP 2002-16, the State Government was to identify key factors responsible for degradation of habitats including grasslands, wetlands, forests, etc., outside PAs particularly in areas adjacent to PAs. The process of identification and declaration of areas as eco-sensitive zone for protecting flora and fauna and their habitats was to be completed by 2004. Further, as per Wildlife Conservation Strategy 2002 approved in XX1st meeting of the Indian Board of Wildlife (IBWL) under the chairmanship of the Prime Minister, land falling within 10 km of boundaries of PAs was to be declared as ecologically fragile zones.

It was noticed that the State Government did not initiate any action either to identify or to declare any area outside the boundaries of PAs as ecologically fragile zones till date (April 2012). Hence, the activities of the populace outside/adjacent to the boundaries adversely affecting the wildlife could not be ruled out.

The Department stated (May 2012) that declaration of areas falling within a crow-flight distance of 10 km outside the boundary of each PA was not feasible in the hilly terrain like Sikkim. Thus, proposal to include a crow-flight distance of 500 mt. outside the boundary of each PA as submitted to the GOI was returned asking for details of land use pattern of these proposed zones. The proposal would be resubmitted on completion of works. Thus, as of date (July 2012) demarcation of the ecologically fragile zone by the Department had not been done.

➢ ***Inadequate enforcement of Wildlife (Protection) Amendment Act 2002***

The Wildlife (Protection) Amendment Act 2002 provides protection of wildlife with a view to ensuring the ecological and environment security of the country. In accordance with the said Act, the State Government had appointed Chief Wildlife Warden (CWLW) and also constituted the State Board for Wildlife (SBW) and the rules had been framed in this regard. As per Act, SBW should meet at least twice in a year and advise the State Government in the selection and management of areas to be declared as PAs, formulation of policy, amendment of any schedule and in any matter connected with the protection of wild life.

It was noticed that as against the requirement of minimum ten meetings of SBW in the last five years, they met only once in 2010-11 (20 May 2010). Audit analysis on meeting held on 20 May 2010 viz., agenda discussions, resolutions passed and its follow-up revealed that 22 agenda items were submitted against which 20 were passed. However, review conducted by the Department on action taken on the meeting of 20 May 2010 held on 19 June 2012 revealed that the Department could achieve the targets in only five agenda items which were included in the minutes of the meeting as shown below:

Table 2.3.14

SI No	Items
1	Drinking water supply connection for Rhenock areas from Pangolakha Wildlife Sanctuary.
2	Drinking water supply connection for Kupup areas from Pangolakha Wildlife Sanctuary.
3	Drinking water supply connection for Sang areas from Fambonglho Wildlife Sanctuary.
4	Construction of defence road between Flag hill-Dokla passing through Pangolakha Wildlife Sanctuary.
5	Sky walk project at Bhaleydunga, Maenam Wildlife Sanctuary.

Source: Departmental report

Important items such as notification of eco-sensitive zones around PAs and zonation of PAs were not taken up (November 2012).

2.3.11 Monitoring and Evaluation

Monitoring and evaluation is required for corrective measures with regard to deviations and deficiencies in implementation of various development activities and data for future planning. It was, however, seen that the monitoring mechanism was either absent or deficient in the Department leading to slow progress of works, funds lying unutilised and non-achievement of objectives as summarised below:

IFMS: According to GOI guidelines, a review and monitoring Committee under the chairmanship of PCCF should be constituted for periodic review of the scheme. Conservator of Forest (CF/HQ) would be the member Secretary of the State Monitoring Committee and other CFs would be the members of the Committee. The member Secretary should convene a meeting at least half yearly and review the progress of the Scheme. Audit analysis revealed that no such Committee had been formed and no review and monitoring of the Scheme conducted which led to delay in implementation, non-utilisation of funds and also rush of expenditure in the last month of the year as detailed at **paragraphs 2.3.9.5 and 2.3.10.4.**

TFC: As per the TFC Grant guidelines, High Level Monitoring Committee (HLMC) should be constituted at State Level which was responsible for the monitoring of works, ensuring adherence to specific conditionalities in respect of grants, approving of work plans, etc. and also to conduct meetings on quarterly basis to review the utilisation and to issue directions for midterm correction where required. It was noticed that although the HLMC at State Level had approved the Perspective Plan (PP) and the respective Annual Work Plans (AWP), the formation of HLMC and monitoring of works was neither on record nor produced. These deficiencies consequently led to delayed submission and deviation in the PP & AWP and also rush of expenditure in the last month of the year as detailed at **paragraphs 2.3.9.5 and 2.3.10.5.**

NAP: Programme guidelines prescribed for monitoring of the Scheme by the SFDA, FDAs and the State Forest Department. In addition, the State Level Coordination Committee (SLCC) and the National Level Steering Committee (NLSC) would also meet periodically to monitor the progress of the Scheme. The SLCC against the requirement of meeting five times during the period 2007-12, met only twice[18]. The meeting noted good progress in the area of plantation, but was lagging behind on income generating activities, forest protection and decentralisation of works. No action were initiated towards the shortcomings pointed out by the SLCC. SLCC also in turn, did not follow up the matter with the FDAs for corrective measures.

Besides above, other schemes viz, State Green Mission, Bird Park at Rabdentse, State Ecology Fund and Protected areas were also implemented. However, barring the State Green Mission, monitoring and evaluation were neither provided in the schemes nor conducted leading to non-achievement of the objective of setting up of the Bird Park, locking up of Government funds, non-demarcation of zone, inadequate enforcement of Wild Life Protection Act, etc.

2.3.12 Conclusion

The State Government formulated a Forest Policy in 2000 but did not prepare Perspective Plans and also did not prepare all the Working Plans till March 2012 to ensure proper and effective implementation of policy in order to enhance the forest cover in the State in a time bound manner. Although a number of schemes were implemented to increase and conserve the forest cover in the State, the forest cover could be increased by only 97 sq km. during 2005-11. The Bird Park of Rabdentse remained incomplete for more than two years after expiry of scheduled date of completion even after incurring an expenditure of ₹ 1.31 crore due to absence of proper planning. The work plans under IFMS and Twelfth/Thirteenth Finance Commission were submitted belatedly resulting in delayed sanction and implementation besides rush of expenditure in the closing month of the years. Joint Forest Management Committees, a central and integrated part of forest activities had not been formed in 688

[18] *(i) 29 April 2011 and (ii)2 November 2011*

villages out of a total of 907 villages. Compensatory Afforestation of 1,992.19 ha was not taken up by the State Compensatory Afforestation Fund Management and Planning Authority. Monitoring and evaluation in the Department were not being done adequately.

2.3.13 Recommendations

- The State Government should prepare a perspective plan in order to bring all the degraded forest areas under forest cover in a time bound manner in pursuance of the National/State Forest Policy.
- Annual Plans of all the schemes should be processed in time to ensure timely conservation, protection of forest and utilisation of funds.
- Action should be taken for Compensatory Afforestation pending works under CAMPA. Action should also be taken to expeditiously realise the amounts outstanding towards 'Net Present Value' from defaulting user agencies.
- Joint Forest Management Committees should be formed in the remaining 688 villages.
- Prescribed monitoring mechanism should be put in place for all schemes in order to achieve the desired outcomes.

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

2.4 Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

A number of visionary declarations aimed at development of the rural areas and improvement of quality of life of the rural masses have been pronounced from time to time by the State Government, considering the huge rural population (75 per cent) and incidence of poverty in the State. This included development of a comprehensive network of all-weather roads connecting the masses to marketing hubs, health centres, educational Institutions, Government Offices/Institutions and other Welfare Centres. Introduction of the PMGSY by the Government of India (GOI) in December 2000 with the objective of providing all weather road connectivity to rural habitations within a target date came as a boon to the State of Sikkim which had been relying exclusively on Central grants and loans from various agencies (LIC, GIC, NABARD, NCDC, etc.) towards the entire infrastructural development in the State. Keeping in perspective the importance of road connectivity for overall development of the State and the State Government's declaration to bring about a conspicuous change in the lives of the rural populace, a performance evaluation of the PMGSY scheme (upto March 2012) was taken up during May – July 2012. Rural roads in Sikkim were to be constructed in two Stages (Stage-I and Stage-II). Stage-I comprised of formation cutting, slope stabilisation, protection works, etc., while Stage-II comprised of laying of water bound macadam (WBM) and bituminous surface course. The State had till March 2012 completed Stage-I of 163 roads out of which Stage-II of only 20 roads providing connectivity to 28 habitations had been accomplished. It was also seen in Audit that despite 100 per cent funding by the GOI and despite the State's poor revenue base, the Implementing Department (RMDD) failed to avail *optimum benefit for the State from the Central scheme. There was lack of clarity and preparedness for implementation of the Scheme at the inception stage leading to ineffective utilisation of programme funds. The planning process lacked adequate ground work and coordination and was thus deficient. Delay was evident at various stages resulting in non-completion of works within targeted date, abandonment of works and lesser devolution of funds by the GOI. Heavy financial liabilities, excess expenditure on works due to inflated estimates, failure to provide connectivity despite considerable expenditure, non-maintenance and upkeep of created assets, etc. were major deficiencies noticed in Audit.*

Absence of planning and proper clarity in implementation of the PMGSY at the initial stage led to utilisation of ₹ 35.87 crore on repair and upgradation of existing roads by the Roads and Bridges Department which was non-priority work.

(Paragraph 2.4.6)

Even as of March 2012, five years beyond the target date for providing connectivity to the 318 unconnected habitations, the Department had connected only 28 habitations constituting 9 *per cent* of the achievement after a total expenditure of ₹ 587.26 crore.

(Paragraph 2.4.7 & 2.4.8)

289 Stage-I road works got delayed by 1 to 66 months with 135 remaining incomplete. Out of 121 Stage-I works eligible for Stage-II, only 40 works had been taken up for Stage-II.

(Paragraph 2.4.9.2)

The Department made excess, irregular and unauthorised expenditure of ₹ 23.91 crore from the PMGSY programme funds meant for construction of roads on consultancy charges paid to a private consultant (Archtech Consultancy Pvt. Ltd).

(Paragraph 2.4.10.1)

2.4.1 Introduction

Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* centrally sponsored scheme was launched in December 2000 for providing all-weather road connectivity to rural habitations with a population of 1,000 and above by the year 2003 followed by population of 250[19] and above by the end of 2007. The scheme aimed at improving the socio-economic condition of the rural population by providing basic access to social and economic services to the unconnected habitations within the targeted date.

A core network survey based on census Report of 2001 finalised in September 2003 showed an existing rural road network of 2,174.86 km (black topped – 1,286.49 km, WBM - 465.17 km and earthen - 423.20 km) in Sikkim connecting a total of 491 habitations. The core network prepared (September 2003) by the Department projected 410 unconnected habitations - 16 habitations with population of 1,000 and above, 138 habitations with population of 500 and

[19] 250 in case of hill states and 500 in case of others.

above, 164 habitations with a population of 250 and above and 92 habitations with population below 250. Although the PMGSY envisaged coverage of habitations with population 250 and above for hilly States, Sikkim included 92 habitations with population below 250 also in the core network. This was a positive step as Sikkim also has sparsely populated habitations located in far flung mountainous areas in dire need of connectivity.

As of July 2012, a total of 97.16 km all-weather roads had been completed connecting 28 habitations. The programme was still ongoing with connectivity to 290 habitations with population of above 250 yet to be provided in terms of the programme target.

2.4.2 Organisational set-up

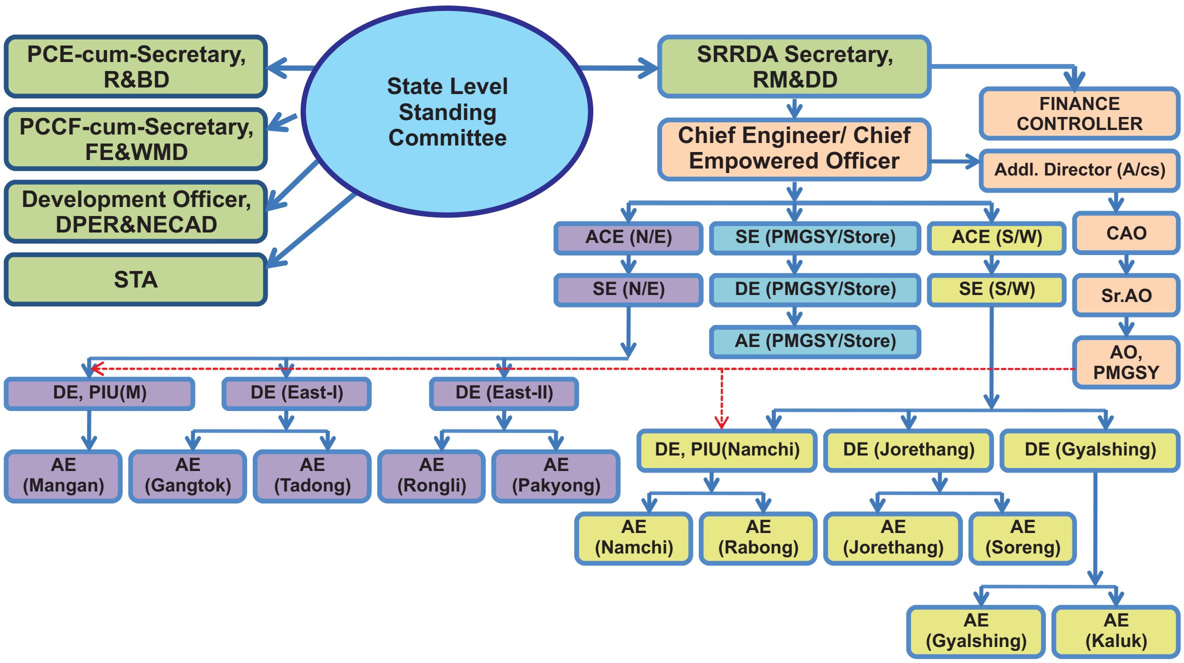
Institutional arrangement for implementation of the PMGSY

The Ministry of Rural Development (MoRD), GOI has been entrusted with the task of organising the PMGSY programme at the national level. The Roads and Bridges Department (RBD) acted as executing agency for PMGSY in Sikkim in the initial stage (2001-02). Thereafter, the RMDD took over as the nodal Department with overall responsibility for implementation of the PMGSY. The State Government created a State level autonomous Agency - the State Rural Roads Development Agency (SRRDA) in August 2003 with the Secretary, RMDD as the nodal officer to advise on technical specifications, project appraisal, organisation of funds, management of monitoring systems and periodical reporting to GOI. The SRRDA receives funds from MoRD for the PMGSY programme. All proposals are vetted by the SRRDA and put up to the State Level Standing Committee[20] (SLSC) before they are sent to the National Rural Roads Development Agency (NRRDA) for clearance by the MoRD.

The institutional mechanism for implementation of the PMGSY in Sikkim is depicted in the chart below:

[20] *Consisting of the PCE-cum-Secretary, Roads and Bridges Department; PCCF-cum-Secretary, Forest, Environment & Wildlife Management Department; and the Development Commissioner, Development Planning, Economic Reforms and North Eastern Council Affairs Department, Government of Sikkim.*

Chart 2.4.1



Note: DPER&NECAD: Development Planning, Economic Reforms and North Eastern Council Affairs Department.
STA : State Technical Agency.

The Secretary, RMDD acted as the State Nodal Officer and the Chief Engineer, RMDD as the Chief Empowered Officer of the Scheme who were supported by two Additional Chief Engineers, three Superintending Engineers, seven Divisional Engineers and twelve Assistant Engineers and other subordinate staff. The Jalpaiguri Engineering College had been appointed as State Technical Agency (STA) for scrutinising the estimates and DPRs.

2.4.3 Scope of Audit and methodology

The performance audit commenced with an entry conference with the Chief Empowered Officer in May 2012 at the SRRDA Headquarters in Gangtok. Records at the SRRDA Headquarters and the four district Project Implementing Units (PIUs) were examined during May – July 2012 selecting 40 *per cent* of the works executed in six phases[21] *(Phase II to Phase VII)* by Simple Random Sampling Without Replacement method. GOI sanctioned ₹ 728.48 crore for constructing 338 rural connectivity roads in the six phases out of which 134 roads involving expenditure of ₹ 347.96 crore were selected for test-check for the performance review. The audit findings were discussed (01 November 2012) with the departmental authorities in an exit conference. Replies of the Department have been suitably incorporated in the Report.

2.4.4 Audit Objectives

The performance audit was conducted with the objective of assessing whether:

- The Department had adequate planning and preparedness for implementing the

[21] *Works were sanctioned by the GOI every year in lots. Each lot was termed a phase.*

PMGSY;

- Funds for execution of the scheme were adequate, available on time and the overall financial management was sound;
- Each Stage of the Works (Stage-I & II) were taken up expeditiously as per the programme objectives and executed economically and effectively;
- Quality of works was ensured duly adhering to the laid down norms and procedures;
- Effective Planning for maintenance of executed works existed and regular maintenance of such works was taken up; and
- Implementation of the scheme was effectively monitored and evaluated.

2.4.5 Audit Criteria

The Audit objectives have been benchmarked against the following criteria:

- Norms laid down in the PMGSY Accounting Manual;
- Norms and stipulations laid down in the PMGSY implementation guidelines;
- Norms laid down in the Rural Roads Manual; and
- Hill Road Manual prescribed by the Indian Road Congress (IRC).

Audit Findings

2.4.6 Guiding Principles of PMGSY and Planning for rural roads

The spirit and the objective of the PMGSY was to provide good all-weather road connectivity to unconnected Habitations. PMGSY covered only rural areas. Urban roads, Major District Roads, State Highways and National Highways were excluded from the purview of the Programme. PMGSY also did not permit repairs to Black-topped or Cement Roads, even if the surface condition was bad. A habitation earlier provided with all-weather connectivity would not be eligible even if the present condition of the road was bad. Upgradation of existing roads was permitted in those Districts where all eligible Habitations had been provided all-weather road connectivity. Upgradation was however, not central to the Programme. Each road work that was to be taken up under PMGSY was required to form part of the Core Network. The Core Network was a minimal Network of roads necessary to provide basic access to essential social and economic services to all eligible habitations in the selected areas through at least one all-weather road connectivity. Preference was to be given to those roads which served larger population. For implementation of the PMGSY, District Rural Roads Plan was required to be prepared indicating the entire existing road network system in the District and also clearly identifying the proposed roads for providing connectivity to Unconnected Habitations. The Plan would first be prepared at the Block level (Block level Master Plan), in accordance with the directions contained in the Rural Roads Manual and the priorities spelt out by the District Panchayat. No road work could be proposed under the PMGSY for New Connectivity or Upgradation *(where permitted)* unless it formed part of the Core Network.

➢ ***Inadequate planning and incomplete/deficient core network of rural roads***

Before commencement of the Scheme, a comprehensive network of rural roads (Core Network) was required to be formulated depicting (i) existing rural roads constructed so far by the State Government and (ii) the minimal number of roads required to be constructed further for providing basic access to essential social and economic services to all eligible habitations through at least a single all weather road connectivity. The Rural Core Network for the entire State was required to be based on the Block Level Master Plans and the District Rural Roads Plans formulated for each Block and District of the State.

The implementing Department had no details of the habitation survey conducted by it in each Block/District with a view to implement the PMGSY Scheme. The Block Level Master Plan and the District Rural Roads Plan as required under the PMGSY guidelines had never been formulated. The Core Network finalised in September 2003 was incomplete and deficient. Phase I & II of the PMGSY works were taken up without framing the Core Network resulting in expenditure of ₹ 35.87 crore on repair/ upgradation of existing roads and consequent failure to provide connectivity to unconnected habitations on priority.

In reply (October 2012) the Department stated that District-wise plans were prepared and accordingly District Project Implementing Unit (DPIU) appointed in each district. Sikkim being a small State, Block level master Plan was not felt necessary.

Reply was not acceptable as the Department could not provide copies of District Plan.

➢ ***Absence of clear demarcation of area of operation and lack of co-ordination***

Clear demarcation of area of operation was fundamental to planning road construction. Although the RBD and the SRRDA were involved in construction of road network in the State, there was no clear demarcation of jurisdiction over which the two departments would confine their activities. A number of rural connectivity schemes were also being implemented by the RBD under various centrally sponsored schemes, State Plan schemes and schemes funded through loan from the National Bank for Agriculture and Rural Development (NABARD). The Government therefore, needs to clearly demarcate the area of operations of these Departments to facilitate proper planning and implementation of road connectivity schemes in the State.

2.4.7 Financial resources and their management

The PMGSY being a non-budget programme, funds were maintained in a separate account outside the Government Account in the State Bank of India branch at Gangtok in terms of the Accounting Manual of the programme. The year-wise position of sanction of funds by the GOI *vis-à-vis* actual release and the expenditure there-against is depicted in the table below.

Table 2.4.1

(₹ in crore)

Year	Opening Balance	Amount sanctioned	Amount released	Interest receipt	Total	Expenditure	Closing balance
2001-02	0	50.99	33.16	0	33.16	21.07	12.09
2002-03	12.09	0	0	0.20	12.29	8.38	3.91
2003-04	3.91	35.29	37.81	0.45	42.17	8.04	34.13
2004-05	34.13	0	0	0.84	34.97	14.68	20.29
2005-06	20.29	63.10	40.29	1.74	62.32	32.88	29.44
2006-07	29.44	149.01	36.26	0.75	66.45	56.74	9.71
2007-08	9.71	211.92	170.46	1.12	181.29	106.72	74.57
2008-09	74.57	254.56	55.00	2.41	131.98	114.76	17.22
2009-10	17.22	0	70.00	0.43	87.65	86.79	0.86
2010-11	0.86	0	76.77	0.56	78.19	74.25	3.94
2011-12	3.94	206.04	80.00	1.77	85.71	62.95	22.76
Total		**970.91**	**599.75**	**10.27**		**587.26**	

Source: SRRDA

During 2001-12, against the total sanction of ₹ 970.91 crore, GOI released ₹ 599.75 crore which was only 62 *per cent* of the total sanction under PMGSY. The short release of funds of ₹ 371.16 crore (38 *per cent*) by the GOI was due to various reasons - delay in submission of proposals, failure to execute sanctioned projects in time by the Project Implementing Units (PIUs) and contractors and corresponding hold-up in utilisation of the funds sanctioned earlier on implementation of the schemes.

➢ ***Quality of Expenditure***

The State received funds of ₹ 599.75 crore during 2001-12 from the GOI out of which ₹ 587.26 crore was spent for implementation of the PMGSY programme. Projects valued at ₹ 347.96 crore were examined in audit. It was found that there was excess/avoidable expenditure of ₹ 4.28 crore, unfruitful expenditure of ₹ 2.44 crore and blockade of funds of ₹ 72.66 crore. Besides, there was non-recovery of mandatory cess/liquidated damages of ₹ 38.64 crore and loss of opportunity to avail GOI support for providing connectivity to border areas of ₹ 8.33 crore. The detailed Audit observations are highlighted in succeeding paragraphs.

➢ ***Failure to avail funds targeted to provide connectivity to border areas***

In addition to the regular GOI sanctions for implementation of the programme, funds of ₹ 8.33 crore under the PMGSY for Indo-China Border (₹ 2.35 crore), Indo-Nepal Border (₹ 1.15 crore) and Indo-Bhutan Border (₹ 4.83 crore) were allocated for construction of roads in the border areas during the period 2003-07. Due to the Department's failure to submit proposals in time, the GOI did not release the allocated funds targeted to provide communication links to the population residing in far flung border areas of the State.

In reply the Department, *inter alia,* stated (October 2012) that funds of ₹ 8.33 crore could not be obtained for border areas as the Department had shortage of manpower and was pre-occupied and unable to concentrate on development of DPR and plan for construction of border roads.

➢ *Blocking up of funds*

Huge amounts of interest free advances were paid to the contractors as mobilisation and equipment advances (5 *per cent* and 10 *per cent* of the value of work, respectively) simultaneously with the issue of work orders. Besides, advances were also paid to the consultant engaged for preparation of DPRs, etc. These advances were to be adjusted/recovered progressively from the contractors' bills as and when payments were made. Since there was considerable delay in taking up and executing the works, corresponding delay was there preferring bills by the contractors. Thus, the advances remained outstanding with the contractors for long periods of time. The year-wise position of outstanding advances with the contractors is depicted in the table below:

Table 2.4.2

(₹ in crore)

Year	Outstanding advances			Total
	Equipment advances	Mobilisation advances	Advance to consultant for DPR preparation etc.	
2004-05	-	1.19	0.85	2.04
2005-06	5.10	4.43	4.94	14.47
2006-07	16.73	9.10	14.00	39.83
2007-08	20.45	10.63	22.10	53.18
2008-09	23.89	11.89	27.64	63.42
2009-10	37.07	18.42	30.32	85.81
2010-11	28.48	13.86	30.32	72.66

Advances ranging between ₹ 2 crore and ₹ 86 crore remained with the contractors during the period 2004-11. This adversely affected availability of actual balance with the Department. The equipment and mobilisation advances recoverable from the contractors could not be treated as expenditure in the accounts. However, the Department reckoned these advances also as final expenditure.

The Department stated (October 2012) that (i) the mobilisation and equipment advances paid to contractors were given as per guidelines of the scheme. In most cases works were delayed due to which there was delay in recovery (ii) The preparation of DPRs, construction supervision, etc. for Phase IV to Phase VII were outsourced to the Consultant in terms of the Scheme guidelines due to manpower constraint, payment made to the Consultant in terms of work done as per agreement. Out of the outstanding advances of ₹ 30.32 crore, ₹ 4.21 crore had been adjusted. The reply of the Department was not acceptable as (i) the advances were paid without ensuring their rightful use towards purchase of equipment and mobilisation of man and materials (ii) there was no scope for payment of advances to the consultant under the scheme guidelines (iii) the rate of payment to the consultant was exorbitantly high as compared to GOI norms and, (iv) adjustment of ₹ 4.21 crore that the Department mentioned was actually the amount received from GOI towards consultancy charges and not the amount adjusted from the Consultant's bill.

2.4.8 Physical targets vis-à-vis achievement

Rural roads in Sikkim were to be constructed in two Stages – Stage-I and Stage-II. Stage-I comprised formation cutting, slope stabilisation, protection works and drainage works while Stage-II mainly comprised laying of water bound macadam (WBM) and bituminous surface course. Stage-II was to be taken up after two rainy seasons of completion of Stage I to ensure adequate stabilisation of slopes. Habitations would not be counted as connected till Stage-II was completed.

In terms of the scheme objectives, all unconnected habitations with a population of 1,000 persons and above were to be connected in three years (2000-03) and all unconnected habitations with a population of 250 persons[22] and above by the end of tenth plan period (2002-07). Year-wise targets were however not prescribed in the scheme guidelines.

The number of habitations connected as of March 2012 after completion of Stage-II works by the Department was as under:

Table 2.4.3

Type of Habitation (based on population)	Unconnected habitations at the start of programme (2000-01)	Targets set to be achieved by 2003	Actual achievement by 2003	Targets set to be achieved by 2007	Actual achievement by 2007	Actual achievement by 2012
1,000 and above	16	16	0	16	00	03
500 – 999	138	0	0	138	00	22
250 – 499	164	0	0	164	00	03
Total	**318**	**16**	**0**	**318**	**00**	**28**

Source: SRRDA.

Shortfall in achievement of targets

- Against the target of connecting 16 unconnected habitations with 1,000+ population by March 2003, the State did not achieve connectivity to a single habitation. The funds provided by GOI was utilised at the outset by the RBD on repair (₹ 13.16 crore) and upgradation (₹ 22.71 crore) of existing roads.
- All 318 unconnected habitations were to be connected by the end of the 10th Plan period (March 2007) in terms of the GOI guidelines. The Department, however, had not completed construction of any of the Stage-II works thereby failing to connect any habitation even by March 2007.
- Even as of March 2012, five years beyond the target date for providing connectivity to the 318 unconnected habitations at the commencement of the PMGSY, the Department had covered only 28 habitations constituting 9 *per cent* achievement.

The reasons for shortfall in meeting the targets was mainly due to (i) commencement of programme without basic preparatory works like arrangement of land, forest clearance,

[22] *Habitations with 250 persons and above for hilly States like Sikkim. For others the norm is 500 person and above.*

preparation of DPRs, etc. (ii) Irregular utilisation of programme funds on unauthorised repair/upgradation works instead of taking up new connectivity works (iii) inordinate delay in taking up and completing Stage-II works.

The Department stated (October 2012) that the delay in completion of works was due to problems in land acquisition, forest clearance and poor soil condition requiring longer duration for stabilisation of land after Stage-I work. However, fair weather roads to all unconnected habitations were provided to enable villagers to join the main stream.

Reply of the Department was not acceptable as construction of good all weather roads and not fair weather roads was the prime objective of the PMGSY for ensuring connectivity to the habitations. Land acquisition, forest clearance, etc. were to be obtained prior to approval and sanction of the project. The inordinate delay ranging between 3 to more than 5 years in most cases was much beyond the stabilisation period of one year which only led to further deterioration of the executed works under Stage-I.

2.4.9 Project Implementation

2.4.9.1 Time Control

One of the most important features of implementation of the PMGSY was timeliness of completion of the projects. The projects were to be completed by the PIUs within a period of nine working months from the date of issue of work order. In case the period for execution was likely to be adversely affected by monsoon or other seasonal factors, the time period could be suitably determined while approving the work programme but should not exceed 12 calendar months in any case. It was however, noticed that there were considerable delays in execution at each stage of the projects much beyond the stipulated time period as elucidated below.

2.4.9.2 Delay in execution of works

In terms of PMGSY guidelines, new connectivity works were to be executed in two Stages – Stage-I and Stage-II in terms of the implementation guidelines for hilly States. Only after execution of Stage-II a habitation would be considered as connected.

During the period 2001-12, the Department took up 298 Stage I works (new cutting) of length 1,422.32 km under Phase II to VII. Only 163 works (712.44 km) had been completed while 135 works (709.88 km) were still under progress. Only 9 works (30.36 km) out of the 298 had been completed within the stipulated 12 months time after the issue of work order. The delay in completion in respect of the 289 works ranged between 1 and 66 months beyond the stipulated time of completion as detailed in the table below:

Table 2.4.4

Year	Sanctioned	Completed	Incomplete	Works delayed	Delay in Months			
					1 to 12 months	12 to 36 months	36 to 60 months	Beyond 60 months
2001-02	17	17	-	17	03	14	-	-
2003-04	21	21	-	20	02	17	01	-
2004-05	34	31	03	29	02	21	02	04
2005-06	65	53	12	65	09	32	24	-
2006-07	76	32	44	74	09	20	45	-
2008-09	85	09	76	84	01	83	-	-
TOTAL	**298**	**163**	**135**	**289**	**26**	**187**	**72**	**04**

Source: SRRDA

Majority of the works (187) were delayed by 1 to 3 years while 72 works were delayed by 3 to 5 years. Four works were delayed by more than 5 years.

Out of the 163 completed Stage-I works, 121 roads became eligible for Stage-II between April 2007 and May 2012. The Department, however, took up Stage-II construction of only 40 roads out of the eligible 121 roads whose Stage-I had been completed. Out of 40 Stage-II works taken up, only 20 works had been completed as of May 2012. Stage-II construction was delayed by 1 month to 66 months in respect of the balance 101 works, as depicted in the table below:

Table 2.4.5

Year	Total works for which Stage I is completed	Total works for which Stage II is eligible	Total works for which stage II is taken up	Completed	Works delayed	Delay in Months			
						1 to 12 months	12 to 36 months	36 to 60 months	Beyond 60 months
2001-02	17	17	4	4	13	0	1	9	3
2003-04	21	21	15	7	14	0	1	13	0
2004-05	31	29	20	8	21	6	11	4	0
2005-06	53	38	1	1	37	12	25	0	0
2006-07	32	15	0	0	15	10	5	0	0
2008-09	09	1	0	0	1	1	0	0	0
Total	**163**	**121**	**40**	**20**	**101**	**29**	**43**	**26**	**3**

Source: SRRDA

The following were the main reasons for delay in execution of the works:

➢ One of the most pervasive reasons for delay in completion of the projects was non-finalisation of land *(private and forest)* for taking up the road projects in time although sanction for the projects was obtained from the GOI in advance. It was the responsibility of the State Government to ensure that the required land was available for the proposed road works immediately after the funds were sanctioned. A certificate that land was available was required to accompany the proposal for each road work. At the time of preparation of the Detailed Project Report (DPR), the Project Implementing Unit (PIU) was required to hold consultations with the local community, panchayats and forest officials and organise an informal transect walk with a view to determine the most suitable alignment, sort out issues of land availability, moderate any adverse social and environmental impact and elicit necessary community participation in the programme. All the preparatory works as above were required to be done at the stage of DPR preparation long before taking up the road projects so that the projects could be commenced forthwith. It was, however, seen that the works could not be taken up by the contractors even long after the issue of work orders due to non-acquisition of land from land owners and non-obtaining of clearance for forest land.

- Improper survey and poor contract management relating to monitoring progress of works with reference to prescribed milestones, failure to obtain and maintain currency of performance guarantees, failure to penalise and take timely action against defaulting contractors, etc. were other reasons for the tardy progress of works.

- The general disinclination to take up Stage-II works by contractors even long after completion of Stage-I was a major reason for failing to provide connectivity to the unconnected habitations. No contractor participated for construction of 25 Stage-II works in East District under Phase VIII despite advertisement for the works three times. The contractors evinced interest in executing Stage-I works[23] which mainly constituted hill cutting, protective walls, drains, throwing of spoils, etc. The Quality Monitors mainly focussed on checking quality of Stage-II works[24] *(which mainly comprised laying WBM and bituminous surface course)* during their inspection. The Department should, therefore, have considered executing both Stage I & II of a particular work through the same contractor to ensure completion of both the stages of the work.

- Lack of adequate monitoring and failure to impose penalty by the Department led to many contractors abandoning works before completion.

Some instances of delay/abandonment of works by contractors noticed on spot verification are depicted below:

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[23] *Items like hill cutting and throwing of spoils under Stage I were not susceptible to measurement after execution and hence perceived to be highly profitable.*

[24] *Stage II works mainly comprised of laying WBM and bituminous surface course which were easily measurable / verifiable after execution.*

Image 2.4.1

Name of work: *Extension of road from Belling to Lungchuk (Stage-I)*
Scheduled date of Commencement: *August 2006*
Actual date of Commencement: *August 2006*
Scheduled date of completion: *August 2007*
Actual date of completion: *Incomplete*
Cost of work: *₹ 1.76 crore*
Contractor: *Shri Chandra Khaling*
Expenditure incurred till March 2012: *₹ 73.98 lakh*
Audit comment: *The work had been practically abandoned by the contractor after drawing huge amount of money through advances and the first running bill. Despite clear evidence of negligence and lack of seriousness by the contractor, no action was taken by the Department either to effectively monitor the work or to penalise the defaulting contractor.*

Image 2.4.2

Name of work: *NH 31A to Lower Martam (Stage-I)*

Scheduled date of Commencement: *September 2004*

Actual date of Commencement: *September 2005*

Scheduled date of completion: *September 2006*

Actual date of completion: *Incomplete. Work abandoned*

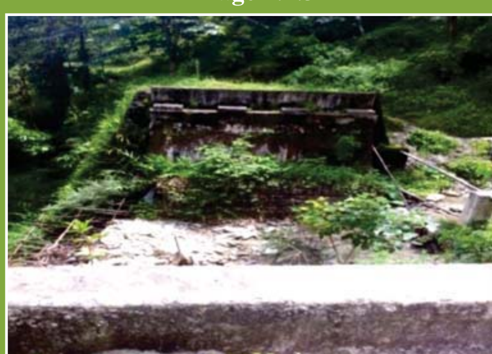
Cost of work: *₹ 2.28 crore*

Contractor: *Shri U.T. Ladhaki*

Expenditure incurred till March 2012: *₹ 1.35 crore*

Audit comment: *The work had to be abandoned due to objection by the BRO for construction of road at the take-off point touching the National Highway 31A.*

Image 2.4.3



Name of work: *PWD Road to Chenzey (Stage-I)*

Scheduled date of Commencement: *December 2005*

Actual date of Commencement: *August 2006*

Scheduled date of completion: *August 2006*

Actual date of completion: *Incomplete*

Cost of work: *₹ 1.06 crore*

Contractor: *Shri T. Lachungpa*

Expenditure incurred till March 2012: *₹ 78.90 lakh*

Audit comment: *Work held up for more than 5 years beyond the scheduled completion date due to bridge collapse indicating defective design and poor construction supervision.*

Image 2.4.4

Name of work: ***SPWD** Road Gangtok Rumtek to Kaiyathang (Stage-II)*

Scheduled date of Commencement: *May 2009*

Actual date of Commencement: *Not started*

Scheduled date of completion: *May 2010*

Actual date of completion: *Incomplete*

Cost of work: *₹ 0.46 crore*

Contractor: *Shri Anil Kr. Agarwal*

Expenditure incurred till March 2012: *₹ 6.81 lakh*

Audit comment: *Work could not be commenced and was held up due to hindrance and blockade by the land owner at the take-off point thereby stalling the work indefinitely.*

Image 2.4.5

Name of work: *Nimtar to Mangthang (Stage-I)*

Scheduled date of Commencement: *February 2008*

Actual date of Commencement: *February2008*

Scheduled date of completion: *February 2009*

Actual date of completion: *Incomplete*

Cost of work: *₹ 3.11 crore*

Contractor: *Shri Sanjay Agrawal*

Expenditure incurred till March 2012: *₹ 2.09 crore*

Audit comment: *Work delayed due to delay in obtaining land clearance, delay by contractor and revision of work estimate.*

Image 2.4.6

Name of work: *Tashiding Phamtam - L Chongrang (Stage-I)*

Scheduled date of Commencement: *July 2006*

Actual date of Commencement: *February 2008*

Scheduled date of completion: *February 2009*

Actual date of completion: *April 2012*

Cost of work: *₹ 1.38 crore*

Contractor: *Shri C.B. Gurung*

Expenditure incurred: *₹ 1.31 crore*

Audit comment: *Work delayed due to delay in obtaining land clearance, delay by contractor, poor project management. Entire formation at the entry point washed away and damaged by landslides due to defective alignment.*

The implementation of many works by the Department was characterised by inadequate monitoring, defective plan and design, failure to obtain appropriate performance guarantee and non-initiating of timely action leading to delay and even abandonment of works as illustrated below.

2.4.9.3 Non-completion of road from Belling to Lungchuk

The work "Extension of road from Belling to Lungchuk" (3.76 km.) was awarded (July 2006) to a contractor at ₹ 1.76 crore to be completed by August 2007. Till July 2009, the contractor had drawn ₹ 1.19 crore upto his 2nd RA bill while only 26 *per cent* of the estimated quantity of work had been completed. Thereafter, the contractor practically abandoned the work. Important items of works such as hill cutting, bridge, drainage works, culverts, breast walls, road furniture and major portion of protective works were not taken up.

Spot verification by Audit revealed (August 2012) that the road was not accessible to any kind of vehicles. 80 *per cent* of the road had formation width of only 4 meters against the mandatory 6 meters. No breast walls had been constructed anywhere from take-off to end point resulting in occurrence of huge landslides as depicted in the photographs below:

Image 2.4.7

Rampant land slips due to hill cutting

Image 2.4.8

Work abandoned after partial execution

Against the sanctioned quantity of 44,520.61 cum hill cutting, the Department exhibited execution of 1,49,602.61 cum which was 336 *per cent* of the sanctioned quantity. With such huge hill cutting work, the formation width achieved for major portion of the road was only 4 metres against the width of 6 metres required to be achieved while a huge quantity of cutting still remained to be done. Out of the total hill cutting of 1,49,602.61 cum shown as executed, 28,446 cum pertained to blasting of rocks. However, the quantity of power gel (gelatine) issued for blasting was only 1,142.12 kg which could blast maximum 3,997.42 cum rocks as per norms[25]. Hence, projection of blasting 28,446 cum hard rock with only 1,142.12 kg power gel as against the norm of blasting only 3,997.42 cum rock defied logic.

The contractor was paid ₹ 73.98 lakh in excess of the amount estimated for hill cutting works by projecting excess hill cutting.

Thereafter the contractor abandoned the work. The Bank Guarantee (BG) submitted by the contractor towards performance security had long expired leaving the Department with no means to effect recovery of any kind. While only notices were issued to the contractor to resume work, no stringent action had been taken. The Department had expended 68 *per cent* of funds on 26 *per cent* of the work completed so far by the contractor in terms of the estimate. It was not clear how the Department would complete the balance 74 *per cent* work with available 32 *per cent* funds.

The Department stated (October 2012) that the work was under progress and efforts were being made to complete it before December 2012.

2.4.9.4 Abandonment of road from Upper Gelling to Middle Gelling

The work "Extension of road from Belling to Lungchuk (Phase VI) Stage-II" was awarded (December 2007) at ₹ 3.67 crore with the scheduled date of completion within 12 months (January 2009). Advances of ₹ 55.02 lakh[26] was paid to the contractor during February 2008. BG of ₹ 55.02 lakh valid for a period of one year (January 2009) was deposited (February 2008) by the contractor against the advances drawn.

[25] *1 kg gelatine can blast 3.5 cum hard rock.*

[26] *Mobilisation – ₹18.34 lakh and Equipment – ₹ 36.68 lakh.*

The contractor was paid 1st RA bill of ₹ 84.09 lakh against physical progress of 28 *per cent* of the work in September 2008. Immediately after receipt of this payment, the contractor abandoned the work. The Department issued notice to the contractor for completion of work only in February 2010 – 14 months after abandonment of the work. Six subsequent reminders were thereafter issued between February 2010 and May 2011. The contractor did not respond to any of the notices.

Image 2.4.9

Emulson drums lying idle at site of work.

The BG submitted by the contractor had already expired on 13 January 2009. Only on 27 January 2012, more than three years after abandonment of work and expiry of the BG, did the Department issue notice to the contractor for renewal of BG. By this time the contractor was in possession of ₹ 1.08 crore[27] in cash and kind paid by the Department over and above the payment due against the value of work done.

In the absence of valid BG or any other instrument of recovery, the Department had no means to make good the excess payment of ₹ 1.08 crore lying with the contractor. No action had been taken by the Department to penalise the contractor, terminate the contract or work out modalities for completing the work despite the fact that the work had been completely stalled for more than four years. Spot verification of the work in August 2012 revealed that the 676 drums of bitumen issued (September 2009) to the contractor had neither been used in the work nor was the same available at the site of work. Out of 276 drums of emulsion issued to the work, only 28 drums were available at site. Whereabouts of the balance quantity of the material was not known. The value of materials not available at site worked out to ₹ 54.66 lakh.

The Department stated (October 2012) that the scheme was not abandoned. The progress was delayed due to negligence of the contractor. Action against the contractor had been initiated. The Department had proposed to execute the balance work either by re-tendering or departmentally.

[27] *Balance of Mob & Equipment advance - ₹42.41 lakh (after recovery of ₹12.61 lakh in the first bill) plus value of stocks issued to contractor which was neither used in work nor recovered/returned - ₹ 65.56 lakh.*

2.4.9.5 PWD Road to Chenzey - Work held up due to bridge collapse

The work "Gangtok Rumtek PWD Road to Chenzey (2.518 kms)" was awarded (August 2005) to a contractor at ₹ 1.06 crore. In terms of the contract the work was to be completed by August 2006. The road work, *inter alia*, involved construction of a small bridge *(15 metre span)* over a seasonal stream en-route to the village of Chenzey. While concreting work of the bridge slab was under progress, the slab collapsed (May 2008). As of July 2008, the contractor had been paid ₹ 78.90 lakh while 74 *per cent* of the road work had been completed. The work had been held up since then leaving the village of Chenzey unconnected.

The Department accepted (October 2012) the fact that the work was held up due to bridge collapse. The bridge collapsed due to the contractor's negligence. The matter was *sub judice*. The reply failed to address the fact as to why the Consultant who was entrusted with construction supervision was not held responsible for the construction failure and penalised appropriately.

2.4.9.6 Gangtok Rumtek Road to Kaiyathang - Work held up due to land dispute

Stage-I of the rural connectivity road from SPWD Gangtok Rumtek Road to Kaiyathang (one km.) was completed in February 2008 at a cost of ₹ 42.78 lakh. The Department took up Stage-II of the work in May 2009 at ₹ 45.63 lakh and ₹ 6.81 lakh was paid to the contractor as mobilisation advance. During physical verification it was seen that at the take-off point the land owner blocked the road and did not allow execution of the work. The construction of the work had been held up since more than two years depriving the rural people of Kaiyathang the much needed connectivity. Thus, failure of the Department to ensure availability of land before taking up the work resulted in failure to provide connectivity to the targeted habitation. No action had been taken by the Department so far to resolve the impasse.

The Department stated (October 2012) that it had taken up Stage II work in May 2009 but could not achieve progress as the land owner at the take-off point blocked the road and did not allow execution of work. The Department had requested DC (East) for compulsory acquisition. The work would be taken up once the issue of land was settled.

2.4.9.7 Lungchok to Dikchu - stoppage of work due to non-arrangement of land

Construction of rural connectivity road from Lungchok to Dikchu (Dalapchand) was awarded (February 2008) to a contractor at ₹ 3.91 crore. The work commenced in March 2008 and ₹ 19.54 lakh and ₹ 39.09 lakh were paid as mobilisation and equipment advances respectively during February 2008. The contractor had drawn (September 2009) ₹ 58.58 lakh against his 1st RA bill.

While proceeding to execute the work near the take-off point, the land owners refused to provide land for construction. The Department proposed to change the alignment of the road by shifting the take-off point approximately 240 meters towards east from the original site, which was the only available alternative.

Image 2.4.10

Change of take-off point

Image 2.4.11

Veterinary Office nearby the new proposed take-off point

The land through which this new alignment passed belonged to the Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD). The Secretary, RMDD wrote (October 2011) to the AHLFVSD for transfer of land for construction of the road. No response had been received from the AHLFVSD. The road, targeted to be completed by February 2009, had not even been started as of August 2012 even after more than 3 years beyond the due date of completion. The contractor was in possession of advances of ₹ 58.63 lakh for more than 3 years but his bank guarantee provided as security for the advances had expired in February 2009 itself. No action had been taken by the Department to get the BG renewed. A spot verification by audit revealed that the proposed new alignment of the road passed close to the office building of the AHLVSD in the area as indicated in the photograph. There was possibility of disturbing the structure while taking up the new alignment which the implementing authorities need to look into.

The Department stated (October 2012) that it was actively pursuing the matter with AHLVSD as it was the only alternative.

2.4.9.8 Mangsabong SPWD Road to Topung - abandonment of work by contractor

The construction of rural connectivity road from Mangsabong SPWD Road to Topung (5.40 kms) awarded at ₹ 2.33 crore in July 2006 was scheduled to be completed by July 2007. Simultaneous with issue of work order, equipment advance of ₹ 23.25 lakh and mobilisation advance of ₹ 11.63 lakh were paid to the contractor. After drawing ₹ 99.28 lakh (August 2008) against the 1st RA Bill, the contractor stopped the work without assigning reasons. Despite several reminders from the Department and the local Panchayats, the contractor did not resume work. The Department could recover only ₹ 14.89 lakh *(Mobilisation Advance: ₹ 4.96 lakh and Equipment Advance: ₹ 9.93 lakh)* from the contractor's 1st RA Bill leaving a balance of ₹ 19.99 lakh with the contractor. No performance guarantee had been obtained from the contractor while awarding the work. Neither any penalty had been imposed on the contractor nor any serious action taken to get the work completed even after more than 5 years beyond the scheduled date of completion of the work. Thus, the rural residents of Topung were denied accessibility to the basic services and facilities targeted under the programme due to sheer negligence and casual approach of the Department in getting the work completed.

The Department stated (October 2012) that the work had been delayed due to negligence of the contractor. The Department was making efforts to recover the outstanding advances of ₹ 15.16 lakh from the contractor.

2.4.9.9 Non-imposition of liquidated damages

Although contractors failed to execute works within stipulated time as per terms of contract, other than issuing notices, the Department did not impose any liquidated damages. In terms of the condition of contract, a contractor should pay liquidated damages to the employer at the rate of one *per cent* per week subject to a maximum of 10 *per cent* of the initial contract price if the contractor failed to complete the work within the stipulated period. It was seen in Audit that ₹ 37.41 crore was to be recovered from contractors against 124 cases of delay. Due to the inaction by the Department, the contractors got away with non-execution of works despite payment of interest free mobilisation and equipment advances by the Department at the very outset before commencement of works.

The Department stated (October 2012) that the delay in completion of works could not be entirely attributed to the failure of the contractors. In cases where it could be established that the delay was due to breach of contract, appropriate action would be taken. Reply of the Department was not acceptable as the Department did not impose liquidated damages on the contractors even in a single case, even when there was clear default by the contractor. The Department also did not conduct any analysis to identify the exact reasons for the delay and the factors/parties responsible for such delay.

2.4.10 Economy of operation

Exercising economy in execution of the projects should have been a prime concern of the implementing authorities with a view to ensure value for money. Economy of execution could be ensured with proper determination of rates and quantities of various items of works at the time of working out analysis of rates and quantities, avoidance of excesses during execution, restriction and proper verification of items of works not susceptible to measurement after completion of execution etc. It was seen in Audit that the element of economy in estimation and execution was not given due importance while implementing the PMGSY leading to cases of excess, avoidable and unwarranted expenditure as elucidated below.

2.4.10.1 Excess and unauthorised expenditure on Consultant

With a view to supplement efforts made by the State Government for preparation of DPRs, the project implementation guidelines allowed the State Government to outsource project preparation activities partially or fully utilising the interest accrual available with the SRRDA subject to the conditions that (i) preparation of DPRs should be outsourced only if the available resources with the implementing agencies were not adequate to handle the volume of work (ii) cost of preparation of DPRs through outsourcing should not exceed ₹ 50,000 per km in hill region. There was no scope for engagement of consultants for activities like land arrangement, training of employees of the PIUs and the contractors, construction supervision, etc. from the PMGSY programme funds.

DPRs for Phase II, III and VIII had been prepared by the engineers of the Department without assistance from any external agency. For execution of Phase IV to VII (4 phases) of the PMGSY works during the period 2005-06 to 2009-10 the Department engaged a private agency Archtech Consultants Pvt. Ltd., Kolkata for preparation of DPRs, imparting training to the PIUs and the contractor's personnel, management of land, construction supervision, etc. at a total cost of ₹ 44.55 crore. Till July 2012, the Department had paid ₹ 31.02 crore to the consultants from the PMGSY programme funds as their fees while balance ₹ 13.53 crore was a liability on the Department towards future payments.

A total of 1,422.32 km road had been planned for construction during Phase IV to VII. In terms of the GOI norms, expenditure of ₹ 7.11 crore could be expended for preparation of DPRs at the maximum prescribed rate of ₹ 50,000 per km. As of March 2012, the total amount of interest accrued from the programme funds was only ₹ 10.27 crore. The Department spent ₹ 31.02 crore with additional committed liability of ₹ 13.53 crore against the maximum permissible expenditure of ₹ 7.11 crore and availability of funds of ₹ 10.27 crore *(from accrued interest)*. Thus, the Department made excess, irregular and unauthorised expenditure of ₹ 23.91 crore from the programme funds meant for construction of roads on consultancy charges besides an undischarged liability of ₹ 13.53 crore due to the Consultant. Further, the Consultant was allowed 10 *per cent* cost escalation per year after the first year. In terms of the scheme guidelines, payment of cost escalation for implementation of any of the activities under the PMGSY from the programme funds was not allowed. Hence, payment of cost escalation over and above the huge cost of preparation of DPRs in violation of the programme guidelines was irregular, unauthorised and clearly targeted to benefit the consultant. No cost escalation, whatsoever, had been paid to the local contractors who actually executed the works.

The Department stated (October 2012) that the available manpower with the PIUs being inadequate to handle the volume of works, the preparation of DPRs, construction supervision, etc. for Phase IV to VII, works were outsourced to the consultant as provided in the Scheme guidelines. Rate paid to consultant was inclusive of all cost (supervision and consultancy charges, etc.) and not only preparation of DPRs. Hence no excess, irregular and unauthorised expenditure was incurred.

Reply of the Department was not acceptable as (i) the PMGSY guidelines allowed engagement of Consultants for preparation of DPRs for road construction only at a fixed rate (ii) there was no scope for engaging consultant for land arrangement, training of departmental officers and contractor's personnel and construction supervision at exorbitant cost from the programme funds meant for road construction.

2.4.10.2 Irregular upward revision of estimates

The MoRD sanctioned 17 New connectivity roads (44.02 km) at ₹ 14.59 crore under Phase II. Out of the 17 works, 15 works were awarded to various contractors at rates ranging between 10 and 16 *per cent* below the estimated cost while 2 works were awarded at the estimated cost. During the course of execution of the 15 works, the value of 14 works were revised and enhanced to bring the cost of the works exactly upto the level of the sanctioned estimated cost citing various reasons like non-availability of stones at sites, etc. The revision of estimates was done under instructions from the departmental headquarters at Gangtok and was not based on actual requirement and requisition from the PIUs at the field. This gives reasons for suspicion that the motive behind upward revision of the cost was to exhaust the entire sanctioned funds for the works despite the fact that the contractors had agreed to execute the works at lower cost. The irregular revision of cost of the 14 works not only resulted in excess expenditure of ₹ 2.03 crore in the 14 works but also defied logic.

The Department stated (October 2012) that the rate had to be revised due to change in alignment of the roads during actual execution stage because of non-co-operation by the land owners. The upward revision of estimates had to be done since change of alignment was inevitable and was in larger interest of the public. The reply was not acceptable as the Department could not provide documentary evidence in support of its claim that estimates of all 14 roads had to be revised due to change in alignment. Further, there was change in alignment of all 14 works where there was savings resulting from the low bids of the contractors was not acceptable.

2.4.10.3 Incorrect incorporation of rate of stone spalls

Stone spalls are used in items of works like construction of reference pillars, back pillars, stone masonry, laying of boulder aprons in wire crates, etc. The cost of stone spalls was fixed at ₹ 120 per cum by the Department. While working out per unit cost of items of works using stone spalls, the Department, however, applied the rate of ₹ 1,200 per cum. of stone spalls in respect of stone masonry works and ₹ 300 per cum for reference pillars/back pillars and laying of boulder aprons in wire crates. This resulted in unwarranted cost inflation of these items of works leading to excess expenditure of ₹ 42.56 lakh in construction of 5,347.34 cum stone masonry, 221.25 km boundary pillars and 17,061.36 cum boulder apron works.

The Department stated (October 2012) that the error occurred inadvertently and after it had been pointed by Audit, the Department had started to recover the difference.

2.4.10.4 Non realisation of Building & Other Construction Workers' Welfare Cess

The Building & Other Construction Workers' Welfare Cess Act 1996 *(Central Act)* envisaged levy of a minimum one *per cent* labour cess on cost of construction incurred by an employer or any executing agency. The amount of labour cess so collected was to be transferred to the Building & Other Construction Workers' Welfare Board. In Sikkim, the State Government notified the Central Act in the State Gazette in September 1997 for adherence by all concerned and created in February 2010 the mandatory Board to whom the cess was to be rendered. Recovery of labour cess was to be done for all works awarded after 6 September 2010.

While working out the rates of various items of works involved in implementation of the PMGSY, a provision of one *per cent* of the total construction cost was kept in the rates of each item of work towards the Cess mentioned above. However, at the time of making payments to the contractors/consultants, the implementing authorities did not deduct cess from the contractors' bills. This resulted in undue favour to the contractors/consultant of ₹ 1.23 crore in 51 cases during the period October 2010 to March 2012. The non-deduction of cess defeated the objective of extending welfare to the construction workers in the form of assistance in case of accidents, death benefits, pension benefits, loans and advances for house construction, insurance schemes, assistance for education of children, medical assistance, maternity benefits, etc.

2.4.11 Maintenance and upkeep of assets

2.4.11.1 Non-existence of record of rights of lands purchased and assets registers

Land for construction of the PMGSY roads was to be arranged by the State itself as the GOI did not provide funds for the purpose. The State Government purchased land from the general public time and again incurring substantial cost from its own resources for laying PMGSY roads. It was, however, seen that no action was taken by the Department to get the land transferred and mutated in favour of the Government even after payments were made to the landowners. Thus, the Department did not possess any records of rights of the land purchased by it so far with public money. It was further seen that Assets Registers depicting the details of road assets created under the PMGSY and their progressive maintenance/growth had not been maintained by the Department.

The Department stated (October 2012) that the Land Revenue Department evolved a system to mutate land in favour of Government before land compensation was released to the land owners by the District Collectorate. The Department shall henceforth obtain records from the respective District Collectors and maintain parallel records in the Department.

2.4.11.2 Absence of road maintenance plan

In terms of the PMGSY scheme guidelines, a separate maintenance component funded by the State Government out of its resources was required to be provided in the DPR. In respect of hill roads where construction was done in two stages, interim maintenance, clearing of slips, etc., in the period between the first and the second stage were to be done departmentally. For maintenance after the second stage, initial five year maintenance was to be contracted out to the same contractor at the time of awarding the work for the second stage.

Despite the necessity of regular maintenance and upkeep to preserve the life of the roads created under PMGSY and despite clear injunctions by the GOI for providing maintenance cost by the State, the Government had not provided funds for maintenance of PMGSY roads upto 2005-06. During the period 2007-12, the State provided ₹ 8.54 crore to the SRRDA towards maintenance out of which only ₹ 3.52 crore had been spent leaving a balance of ₹ 5.05 crore (excluding ₹ 0.03 crore interest earned). Details of the maintenance funds provided and utilised are shown in the table below:

Table 2.4.6

(₹ in crore)

Year	Opening Balance	Maintenance funds provided by the State	Interest Received	Total	Expenditure	Excess(+) Saving(-)
2005-06	00	00	00	00	00	00
2006-07	00	0.27	00	0.27	00	(-)0. 27
2007-08	0.27	0.23	00	0.50	00	(-) 0.50
2008-09	0.50	0.15	00	0.65	0.15	(-)0.50
2009-10	0.50	0.39	0.03	0.92	00	(-)0.92
2010-11	0.92	2.00	00	2.92	00	(-)2.92
2011-12	2.92	5.50	00	8.42	3.37	(-)5.05
Total		**8.54**	**0.03**		**3.52**	

Source: SRRDA.

The funds provided, however, were without any analysis regarding the actual requirement. It was also seen that the Department had neither worked out any year-wise plan for maintenance activities nor ironed out their relative priorities by having inventories of different roads in a given area in terms of categories, physical features, condition, structural capacity, etc. Thus, maintenance of the created assets was not accorded due importance.

The Department stated (October 2012) that due to paucity of resources the State Government could not provide maintenance fund in full. The reply was not acceptable as the Department failed to utilise even the limited resources provided by the State for maintenance.

2.4.11.3 Non-plantation of trees along road side

In terms of the PMGSY guidelines, the State Government was to take up plantation of fruit bearing and other suitable trees at its own cost along the road side with a view to enhance the aesthetics and overall ambience of the road network and also as a measure to mitigate and arrest environment degradation resulting from substantial deformation of the land surface on account of the construction activities. Plantation of trees also help maintain the stability and strength of the road shoulders. Despite this requirement, the implementing agency had not taken up any plantation activity along the road sides.. No funds had been provided in the State's budget to meet the cost of plantation.

The Department stated (October 2012) that saplings were planted along the road side but due to lack of fencing and proper care the survival rate was less. The reply was not acceptable as (i) no funds were provided for road side plantation by the Department, (ii) there was no documentary evidence in support of procurement of planting materials.

2.4.12 Quality Control

For effective quality control, a three tier quality control mechanism was laid down. In the first tier, the Programme Implementation Units (PIUs) were to ensure that the materials and the workmanship conform to the prescribed specification and all the tests prescribed by the National Rural Roads Development Agency (NRRDA) were carried out. In the second tier, State Quality Monitors (SQMs) were to be appointed by the State Government for periodic inspection of works. In the third tier, the NRRDA would engage independent monitors designed as the National Quality Monitors (NQMs) for reporting on the road works with reference to quality.

It was seen in audit that in all the works selected and test-checked by audit, mandatory quality checks were shown to have been conducted by the PIUs. The PIUs made no adverse remarks against any work. However, in terms of the inspection reports of NQM and SQM out of 83 works inspected by SQM during January 2010 to July 2012, 55 works were reported as unsatisfactory and 28 works 'requiring improvement'. Further, out of the 57 works inspected by NQM during the same period, 44 works were reported as requiring improvement and 8 as unsatisfactory.

The above indicates that the quality of output and workmanship in implementation of the PMGSY in Sikkim was not satisfactory. It also indicated that the PIUs did not properly do the tasks assigned to them, as they did not point out many deficiencies which were there as seen from the NQM and SQM reports. No records were available to indicate any action taken by the Department to rectify the unsatisfactory works reported by the SQM and NQM.

In reply, the Department stated (October 2012) that action taken report were being prepared by the PIUs and submitted regularly to the NRRDA. The SRRDA had only three SQMs at the level of Superintending Engineer for whom it was practically impossible to ensure quality checks for all works. It was being proposed to increase the SQMs to at least 12.

2.4.12.1 Non-adherence to specifications in construction of masonry works

Road network in the State involved large scale construction of protective walls. While the quality control mechanism established under the PMGSY mainly checked quality of road surface and pavement construction, the quality and workmanship of walls was not accorded due importance. One of the major items of protective works taken up by the Department constituted construction of coursed and random rubble masonry. Such works involved usage of specified quantities and sizes of bond stones, hard stones, cement mortar and weep holes to ensure proper bonding, stability and strength of the walls. While determining the cost of construction of masonry walls in cement concrete mortar, cost of seven bond stones of specified size per cubic metre of wall was included to arrive at a realistic rate of work. Audit scrutiny revealed that at the time of execution of works, the requirement of using bond stones in construction of random rubble masonry/coursed rubble masonry was ignored. Usage of bond stones was not reflected either in the materials at site account or in the theoretical consumption statements. This indicated non-use of bond stones in 2.06 lakh cum of stone masonry (RRSM & CRSM) relating to 64 road construction works during 2005-10. Spot verification of few works further revealed that (i) hard stones *(other than bond stones)* used in the CRSM/RRSM walls were of arbitrary sizes without regard to the specified size of 30 cm (ii) packing with cement mortar *(which was to constitute 30 per cent of the volume of wall)* was done only on the side visible to public and not on the back of walls and (iii) no proper weep holes for driving moisture from the back filling were constructed in many instances. The photographs below illustrate the audit point.

The photograph of the wall on the right side indicates appropriate use of bond stones and weep holes.

Image 2.4.12

Protective walls constructed under PMGSY by the Department with random size of stones, non-use of appropriate bond stones and weep holes

Image 2.4.13

Sample protective wall constructed with appropriate use of bond stones and weep holes

Thus, due to non-adherence to specifications prescribed for construction of masonry walls, the quality, life and strength of the walls would be impaired/affected.

The Department stated (October 2012) that NQM and SQM inspect the works frequently during various stages of execution where the specifications in construction of masonry works were invariably examined thoroughly and defects observed rectified at site. The reply was not acceptable as observations of the NQM/SQM relating to construction of masonry walls was not available on records produced to Audit.

2.4.13 Human Resource Management

2.4.13.1 Absence of human resource deployment policy

There was no laid down system in the Department for appropriate deployment, retention and transfer of personnel in charge of implementation of the PMGSY. No norms had been laid by the Department for engagement of adequate number of technical manpower at various levels for effective initiation, execution, supervision and monitoring of the PMGSY works. Transfer of manpower was random without considering utility of the trained and experienced manpower for programme implementation. During the period 2010-12[28], the Department sent 30 engineers for training on various subjects like planning and implementation of the PMGSY, preparation of DPRs, project preparation, contract management, preparation of SBD, Quality assurance, maintenance of rural roads, non-conventional materials/technologies in road construction, etc. in various institutes like the National Institute of Rural Development (NIRD), National Institute of Training for Highway Engineers (NITHE), Indian Institute of Technology and the Central Road Research Institute (CRRI). 13 out of the 30 trained personnel had been transferred away during the same period to other Departments. The absence of appropriate human resource policy relating to deployment, training, retention and

[28] *The Department could produce training records only for the period 2010-12.*

transfer of manpower would be one of the prime reasons for the poor contract management, lack of monitoring and supervision, wide variation between sanction and executed quantities of works, poor follow-up of progress and delay in completion of schemes.

The Department stated (October 2012) that transfer and management of human resource is the prerogative of the Department of Personnel, Administrative Reforms and Training (DOPART) as per rotation policy of the State Government. However, efforts were being made to retain the capable and performing resources for at least three to five years.

2.4.14 Monitoring

Effective monitoring of the Programme was critical to implementation of the PMGSY in the State. To this end, the GOI developed the On-line Management and Monitoring System (OMMS), an IT based application which was the main tool for regular supervision of the Programme. Besides the OMMS, the implementing agency needed to monitor the progress of works with reference to the prescribed milestones, monitor renewal of Bank Guarantees and proper use of equipment advances and also ensure supervision by the project consultants. Lapses were seen in various aspects of monitoring as elucidated below.

➢ ***Ineffective monitoring through the OMMS***

The OMMS was the chief mechanism for monitoring the PMGSY Programme. The State Government was required to ensure that the implementing authorities were prompt in sending the requisite reports/information to the SRRDA as well as the NRRDA 'Online' in the relevant module of the OMMS. They were responsible for uninterrupted maintenance of the computer hardware and software as well as the Internet connectivity. The State Government was required to provide necessary manpower, space and facilities to set up the computer hardware at the District and State Level. Since the data would reside on the State Servers, the State level Agency was to ensure that the State Server was functional for 24 hours a day. It was the responsibility of the Executive Engineer/Head of the PIU to ensure effective up-time and Internet connectivity of the computers at the PIU/District level. He was responsible for ensuring placement of all Master data including the Rural Roads Plan in the database and for the constant updating and accuracy of data relating to the progress of road works, record of Quality control tests as well as the payments made. In case of continued failure to update data on the OMMS, further releases to the State/District concerned could be affected. The State Government was required to identify one officer of sufficient seniority and having adequate knowledge of Information Technology to function as State IT Nodal Officer. His function was to oversee the regularity and accuracy of the data being furnished by the Districts. The IT Nodal Officer, who formed part of the SRRDA, was also responsible to oversee the upkeep of the Hardware and Software as well as the computer training requirements of the personnel dealing with the PMGSY.

Audit however, observed that despite implementation of the PMGSY for more than a decade, no IT nodal officer had been appointed for supervision of the OMMS hardware and software. No data relating to work awarded, visit by NQM, SQM, etc. was fed in the OMMS from 2009-

10 onwards. No data relating to Comprehensive New Connectivity Priority List (CNCPL) had been fed since the commencement of the PMGSY. Huge discrepancies were noticed in the data fed into the OMMS system relating to the sanctioned cost and cost of award of work.

In reply, the Department stated (October 2012) that barring receipt and payments, all other entries were being updated regularly in the OMMS and the NRRDA was getting feedbacks from the OMMS. The discrepancies and data gap with manually maintained records had been considerably reduced in consultation with NRRDA and CDAC. The reply was not convincing as (i) data relating to 2008-09 had not been fed into the OMMS (ii) the data in respect of other years fed into the OMMS were characterised by numerous deficiencies.

➢ ***Absence of system for monitoring use of equipment advance***

In terms of the conditions of contract for construction of PMGSY roads, equipment advance upto 90 *per cent* of the cost of new equipment brought to the site of work, subject to a maximum of 10 *per cent* of the contract price could be paid to the contractors against provision by the contractors of an unconditional bank guarantee for the amount equal to the advance payment. The contractors were to use the advance payments only to pay for plant and equipment required specifically for execution of the works which was to be validated by supply of copies of invoices or other documents in support of procurement of the new equipment. Thus, the advance was allowed to the contractors only as temporary assistance for purchase of new equipment in the interest of expediting the work. The advance, therefore, could not be utilised for benefitting the contractors in any other way.

Audit scrutiny revealed (July 2012) that there was no system in the Department to monitor the use of equipment advances for the intended purpose. Although equipment advances of ₹ 67.86 crore had been paid to 300 contractors involving equal number of works during execution of Phase IV to VII, none of the contractors had submitted any documents in support of the purchase of new equipment. Thus, rampant payment of equipment advances to all contractors without verifying purchase of new equipment required for the works led to irregular outflow of ₹ 67.86 crore from the programme funds and consequent undue favour to the contractors to that extent, in violation of the terms of contract.

The Department stated (October 2012) that the audit observation had been noted for future guidance.

➢ ***Non-monitoring of progress of works with reference to prescribed milestones***

The terms and conditions of contract prescribed various milestones to be achieved during the contract period. The contractors were to achieve one-eighth of the value of entire contract work upto one-fourth of the period allowed for construction, three-eighth of the value of entire contract work upto half of the period allowed for completion of construction and three fourth of the value of entire contract upto three fourth of the period allowed for completion of construction. For any delay in completion of the works by the contractors, liquidated damages at the rate of one *per cent* of the initial contract price per week limited to maximum 10 *per cent* of contract price was to be imposed on the contractors. Despite these stipulations, the

Departmental officers did not monitor the progress of works with reference to the milestones prescribed. No liquidated damages were ever imposed on any contractor despite clear cases of delay by the contractors.

The milestones prescribed for achieving various stages of progress of works with reference to the given time frame was neither adhered to by the contractors nor insisted upon and monitored regularly and systematically by the Department.

➢ ***Failure to monitor renewal of performance guarantee***

The terms and conditions of contract of PMGSY works envisage production of performance security of 5 *per cent* of the value of work by the successful bidder within 10 days of the receipt of letter of acceptance either in the form of BGs or fixed deposits in the name of the RMDD from a Scheduled Commercial Bank. The period of validity of the BGs should be such that they were available with the Department until 45 days from the date of expiry of the defect liability period of five years.

Scrutiny of files relating to 59 works produced to audit revealed that no BG was obtained in case of 4 works. The 55 BGs furnished by the contractors had validity period of one year. After the expiry of one year period, none of the BGs were got renewed by the Department, although the defects liability period was still in currency and the works far from complete. Retaining the invalid BGs by the Department was meaningless as the same could not be invoked in the event of any default by the contractors. The value of BGs for which the Department failed to renew the validity worked out to ₹ 10.10 crore. The non-insistence by the Department to renew the BGs also constituted granting undue favour to the contractors as this saved the contractors from investing any amount towards renewal of BG. Besides this, the non-renewal of the BGs gave scope to the contractors to escape penalty in case any default or defect was found in their works.

In reply, the Department (October 2012) stated that there were some procedural lapses and action was being initiated for renewal of performance guarantee.

➢ ***Absence of supervision/monitoring by consultants***

The project Consultant *(Archtech Consultants Pvt. Ltd.)* was, *inter alia*, responsible for supervision of the execution of works by the contractors as per the terms of contract. It was, however, seen that no detailed modality had been laid down relating to the extent, degree and frequency of supervisory checks to be exercised by the Consultant. Neither any formats had been prescribed for submitting regular returns containing the consultants observations nor any periodicity of reporting prescribed in the agreement drawn with the consultant. The consultant also, on its own, had not at any time indicated or reported to the Department anything regarding the progress of works, indicating that the supervision existed only on paper, there being virtually no semblance of any supervision at the field.

The Department (October 2012) stated that the supervision/monitoring for Phase IV to VII works were done by the consultant and reports submitted to Head office periodically. Reply of the Department was not supported by any documentary evidence.

2.4.15 Impact Assessment

Impact assessment of the PMGSY with a view to ascertain the usefulness of the roads completed so far, the impact on the fragile environment of the State due to massive earth/hill cutting works and indiscriminate disposal of debris had not been conducted so far. Due to various deficiencies/delays and non-completion of works, full utility to beneficiaries as per the objectives were not attained. Also since there were no records of how large amounts of soil/debris were disposed of, it appears that there would be dumping and rolling of debris in agricultural land, forest areas negatively affecting the environment. With a view to assess the actual outcome of the scheme – both positive and negative and the measures required to be taken to mitigate the negative effects and enhance the positive achievement, the Department needs to initiate an impact assessment study early.

In reply, the Department stated (October 2012) that impact assessment study shall be initiated at the appropriate level.

2.4.16 Conclusion

Implementation of the PMGSY in Sikkim was beset with deficiencies in planning and execution. There was shortfall in meeting targets which was due to considerable delay at almost every stage of implementation – delay in getting clearance for land over which the roads were to be laid, delay by contractors and delay due to poor project management. The State also failed to ensure maintenance of many of the PMGSY roads as it had not worked out any maintenance plan for such roads. The excess expenditure on the projects were mainly due to engagement of consultant at exorbitant cost, inflated quantities and upward revision of work costs. Besides other deficiencies were non-obtaining performance guarantee and guarantee against advances, non-imposition of liquidated damages on defaulting contractors, non-deduction of mandatory cess from contractors' bills, non-adherence to technical specifications, etc. The Department needs to examine and initiate appropriate action to rectify the lapses and establish systems and procedures to ensure that the shortcomings are taken care of and that such deficiencies are not repeated in future.

2.4.17 Recommendations

- Adequate and proper planning may be done well in advance so as to provide connectivity to all unconnected habitations within targeted time frame.
- Land Acquisition and Forest clearance may be done on time to enable completion of all projects within due dates.
- Projects may be monitored regularly with reference to the prescribed milestones, performance guarantees obtained and stringent action initiated against defaulting contractors to avoid delay in execution.
- The Department may ensure that Bank Guarantees are valid. Also adequate penal provision should be provided in the contract and enforced as and when required.

- The rate analysis, estimates and execution of quantities of works may be rigorously checked and re-verified to avoid any excess projection of rates.
- The Department should work out a regular and periodical maintenance plan for the upkeep of PMGSY roads.

ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT

2.5 Integrated Audit

Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD) is responsible for implementing the programmes aimed at overall improvement of the livestock position in the State, keeping them disease free, improving the economic condition of the livestock owners, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State. While the State did fairly well carrying out the welfare activities for the street animals and production of Angora wool through Angora Rabbit cultivation in North District, there were several areas where it needs to improve.

The Department was yet to achieve self-sufficiency in animal husbandry sector despite pronouncement of "Diary Mission 2009-12" (August 2009), "Poultry Mission 2009-12" (August 2009), and "Livestock Self Sufficiency Mission 2015" (2008-09). Inability to control incidences of common diseases affected the objective of attaining a disease free status of animals in the State. Animal health was affected by the absence of doctors in animal health centres during various periods between 2007 and 2012. Further, there was no system of quarantine measure in the check posts to regulate entry of only healthy animals to the State. The highlights of the audit findings are enumerated below:

The policy proclamations (Dairy Mission for increasing milk production, Poultry Mission for increasing poultry meat and eggs to encourage unemployed youths in the dairy and poultry sectors and Livestock Self Sufficiency Mission for attaining self-sufficiency in livestock) of the Government were without any year-wise action plan with reference to the ultimate objective and lacked linkages for developing a holistic long term plan.

(Paragraph 2.5.7)

Financial management was weak, plagued by diversion of funds, non-release of state share, non-adjustment of outstanding advances, purchase of vehicles beyond the scope of Centrally Sponsored Scheme (CSS) and increase in committed liabilities without any budgetary provision.

(Paragraph 2.5.8)

The production of piggery farms during 2007-12 fell short by 79 per cent of techno-

economic parameters followed by the Department.

(Paragraph 2.5.9.4 (i))

Non-ascertaining of the reasonability of rates before procurement resulted in an excess expenditure of ₹ 1.03 crore in the procurement of goats.

(Paragraph 2.5.9.4 (iii))

Against the target of six lakh hatching eggs per annum in the six Government farms, even after incurring ₹ 5.05 crore, not a single egg was produced.

(Paragraph 2.5.9.5 (i))

The Mother Diary Project was undertaken without proper planning and survey which led to non-completion and abandonment, besides unfruitful expenditure of ₹ 1.17 crore.

(Paragraph 2.5.9.8)

Despite the expenditure of ₹ 1.81 crore, the Department could not contain the incidences of common diseases affecting the objective of attaining a disease free status of animals in the State.

(Paragraph 2.5.12)

Department did not adhere to the Bio-medical Waste (Management & Handling) Rules.

(Paragraph 2.5.18)

2.5.1 Introduction

The AHLFVSD implements the schemes in pursuance of the policies of the Government relating to livestock (including fisheries, excluding wildlife) development aimed at overall improvement of the livestock position in the State, keeping them disease free and healthy by providing improved and balanced feed/fodder/medicines, besides improving the economic condition of the owners of the livestock, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State.

Traditionally in Sikkim, integrated form of farming pattern was being followed by the farmers, wherein agricultural activities were performed by the small and marginal farmers along with dairy, poultry, piggery and goatery activities. Statistically, 70-80 *per cent*[29] of the rural households own livestock and earn supplementary income from them. While agriculture along with the animal husbandry plays an important role in the State's economy, the contribution of livestock was 1.21 *per cent* (quick estimate at current prices) of Gross State Domestic Product (GSDP) in 2010-11 and the annual growth of employment at 4.5 *per cent*[30] comes from the livestock sector. Also, 14.32 and 0.5 to 3.2 *per cent* of rural income was contributed by milk and other animal products respectively. The position of livestock

[29] *Source: "Avenues for the unemployed Youth of Sikkim" and "Livestock Self Sufficiency Mission 2015"*
[30] *Source: "Sikkim State Livestock Sector Policy: Perspective and Policy Elements"*

according to the last two censuses conducted in the State was as under:

Table 2.5.1

Livestock	2003 Census (in number)	2007 Census (Provisional number)	2011 Census	% of increase(+) /decrease(-)
Cattle	1,60,932	1,69,829	Not conducted as yet	(+) 6
Buffaloes	2,118	1,536		(-) 27
Yak	5,719	6,468		(+) 13
Sheep	5,746	4,879		(-) 15
Pigs	40,938	38,930		(-) 5
Goats	1,23,841	1,10,120		(-) 11
Poultry	3,21,919	2,55,682		(-) 21

Source: Figures furnished by the Department

The Department had three wings i.e. Animal Husbandry, Diary Development and Fisheries.

2.5.2. Organisational structure

The AHLFVSD was headed by a Secretary who is assisted by a Director, six Additional Directors, and 11 Joint Directors at the headquarters. In addition, there was one Additional Director (Accounts) and one Joint Secretary at headquarters and four Joint Directors and four Deputy Directors at four district offices assisting the Secretary in overall management of the departmental functions.

Besides, the Sikkim Livestock Development Board had been established for improving the breeding and management of livestock of cattle, buffalo, sheep, goat and pig and enhancing the production and productivity in the State. The Board was headed by a Chief Executive Officer who was the Additional/Joint Director of the Department.

2.5.3. Scope of Audit

The records of all the State Poultry and Piggery Farms[31], the lone State Farm[32], all the 15 Veterinary Hospitals, 11 Dispensaries, the two Polyclinics in the State, all the seven Disease Diagnostic Laboratories and Sikkim Livestock Development Board covering the period of five years from 2007-08 to 2011-12 were examined in Audit. Issues relating to planning for achieving the objectives set forth in the policies framed, budgetary expenditure control, execution of works/ projects/ programmes/ schemes, manpower, internal controls and monitoring were examined in Audit.

The AHLFVSD was implementing 84 schemes, of which 48 were CSS and 36 State Plan Schemes (SPSs). For fair representation in the samples taken up for audit, Audit selected a total of 37 schemes (23 CSSs and 14 SPSs) constituting 44 *per cent* on the basis of expenditure incurred, geographic location and income generation perspective of the schemes.

[31] *Chujachen, Rhenok, Chandey, Nandugaon, Bermoik and Gyaba (Poultry farms) Assam Lingzey, Karfector, Melli Dara, Bop, Mangalbary and Gyaba (Piggery farms)*

[32] *At Karfectar, South Sikkim*

2.5.4. Audit Objectives

The main objective of Integrated Audit were to assess:

- efficiency, economy and effectiveness in planning and implementation of various schemes/programmes;
- impact of schemes/programmes on animal health, breeding, production of cattle, dairy development, socio-economic improvement of beneficiaries and self-employment opportunities created for the unemployed beneficiaries;
- extent of availability and adequacy of the veterinary health care facilities and effectiveness of programme for prevention and control of cruelties to animals;
- effectiveness of manpower management;
- existence of effective internal control; and
- adequacy and effectiveness of monitoring mechanism.

2.5.5. Audit criteria

Audit assessed the functioning of the Department with reference to its mandate and on the basis of the following criteria:

- Notifications, orders, instructions and guidelines issued from time to time by the State Government and Union Government;
- Sikkim (Livestock and Livestock Products Control) Act 1985;
- Sikkim Financial Rules;
- National and State Policy on animal husbandry; and
- Recommendations of Medical Council of India and National Institute of Nutrition.

2.5.6. Audit methodology

An entry conference, duly explaining in detail the objective, criteria and methodology of Integrated Audit, was held on 4 May 2012 with the Secretary and other officers of AHLFVSD. The Integrated Audit was conducted through test-check of records maintained at the Secretariat and all the four district offices, collection of information through issue of requisitions, questionnaires, obtaining evidences from the replies to audit queries, copies of documents, photographs, beneficiary surveys, maps, etc.

The exit conference was held on 17 October 2012 with the Secretary of the Department and other officers. After due deliberation on the audit observations and examination of the replies furnished, audit comments and conclusions were drawn up alongwith suitable recommendations for implementation by the Department.

Audit findings

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

2.5.7 Policy Formulation and Planning

Sikkim implemented 5th to 9th Five Year Plans (1975 to 2004) without a unified livestock policy framework which led to adhocism and failure of Government interventions in the context of long term development of animal husbandry in the State. The State Livestock Review Exercise was conducted in the year 2003-04 on the basis of which `Sikkim State Livestock Sector Policy: Perspective and Policy Elements` was formulated in the year 2004-05 with emphasis on better management of animal husbandry.

The Government of Sikkim declared (August 2009) `Dairy Mission 2009-12,` and `Poultry Mission 2009-12` for increasing milk production, poultry meat and eggs to encourage unemployed youth to be involved in the dairy and poultry sector for their livelihood. The Government also declared (2008-09) `Livestock Self Sufficiency Mission 2015` for becoming self-reliant in all the livestock and livestock products by the year 2015. However, it was observed that the Department did not prepare year-wise action plans in order to achieve the ultimate objective of self-sufficiency. Thus, regular planning in the process of implementation of the policy formulated had not been developed (June 2012) in the State.

Scrutiny of the 11th Five-Year plan revealed that the Department fixed physical targets in respect of production of milk, eggs and wool but did not fix targets for increasing the number of livestock. It was observed that, except cattle and yak, the number of all other animals like buffaloes, sheep, poultry, etc. declined as per the livestock census of 2007 as compared to the census of 2003. Audit scrutiny revealed that although the Sikkim Livestock Development Board had its mandate of improving the breeding and management of livestock of cattle, buffalo, sheep, goat and pig and enhancing the production and productivity in the State, it had confined its activities only towards cattle development which adversely impacted the growth of poultry, sheep, goats and pigs in the State. The Department had also not investigated the reasons for consistent decline (from 2.08 *per cent* in 2005-06 to 1.21 *per cent* in 2010-11) in the contribution of livestock towards GSDP.

The Union Ministry of Agriculture`s guidelines provided that the Department should conduct animal census and set targets for increasing the number of livestock in the State on a quinquennial basis. However, the Department had neither conducted animal census for the year 2011 nor set the targets for increasing the number of livestock in the State as per its requirement.

The Department stated (October 2012) that efforts would be made for implementation of the programmes as per the plan document.

2.5.7.1 Target and achievement

As per the 11th Five Year Plan (2007-12), the Department fixed targets to bring the production level to 50,000 MT from 45,000 MT of milk, 175 lakh from 114 lakh of eggs and 7000 MT from 6000 MT of meat by 2012. While the basis of these targets were not spelt out, during the year 2008-09, the State Government declared its mission of achieving self-sufficiency in livestock by the year 2015. However, for attaining this objective of self-sufficiency, no perspective plan and annual action plan had been formulated. Against the per capita requirement of 180 eggs, 11 kg meat (recommendation of the National Institute of Nutrition) and 91.25 kg milk (recommendation of Medical Council of India), the achievements against the targets set forth till March 2012 were as under:

Table 2.5.2

Item	Requirement per annum	Target per annum	2007-08	2008-09	2009-10	2010-11	2011-12
			Achievement				
Milk (in 000MT)	55.48	50	49	49	49.10	49.40	50.20
Eggs (in lakh)	1094.4	175	265	258	259	258	336
Meat (MT)	6688	7000	7000	7000	7000	7000	7000

Source: Data supplied by the Department and Census 2011

From the above table, it is seen that the targets set forth were achieved in respect of milk and meat. However, due to non-segregation of the meat into the categories of chicken[33], mutton[34], pork[35], beef, buffalo meat, etc., fulfilment of target under each category was unascertainable. This led to the inability to ascertain achievement of specific schemes like poultry, goatery, piggery, etc., development.

The Department stated (October 2012) that categorisation of meat into various categories would be addressed and also stated that the statistical cell of the Department had already been directed to portray the various categories of meat separately from the coming financial year.

2.5.7.2 Non-creation of animal /livestock welfare fund

According to the Planning Commission of India, animal welfare during natural calamities and disaster would require attention since such calamities can drive the poor into destitution. A disaster management fund for livestock was to be created to support livestock owners during calamites. NGOs working for livestock welfare were to be strengthened so that they could ensure and promote animal care during disasters.

Despite being an earthquake prone State with very high earthquake hazard index (EHI) of greater than 0.8[36], no such welfare fund was created in Sikkim.

The Department stated (October 2012) that the fund would be created under disaster management in the 12th Plan period.

2.5.8 Financial Management

Inconsistencies noticed in financial management entailing the process of financial planning,

[33]Production is 2000 MT per annum against requirement of 4000 MT (as per Livestock Self Sufficiency Mission 2015), duly taking into account the increasing consumption level and export potential
[34]Production is 100 MT against requirement of 600 MT per annum (as per Livestock Self Sufficiency Mission 2015)
[35]Production is 150 MT against requirement of 550 MT per annum (as per Livestock Self Sufficiency Mission 2015)
[36]Case studies by Department of Geology and Geophysics, Indian Institute of Technology, Kharagpur.

expenditure control, release and utilisation of funds, proper accounting, re-appropriation and surrenders, etc., are discussed in the following paragraphs:

2.5.8.1 Budget provision, expenditure and surrenders

The budget of the Department was prepared centrally without obtaining inputs from the field units. Based on the instructions issued by the State Finance Department, the Non-Plan budget was prepared on the basis of anticipated expenditure. The Plan budget was prepared based on the lump-sum amount allocated by the Development and Planning Department. In case of Centrally Sponsored Schemes, budget provision was being made under supplementary budget in the event of funds being released by the GOI before their preparation, failing which, budgetary support was being sought for in the next financial year. The budgetary allocation and expenditure there against during 2007-12 was as under:

Table 2.5.3

(₹ in crore)

Year	Budget allocation					Expenditure			Net Excess(+)/ Savings (-)	Surrender
	Plan		Non-plan		Total	Plan	Non-plan	Total		
	O	S	O	S						
2007-08	1.77	00	24.10	1.63	27.50	1.19	21.36	22.55	(-) 4.95	4.56
2008-09	1.40	00	31.42	2.07	34.89	1.08	26.52	27.60	(-) 7.29	0.20
2009-10	0.50	0.63	26.38	9.47	36.98	0.92	33.77	34.69	(-) 2.29	2.19
2010-11	4.55	3.05	32.58	5.90	46.08	1.86	33.46	35.32	(-) 10.76	8.70
2011-12	8.11	6.90	32.44	9.93	57.38	7.82	39.14	46.96	(-)10.42	7.30

Source: Appropriation Accounts; O= Original and S = Supplementary

As can be seen, the supplementary provision were obtained every year, except 2009-10, despite the Department's inability to exhaust the original provision during 2007-12. This indicated that expenditure was not monitored and the budget estimates of the Department, therefore, were unrealistic. Non-utilisation of funds till the end of 2011-12 had also been adversely commented upon (April 2012) by the Union Agriculture Minister.

2.5.8.2 Revenue Management

The Department was generating revenue on account of entry tax and service charges on animals and livestock products brought into Sikkim as per provisions of *the* Sikkim (Livestock and Livestock Products Control) Act 1985 and on sale of piglets, poultry and poultry products by different farms located in the State and also on annual fishing licence, fines, etc. It may be mentioned that as per Sikkim Financial Rules, revenue generated by the Department was to be deposited in the Government Account and cannot be utilised by it. The position of revenue collection during 2007-08 to 2011-12 was as under:

Table 2.5.4

(₹ in lakh)

Year	Animal Husbandry		Fisheries	
	Estimate	Actual	Estimate	Actual
2007-08	50.00	43.19	2.50	1.84
2008-09	40.00	29.99	2.00	1.40
2009-10	45.00	32.01	2.00	2.34
2010-11	45.00	37.99	2.00	1.94
2011-12	38.00	48.47	2.50	4.65
Total	**218.00**	**191.65**	**11.00**	**12.17**

Source: Estimate of Receipts and Finance Accounts

As seen from the above, in respect of Animal Husbandry, except in 2011-12, there were shortfall in achieving the targets from 2007-08 to 2010-11. The excess achievement during 2011-12 was due to refund of land compensation paid in advance. As regards Fisheries, except 2009-10 and 2011-12, the actual receipts were less than the estimates. The following shortcomings were noticed in Audit:

- ***Irregular exemption of revenue arrears:*** As of March 2006, the Denzong Agricultural Co-operative Society Ltd. (DACS) had to pay an amount of ₹ 98.76 lakh to the Government towards entry tax and service charges, turnover tax and Sikkim Nationalised Transport (SNT) supervision charges for the period since 1999. On being represented (March 2007), the Chief Minister exempted (March 2007) the Society from making payment on the ground of losses being incurred by it. After this initial exemption, the Society was allowed to enjoy the benefit of exemption for subsequent years till 2011-12. However, scrutiny of Balance Sheets of the Society for the years 2007-11 revealed that except for 2007-08, the Society was continuously earning profits indicating that the exemption was unjustified, irrespective of the fact that the turnover tax, SNT supervision charges, entry tax and service charges were not contingent upon the incidence of loss or profit being sustained by any entity. While the assessment and collection of the turnover tax and SNT supervision charges rest with other departments, the Department had not realised entry tax and service charges to the tune of ₹ 7.54 lakh from the society during the period under report.

- ₹ 57.23 lakh relating to entry tax and service charges pertaining to various co-operative societies could not be realised by the Department over a period of more than five years.

- Departmental receipts of ₹ 2.04 crore towards entry fee, service tax, etc., on livestock collected by the Rangpo Check post authority, State Veterinary Hospital and fisheries were credited into Government account belatedly, the delay ranging between eight and 40 days by the Department in violation of Rule 50(1) of SFR.

The Department stated (October 2012) that all co-operative societies were exempted from payment of entry tax till 31 March 2012 and since then DACS was paying entry tax regularly. Facts remained that beyond the period of exemption from April 2006 to March 2012, the Department exempted the society on a wrong plea of loss being incurred by the society for the period prior to April 2006.

2.5.8.3 Management of funds

There was an irregular retention of funds outside the Government accounts of ₹ 0.66 crore out of funds sanctioned under Assistance to Development of Poultry Farms (100 *per cent* CSS). Funds were being held by various district implementing authorities in separate bank accounts without maintaining Cash Books which could not be verified in audit in the absence of records. No guideline had been evolved for utilisation of interest earned in the districts which is fraught with the risk of mis-utilisation. Though there was an aggregated liability of ₹ 4.58 crore, the State had not released its share during the years 2007-08 to 2011-12. There was unadjusted AC bills amounting to ₹ 5,64 crore for five years which is fraught with the risk of fraud, misappropriation, diversion etc. The Chief Executive Officer, Sikkim irregularly granted loans from CSS funds (National Project for Cattle and Buffalo Breeding) for periods ranging from 57 to 1095 days which badly affected the implementation of the said scheme (**paragraphs 2.5.9.2**) with consequential loss of interest of ₹ 1.71 lakh[37] on the loan amount of ₹ 36.03 lakh that could have been earned on investment in the banks. Further, there was an outstanding loan of ₹ 4.30 lakh as of May 2012. The Department irregularly submitted Utilisation Certificates (UCs) to the Nodal Officer of Rashtriya Krishi Vikash Yojana for the year 2011-12 though an amount of ₹ 1.04 crore[38] was drawn on AC bills. During 2007-12, the Department incurred ₹ 18.74 lakh in excess of budget provision in respect of CSSs. The Department diverted CSSs funds of ₹ 120.19 lakh towards expenditure for hotel bills, printing of departmental annual reports, purchase of vehicles, etc. in violation of guidelines. Cash Books were not properly maintained in the seven test-checked poultry farms, which was fraught with the risk of embezzlement.

2.5.8.4 **Committed liabilities:** In terms of Sikkim Financial Rules (Sanction of New Schemes), no work was to commence or liability incurred until funds to cover the charge during the year were provided. As at the end of March 2012, the Department had incurred an aggregated liability of ₹ 4.47 crore towards feed plant, incubator, international exposure tour to Denmark, repair of vehicles, purchase of POL for touring activities, telephone/electricity bills, etc. on the ground of non-availability of funds under the relevant heads of account. While creating liability without ensuring the availability of funds was against the financial rules, the budget formulation system in the Department lacked realistic assessment of requirement and irregular expenditure was thereby incurred.

While accepting the facts the Department stated (October 2012) that necessary corrective measures would be taken in future.

2.5.9 Management of Schemes and Programmes

For successful implementation of any scheme/programme, it is essential that financial and physical planning is done in a phased manner along with a targeted implementation schedule of all schemes/programmes. Audit observed that no planning by prioritising the

[37] *Interest at the rate of 4 per cent (Savings bank interest rate)*
[38] *₹ 65 lakh for mulching cow and ₹ 38.50 lakh for trout fish farming*

schemes/programmes in a systematic manner was in place as is seen from the following:

2.5.9.1 Slow progress of schemes under RKVY

The Department was sanctioned ₹ 7.80 crore under Rastriya Krishi Vikash Yojana (RKVY) (100 *per cent* CSS) for implementing 14 schemes during the year 2010-11. It was noticed that the implementation of all the schemes were slow and in most of the cases either the amounts were drawn as advances for avoiding lapsing of provision (2 cases, ₹ 1.04 crore) or were awaiting the revalidation of funds from the GOI (6 cases, ₹ 3.66 crore). The Secretary, Ministry of Agriculture requested (February 2012) the State Government to review the matter and issue necessary instruction for early implementation of the schemes.

It was also noticed that vehicles were purchased before the commencement of the schemes in violation of the Guideline of RKVY which prohibited purchase of vehicle under the scheme.

The Department stated (October 2012) that necessary action/step required as pointed out by Audit was being taken.

2.5.9.2 National Project for Cattle and Buffalo Breeding

The National Project for Cattle and Buffalo Breeding (100 *per cent* CSS) initiated in October 2000 was intended to improve the genetics of bovine[39] animals. The responsibility for implementation of the scheme was entrusted to Sikkim Livestock Development Board (SLDB). During 2007-12, GOI released grants-in-aid of ₹ 4.35 crore for this project.

The annual achievement rate of the artificial insemination (AI) during 2007-12 ranged between 15 and 24 *per cent* against the required (as per norms) annual norms of 43,925[40] breedable adult animal population in the State as indicated in the table below:

Table 2.5.5

Year	Requirement as per norms	Target fixe d by Department	Achievement	Percentage
2007-08	43925	7000	6638	15
2008-09	43925	9000	8375	19
2009-10	43925	10000	9506	22
2010-11	43925	11000	10447	24
2011-12	43925	12000	10501	24

Source: Figure furnished by the Department.

The basis on which target was fixed was neither explained by SLDB nor was available on record. For growth and development of livestock activities, it was imperative that a comprehensive long term livestock breeding policy was drawn and implemented systematically. Such a policy was absent. For enhancing productivity, the State was promoting

[39] *An animal of cattle family*

[40] *According to norms prescribed by the Department, inseminable number works out to 43,925 (2,92,832 (total cattle population) x 50% (female progeny) x 50% (breedable females) x 75% (departmental target excluding 25% natural insemination) x 80%(excluding 20% private AI as indicated by the Department)). Requirement was calculated on the basis of available data on animal population in 2007.*

"Intermediate Production System" through cross breeding with exotic breeds like Jersey and HF progeny. With setting up of SLDB, an Autonomous Body, it was anticipated that required impetus would be given for development and implementation of a holistic breed improvement programme in a systematic manner. However, in the absence of any facility for production of frozen semen in the State, the same was being procured from other states. Due to difficult terrain, lack of awareness and poor extension mechanism, the AI programme had not attained the desired level. The number of AIs carried out in the State was abysmally low (about 9000 per year) as compared with the total inseminable cattle.

The Department stated (October 2012) that SLDB would tie up with Paschimbanga Gosampad Bikash Sanstha for production of frozen semen of cross breed variety. Implementation of AI programme by cross breeding using frozen semen had resulted in increasing milk yield. The reply was not acceptable as the Department had set the AI target way below the norms.

2.5.9.3 Livestock insurance scheme

National Scheme of Livestock Insurance, a 100 *per cent* Centrally Sponsored Scheme, was introduced by the GOI with the objective of providing protection to the farmers and cattle rearers against any eventual loss of their animals and to demonstrate the benefit of the scheme to the people and to popularise it with the ultimate goal of attaining qualitative improvement in livestock and their products.

The scheme envisaged payment of 50 *per cent* subsidy on insurance premium from Central funds and the remaining premium cost was to be borne by the beneficiaries. GOI released ₹ 1.07 crore during 2007-12 to the CEO, SLDB, the State Implementing Agency in Sikkim, for implementation of the scheme. While the target for taking up insurance cases during 2007-12 was not fixed by the Department, the SLDB could utilise only ₹ 30.75 lakh for the purpose during the period. Scrutiny further revealed that funds released by the GOI for the scheme was not based on any requirement. SLDB had not conducted any survey as regards prospects of the scheme being implemented, and the Department being the implementing authority did not ever enquire from SLDB about the steps taken for successful implementation of the scheme.

The Department stated (October 2012) that the observation was well taken and the Board was taking several steps to ensure the success of the scheme.

2.5.9.4 Pig and goat development

(i) Performance of pig farms

The pig breeding farms in the State were set up with an objective to popularise pig breeding and produce genetically good quality piglets, growers, gilts and young boars for distribution/supply to the pig rearers, and commercial marketing of pork. According to the techno-economic parameters followed by the Department, 10 piglets were to be obtained per sow per farrowing and each sow was to be farrowed twice in a year. The records of all the four pig farms in the State revealed that the farms except one farm[41] produced 1,694 piglets during 2007-12 against the norm of 8,000 resulting in shortfall of 6,306 (79 *per cent),* as shown below:

Table 2.5.6

Name of the firm	Average number of sows	Production of piglets (in five years)		Shortfall	% of shortfall
		As per norm	Actual		
Karfectar Piggery Farm, South Sikkim	12	1200	383	817	68
Gyaba, Gayzing Piggery Farm, West Sikkim	31	3100	653	2447	79
Bop Piggery Farm, North Sikkim	37	3700	658	3042	82
Total	**80**	**8000**	**1694**	**6306**	**79**

Source: figures furnished by the Department

The shortfall was mainly due to the short supply of feed, lack of hygienic infrastructure and overage of sows, etc. Records further indicated that the farms earned revenue of ₹ 40 lakh during the year 2007-12 after incurring expenditure of ₹ 2.11 crore towards salaries, wages, medicine and cost of feeds rendering the farms economically unviable.

While accepting the observation, the Department stated (October 2012) that all efforts would be made to achieve the target.

(ii) Improper selection of site for piggery farm at Melli Dara

While constructing the farms it should be ensured that eco-bio security was properly followed. The farms were required to be located in isolated places to prevent spreading of common diseases to human beings. During physical verification of Melli Dara farm, it was noticed that the farm was surrounded by concrete buildings on all four sides which is likely to affect production of the farm, besides being a public health hazard.

(iii) Avoidable expenditure on purchase of goat

An amount of ₹ 1.73 crore was paid (March 2012) to SIMFED, a State Government undertaking for supply of 1,680 goats at the rate of ₹ 10,310 per goat for free distribution. It was noticed that the Department itself purchased (May 2012) the same variety of goat for distribution under Integrated Model Farming at the rate of ₹ 4,200 per goat from neighbouring Darjeeling district. Thus, due to not ascertaining the reasonability of rates before procurement, an excess amount of ₹ 1.03 crore had to be incurred towards the procurement which could have been avoided.

It may be mentioned that despite ample scope for development of pig and goat sectors in the State, the required attention had not been given by the AHLFVSD as would be evident from

[41] *Assamlingzey Piggery Farm, East Sikkim where the production was more than the norms*

the fact that the livestock under piggery and goatery had declined (**Table 2.5.1**) notwithstanding the increase in expenditure on a regular basis (**Table 2.5.3**). Promotion of the pig and goat production systems which are remunerative and easily accepted by local population could provide livelihood opportunities. The mechanism of Self Help Groups (SHGs) had not been utilised effectively for promoting goat and pig production enterprises. Development of suitable market linkages and processing facilities would certainly provide the desired impetus for growth.

The Department stated (October 2012) that goats were required to be procured after survey of several villages which results in cost escalation due to supply and demand factor. Besides, components such as insurance, feed, medicine and treatment were also provided resulting in slightly higher cost. The reply regarding cost escalation was not acceptable as Department procured goats at lower cost in May 2012 without cost escalation. Further, the prices were exclusive of the components of insurance, feed, medicine and treatment.

2.5.9.5 Poultry Development

There were nine layer[42] poultry farms and one hatchery in the State which cater to the demands of poultry farmers for supply of chicks.

(i) Assistance to State Poultry Farms

With an objective to develop eco-friendly poultry industry in the State for sustainable livelihood, a CSS `Assistance to State Poultry Farms` was funded by the GOI on 100 *per cent* basis. In this context, the following points were noticed:

- To strengthen the infrastructure of the poultry farms in the State, GOI released ₹ 5.05 crore during 2006-10 for six farms. While the works at five farms[43] were completed (October 2009), the works at one farm (at Sirwani) could not be completed (July 2012) due to non-settlement of land, change of site and scope of work which further involved a cost escalation of ₹ 26 lakh till June 2012. It may be mentioned that the escalation in Sirwani was in addition to the escalation of ₹ 41 lakh incurred on the five farms that had been completed.
- While constructing the farms, as noticed in joint physical verifications (June-July 2012), the eco-bio security guidelines was not followed. The farms were located very near to the main road which badly affected the production of chicks due to acoustical disturbances. All five farms were also suffering from acute shortage of water.
- No manure kit was made available to any farm for optimum utilisation of manure.
- The automatic feeder machines were not working since their installation in the five farms (October 2009).
- Generator sets were not working ever since its installation (October 2009) at Chandey

[42] *Egg producing birds*
[43] *(I) Nandugaon, (ii) Bermiok, (iii) Gyaba, (iv) Rhenock, and (v) Chandey Poultry farm*

and for three months at Nandugaon farms.

- Fans were also not working in two farms (Nandugaon and Chandey), where the power supply connections were of temporary nature.
- Against the target of hatching of six lakh[44] eggs per annum, the Department failed to produce a single egg in its farms during the entire period under scrutiny.
- Against the target of 30 lakh table eggs (non-fertile, used for eating purpose) per annum in the six farms, the Department produced 11,20,426[45] table eggs per year in the five operating farms. However, as against the estimated revenue receipts of ₹ 1.2 crore per year towards sale of table eggs (30 lakh @ ₹ 4 per egg being the minimum cost during 2007-12) and culling of poultry birds (information not available), no Annual Accounts (Income and Expenditure Statement/ Balance Sheet, etc.) was being prepared by the farms and hence the performance of these farms could not be assessed. The Department also had not insisted upon the requirement of Annual Accounts for ascertaining the success of the scheme in its entirety.
- There were large number of table eggs (Chujachen: 37,475; Rhenok: 27,300 in East) lying in the farms for want of marketing facility which resulted in loss to the Government due to rotting of eggs.

(ii) Assistance to State for Poultry Estates

To encourage small farmers, educated unemployed youth, rural women and socially backward society members to take up the activity of commercial broiler farming by providing required infrastructure and input, supply services and marketing avenues; Central assistance towards `Poultry Estate` was funded by the Central and State Governments on 75:25 basis. The GOI sanctioned ₹ 1.97 crore (December 2009) under this scheme.

The first instalment of funds of ₹ 98.25 lakh released (December 2009) by GOI was revalidated during 2010-11 for utilisation in the year 2011-12. While the State Government did not release its matching share (₹ 48.18 lakh), the two works[46] to be completed within August and September 2010, remained incomplete (June 2012) even after the lapse of one and a half year.

The Department stated (May 2012) that selection of beneficiaries was a major problem and non-availability of loan in time delayed the scheme implementation. Fact remained that the scheme was taken up without ensuring its viability in the context of selection of beneficiaries.

(iii) State Poultry Mission

The State Government launched the State Poultry Mission on 15 August 2009. The objective of the Mission was to make the State self-reliant in poultry products in a time bound period

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[44] @ one lakh hatching eggs for six poultry farms being maintained by the Government.
[45] Rhenok farm:2,60,411, Gyaba farm: 44,684, Nandugaon farm: 2,96,314, Bermoik farm: 1,08,249 and Chandey farm:4,10,768
[46] Construction of Poultry Estate and Construction of water supply 50,000 liters RCC

ending in March 2012 with a cost implication of ₹ 2.77 crore. Deficiencies noticed in this scheme were as under:

➢ **Non-preparation of perspective plan with consequential inadequacies**

As the Mission envisaged to make the State self-reliant in poultry production within March 2012, the perspective plan containing the survey on demand and supply, supply within and outside the State, availability of poultry birds and infrastructure in the State, scope for qualitative and quantitative improvement of available resources, identification of potential individuals seeking assistance for taking up poultry farm in the process of self-employment, etc. were the prime requirements which again were to be translated into actionable annual plans with goal specific targets and provision for appropriate monitoring for achieving success in attaining the goal of the Mission. The Department had neither prepared perspective plan nor conducted any survey or feasibility study.

Except for the East district, the Department had not conducted any evaluation of the Mission on the impact of the scheme in the context of economic development of the beneficiaries. Physical verification (June-July 2012) of 45 beneficiaries (out of 830) revealed that the success of the Mission suffered setbacks for want of adequate power supply, high cost of feed, inadequacy in transportation of day old chicks and inconveniences in marketing of poultry products. Further, records revealed that out of 299 beneficiaries of East District, 62 had discontinued the farm. Failure rate was as high as 100 *per cent* in Khamdong – Singtam Constituency under Phase – I and 82 *per cent* in Tumin – Lingey Constituency under Phase – II. The reasons for failure were attributed to erratic power supply, non-interest and wrong selection of beneficiaries. Thus, inadequate planning in the context of pertinent issues before launching the Mission on such a scale coupled with inadequate monitoring adversely impacted the success of implementation.

The Department accepted the observation and stated (October 2012) that efforts had been initiated for making the poultry mission successful.

2.5.9.6 Veterinary Council

In order to control and regulate the practices of the veterinary profession and its conduct apart from educating veterinary professionals, the Sikkim Veterinary Council was established in 1997 as a statutory body under the Indian Veterinary Council Act 1984. Grants-in-aid were provided to run the Council under the Central Plan Scheme. The Council was required to submit utilisation certificates (UCs) along with the audited accounts to GOI every year. It was observed that audited accounts were not submitted by the Council for the entire period covered under audit. The scrutiny of its expenditure statements for the years 2007-12 revealed the following discrepancies:

➢ No norm had been fixed for the number of meetings to be held by the Council. In the absence of any information on the number of meetings held, agenda discussed, proposals recommended in the meetings, action taken on the proposals and follow up, etc., the fulfilment of objective behind establishing the Council remained unascertained during the last five years.

- Out of ₹ 39.27 lakh received from GOI, the Council spent ₹ 33.49 lakh during 2007-12. No State share (₹ 48.50 lakh) was released during the period.
- Vehicles purchased for use of Registrar of Veterinary Council was being utilised by another department i.e., Food Security and Agriculture Department.
- Stock valuing ₹ 8.16 lakh was accounted for only after being pointed out by Audit, indicating laxity in internal controls.

The Department stated (October 2012) that corrective measures had been initiated.

2.5.9.7 Poultry Abattoir at Melli

Creation of liabilities of ₹ 56.14 lakh and irregular expenditure of ₹ 19.67 lakh

Ministry of Food Processing Industries launched (January 2009) a comprehensive scheme for `Setting up of Modern Abattoir` at the funding pattern of 75:25. The Detailed Project Report for ₹ 3.53 crore was forwarded (July 2010) to the Government of India (GOI) which was not approved (June 2012) by the GOI. The financing cost of the project was as below:

Table 2.5.7

Financing source	Amount (₹ in lakh)
GOI grant	222.20
State Government contribution	75.00
Contribution from Poultry Co-operative Societies/Private parties	56.14*
Total	**353.34**

*Source: Figures furnished by the Department. * ₹ 28.14 lakh as equity and ₹ 28 lakh by term loans*

The methodology as to how the Department would ensure the contribution to be generated from Poultry Co-operative Societies/private parties, procedure to be adopted for selection and nature of collaboration in the project was not deliberated and defined.

It was also noticed that although the provision of ₹ 4 crore (75:25) was made against which ₹ 1 crore pertaining to the State share was reflected and released, no funds were sanctioned by the GOI and the project remained to be approved by GOI till the end of March 2012. In anticipation of the project being sanctioned by the GOI, the Department had already gone ahead with the Cabinet`s approval, work of bidding process, detail designing and management consultancy at an agreed fee of ₹ 13.90 lakh out of which ₹ 5.50 lakh had already been expended.

From the project funds released by the State Government, the Department acquired land at an expenditure of ₹ 14.17 lakh. As the per project guidelines, funds were not allowed to be spent on land acquisition.

2.5.9.8 Mother Dairy Project

Blocking up of Government funds

Under the Rashtriya Kisan Vikas Yojana (RKVY), a project `Mother Diary Farm at Karfectar` at the cost of ₹ 3.10 crore to be implemented over a period of one year was approved (January 2010) by the State Cabinet. The civil work `Establishment of Mother Diary Farm at Karfectar` estimated at ₹ 91.85 lakh was awarded (March 2010) at par to a contractor to whom 2nd RA bill of ₹ 80 lakh had been paid (March 2012).

Though the project was to be completed by December 2010, the work had not been completed till June 2012 and the contractor had abandoned the work. Audit scrutiny (June 2012) revealed that during the process of execution, the site of the project was shifted from the plain land to the hillside due to the fact that plain holding was required for fodder plantations of the Department, which was not perceived during the survey and the planning stage. On shifting of site, items of works increased in respect of site and land development to the tune of ₹ 69.61 lakh, increasing the total estimate to ₹ 161.46 lakh (₹ 91.85 lakh + ₹ 69.61 lakh). Scrutiny of 2nd RA bill revealed that the contractor had already executed the site and land development prior to the sanction and before preparation/ sanction of the revised estimate, which led to an unauthorised expenditure of ₹ 80 lakh.

It was also noticed that even before sanction of the project in the new location, the Department procured machineries and equipment valuing ₹ 55.53 lakh with payments of ₹ 37.42 lakh (₹ 11.42 lakh in March 2010 and ₹ 26 lakh in January 2011) to the SIMFED.

Thus, the project was undertaken without proper planning and survey of site which led to non-completion and abandonment (June 2012), besides incurring excess expenditure of ₹ 80 lakh on the construction and ₹ 37.42 lakh on procurement of equipment not required before construction of the infrastructure resulting in blocking up of Government funds due to improper planning.

The Department stated (October 2012) that the work was not actually abandoned but the process was delayed due to technical reasons, which was not specified.

2.5.9.9 Fisheries

The Directorate of Fisheries under the Department was entrusted with the promotion of sustainable fish culture as an income generating activity of the rural farmers. In the process of discharging its responsibilities, the Directorate fixed its targets as under:

Table 2.5.8

(In tonnes)

Year	Requirement of fish	Target set	Achievement
2007-08	18848	180	160
2008-09	18848	220	160
2009-10	18848	220	168
2010-11	18848	250	180
2011-12	18848	300	280

NB: Requirement worked out on the basis of recommendation of CMFRI[47]

As would be seen from the above, the targets could not be achieved despite the expenditure of ₹ 11.53 crore, during the period covered under audit. Further, while the targets were being theoretically calculated on the basis of number of beneficiaries and their expected production, in the absence of any data on the issue, both the figures of targets and corresponding achievements were not reliable.

➢ ***Absence of supervision and doubtful payment:*** The Department with the financial assistance from National Fisheries Development Board (NFDB), Hyderabad, implemented Running Water Fish Culture or Carp Fish Farming during 2010-11. The scheme covered 300 beneficiaries from Sikkim (North-55, South-75, West-75 and East- 95). The scheme provided ₹ 60,000 per beneficiary, out of which ₹ 45,000 was earmarked for pond construction and ₹ 15,000 for fish seed and feed. The Department proposed to give 50 *per cent* subsidy, rest 50 *per cent* cost i.e., ₹ 30,000 was to be borne by the beneficiaries themselves. Out of ₹ 90 lakh towards departmental subsidy, ₹ 40.50 lakh was financed by NFDB and the balance of ₹ 49.50 lakh was borne by the State. The Department paid the subsidy of ₹ 30,000 in two equal instalments in February 2011 and May 2011.

Against test check of reports of 130 beneficiaries (South-75 and North-55), the reports of 86 beneficiaries revealed the following:

➢ 35 beneficiaries (27 *per cent*) had not constructed the concrete ponds and instead used the earthen ponds which cast doubt on the expenditure of ₹ 10.50 lakh (₹ 30,000 X 35) shown to have been spent for the purpose.

➢ 45 beneficiaries (29 *per cent*) did not follow the construction specification of the pond i.e., volume of 100 cum at the dimensions of 10 m x10 m x 1 m.

➢ Six different beneficiaries exhibited three photographs of the constructed ponds as evidence towards the actual construction of their ponds (i.e., copy of the same photograph used by two different beneficiaries). Hence payment of ₹ 90,000 (₹ 30,000 x 3) to three beneficiaries was doubtful.

This was indicative of poor supervision and monitoring of the implementation by the Department.

[47] *Central Marine Fisheries Research Institute, Kochi*

While accepting the audit observation and assuring that all measures would be taken not to repeat such mistakes in future, the departmental staff physically verified (19-21 October 2012) the construction of ponds and stated (October 2012) that the said three beneficiaries had actually constructed the ponds which remained dry during the period of verification due to damage caused by natural calamity (September 2011). The fact remained that the subsidies were disbursed without verification of requisite documents and in the event of natural calamity, the fulfilment of objectives of the construction could not be ascertained.

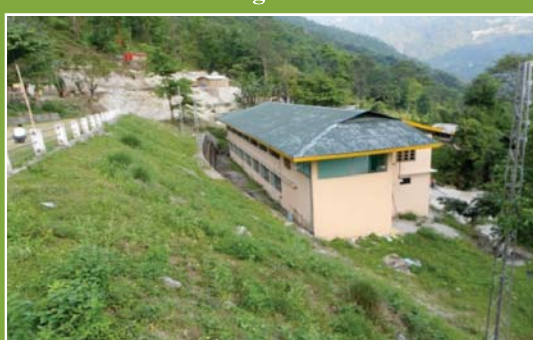
2.5.10 Building infrastructure for Animal Husbandry

2.5.10.1 Defective planning for building infrastructure

Building infrastructure for animal husbandry network is essential for providing better services to the livestock rearing farmers. It was also essential that financial and physical planning was done in a phased manner along with a targeted implementation schedule of all construction activities.

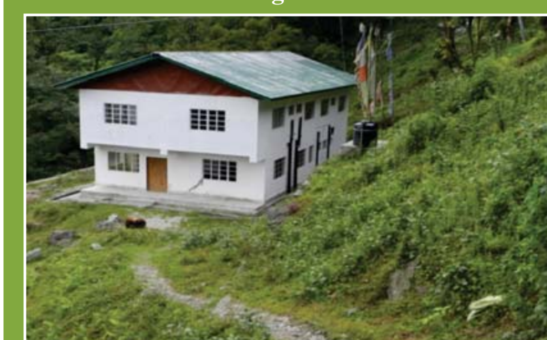
Scrutiny of records revealed that 48 building works like construction of dispensaries, veterinary hospitals, fish ponds and training centres, etc., were sanctioned during 2007-08 to 2011-12 at an estimated cost of ₹ 20.41 crore and were stipulated to be completed within a period ranging between five months and one year. Of these, eight works remained incomplete even after one to five months beyond the scheduled dates of completion as of May 2012. Non-completion of building works resulted in avoidable expenditure of ₹ 24 lakh incurred towards rental charges of buildings hired for animal husbandry activities during 2007-12. A few photographs of construction works undertaken were as under:

Image 2.5.1



Poultry farm at Sirwani without approach road connecting the hospital (May 2012)

Image 2.5.2



Administrative Block at Mangan without approach road (May 2012)

As seen from the above photographs, these buildings had been constructed without any approach roads.

The Department stated (October 2012) that it had been putting its efforts on war footing to complete all the projects at the earliest.

2.5.11 Feed and fodder

2.5.11.1 Irregular expenditure on procurement of poultry feed

The Department purchased 114.61 MT of poultry feed at an expenditure of ₹ 13.21 lakh from its own budgetary head outside the provision under the scheme 'Assistance to State Poultry Farms'. As the scheme guidelines clearly envisaged that the purchase of feed for farms was to be met from the revolving fund (₹ 15 lakh each) made available for the purpose, incurring expenditure of ₹ 13.21 lakh on poultry feed during 2009-12 for these farms was beyond the provision of the scheme guidelines.

The Department stated (October 2012) that emergency purchase was necessary to operate poultry farms smoothly for which no revolving fund was available. The reply was not acceptable since the requisite fund was actually available (**paragraph 2.5.8.2**) with the Department.

2.5.11.2 Non-utilisation of oat seed

To meet the shortfall of fodder during the lean season, the Department was receiving 10 MT (100 qtl) of oat seed every year from GOI under Central Minikit Distribution Programme. Audit scrutiny revealed that 45 qtl (180 bags expiring in September 2010) received during 2009-10, constituting 45 *per cent* of the receipts, remained dumped (July 2012) in the State Farm at Karfectar, South Sikkim without distribution of the same to the beneficiaries before the expiry date as evident from the photograph below:

Image 2.5.3

Expired Oat seeds lying at Karfectar Farm, South Sikkim

2.5.12 Animal Health

The AHLFVSD had 15 veterinary hospitals, 113 veterinary dispensaries/stockman centres, two polyclinic and seven disease diagnostic laboratories. Each veterinary institution was covering around 990 villages as of March 2012. The State did not have any biological institute and the required vaccines were being procured from other States to vaccinate the animals against the major diseases.

The Department had not formulated any annual action plan for procurement of drugs for distribution to the animal health care units and had not fixed annual rate contracts for procurement. The Department also had not made any plans to make available ready stock of essential drugs that were required to be maintained by all veterinary hospitals and dispensaries for emergency purpose.

The prevalence of common diseases in the State during the last five years was as under:

Table 2.5.9

Name of the diseases	2007-08	2008-09	2009-10	2010-11	2011-12
Digestive disorder disease	1773	1937	1974	2429	Not furnished
Digestive disorder symptom	15906	17285	16256	17569	Not furnished
Other disease	5465	6248	8065	7186	Not furnished
Parasitic	15828	18120	18647	18607	Not furnished
Protozoan disease	2843	2741	3793	3084	Not furnished
Reproductive disease	2790	3069	3058	3145	Not furnished
Respiratory Disorders	2783	3385	5031	4226	Not furnished
Skin disease	3741	4554	4092	5255	Not furnished
Expenditure (₹ in crore)	0.21	0.23	0.25	0.29	0.83

Source: Figure furnished by the Department.
NB: The figures for 2011-12 had not been compiled by the Department.

Despite the expenditure of ₹ 1.81 crore during the last five years, the Department could not contain the incidences of common diseases of animals in the State.

While accepting the audit observation, the Department stated (October 2012) that corrective measures would be taken.

2.5.12.1 Defunct Nutrition Cell

Animals require water, carbohydrates, lipids or fats, proteins, minerals and vitamins for healthy growth. Nutritive value is determined by nutrient concentration and nutrient digestibility. Nutrient concentration and digestibility data can be determined using digestion trials or by measuring chemical composition.

Physical verification of Nutrition Cell of AHLFVSD revealed that the said cell was defunct since long (exact date could not be stated by the Department) and it was therefore, understood that no clinical examination of feed supplied to the animals (cattle, goat, pig, rabbit, dog and yak) could be done to measure nutritive value of the feed supplied. Due to this, supply of sub-standard feed to the animals could not be ruled out. Consequently, ₹ 0.97 crore[48] per annum was being incurred towards the pay and allowances of idle staff engaged in the Nutrition Cell, besides idling machineries and equipment being maintained in the Cell.

The Department stated (October 2012) that requisition for an officer had been placed for regular test of the feed samples. The reply was not tenable as posting of additional staff over and above the already existing idle staff was not justified.

[48] *One superintendent/Dy. Director, two laboratory attendants and one Poultry attendant*

2.5.12.2 Targets and achievements under Assistance to State for Control of Animal Disease (ASCAD)

The position relating to targets and achievements for vaccination of animals under the scheme during 2007-12 was as under:

Table 2.5.10

Name of the disease	Target	2007-08	2008-09	2009-10	2010-11	2011-12
		Achievement				
Foot and Mouth Disease	1,20,000	82,472	61,368	79,100	87,163	12,482
Haemorrhagic Septicaemia		81,473	70,160	38,143	3,728	8,234
Black Quarter		82,473	70,160	38,143	3,728	8,234
Swine Fever	30,000	0	0	0	0	543
AVR (Pre)	0	1,984	1,769	1,621	2,891	2,312
AVR (Post)	0	757	578	98	169	71
Ranikhet Disease (RD)	0	280	3,753	2,980	1,432	125

Source: Figure furnished by the Department

As seen from the above table, the actual vaccination for swine fever was negligible *vis*-à-*vis* the target. Further, no target was fixed for AVR (Pre, Post) and RD despite their regular incidences. The other issues noticed in the control of animal diseases were:

(i) **Rinderpest:** The Department was able to contain Rinderpest Disease in the State during 2007-12.

(ii) **Avian Influenza:** The Department had not fixed any target or norm for disease investigation and immunisation of poultry birds. The vaccination programme was being carried out on specific prevalence of certain diseases. 3,177[49] poultry birds (excluding number of deaths in Chandey and Gyaba Poultry Farms, the details of which were not available with the Department) died in the poultry farms during 2011-12 alone, but the records did not suggest that any preventive measure was taken in this regard. For surveillance of Avian Influenza, only 5,050 samples (Sera and Swab) were collected from all the districts for testing during 2007-12. Though the results were hardly being received in the Department, there was no follow up even on the few results received. Also, there was no systematic record keeping in the context of samples collected, samples sent for tests and results received which defeated the very purpose of tests being conducted.

(iii) **Tuberculosis/ Brucellosis**: According to the GOI instructions, routine screening of pigs for infectious diseases like tuberculosis and brucellosis were to be undertaken regularly. But the records of Department did not indicate any such routine screenings. Investigation and sample testing against the diseases like Vesicular Stomatitis and Swine Vesicular, the other common diseases prevalent in pigs, were also not done.

Due to this, the objective of rearing healthy pigs and preventing diseases for those who consume pork remained unattended.

While accepting the audit observation, the Department stated (October 2012) that further

[49] *Nandugaon Poultry Farm:291, Rhenock Poultry Farm:1,416 and Bermoik Poultry Farm:1,470 during 2011-12*

follow up would be intensified to avoid the lapses in future.

2.5.12.3 Abnormal delay in functioning of Disease Investigation Laboratory

The newly sanctioned (February 2011) disease investigation laboratory at Chandey, North Sikkim was non-functional (May 2012) though the construction work was completed in September 2011 and full amount was paid to SIMFED in March 2011 for supply of required equipment. The District authority stated (May 2012) that it was non-functional due to non-supply of equipment.

While accepting the audit observation, the Department stated (October 2012) that timeline would be framed for the Engineering Cell to finish the works within the stipulated time.

2.5.12.4 High mortality rate of bulls

Scrutiny of records relating to bull rearing farm, Karfectar revealed that mortality rate of bulls[50] had been increasing from 'Nil' (2007-08) to 10 (2011-12) for which reasons could not be furnished. These farms were without any calf starter (feed) required for helping the calves grow into bulls. The farms were also without cover for protecting them during rainy season and winter.

While accepting the audit observation, the Department stated (October 2012) that all efforts were being made to control the mortality rate in future.

2.5.13 Assets and Inventory Management

Assets and inventory management in the Department had the following deficiencies:

2.5.13.1 Management of land

The Department had 466.143 acres of land. However, it had not prescribed any norms for utilisation of the available land for livestock and other related activities. Physical verification of veterinary hospital and dispensaries revealed that these land were mostly kept barren.

2.5.13.2 Non-maintenance of asset registers

The Asset Register is an important and permanent record of a department wherein details of all assets including projects completed every year and the works-in-progress should be recorded by the project/scheme implementing authorities. However, in the absence of any Asset Register, the Department was not in a position to plan its future requirement with reference to the availability of assets and for optimum utilisation of the existing assets.

While accepting the audit observation, the Department stated (October 2012) that steps had already been taken for maintaining asset registers.

2.5.13.3 Irregular purchase of medicines and surgical equipment

An amount of ₹ 15.99 lakh was paid (August 2008) to the supplier for supply of surgical

[50] *Out of bulls reared of 96 (2007-08); 60 (2008-09); 61 (2009-10); 53 (2010-11) and 52 (2011-12).*

equipment like ECG machine, X-ray machine, bed side monitor, etc. for State Veterinary Hospital (SVH), Deorali after diverting funds from the provision under Land and Buildings.

Physical verification (May 2012) of store at SVH disclosed that the said items were lying idle since their procurement (August 2008) as could be seen from the photographs below:

Image 2.5.4

Image 2.5.5

ECG machine, X-ray machine and bed side monitor lying dumped in the OT (May 2012)

While accepting the audit observation, the Department stated (October 2012) that all equipment would be made functional as and when the new infrastructure is completed at Sokeythang.

2.5.13.4 Non-disposal of condemned stores/vehicles

Financial Rules require that physical verification of stores should be conducted once in a year and unserviceable disposable articles should be got condemned from the competent authority. These unserviceable articles, machinery or vehicles should be disposed of by following departmental procedures and the revenue realised should be credited to the Government account so that these funds could be utilised by the Government for future plans. In the test-checked hospitals, dispensaries and farms, it was observed that while the serviceability of stores/machineries/vehicles had not been evaluated, these were lying idle as shown in the photographs below:

Image 2.5.6

Idle equipment in the ASCAD store (May 2012)

Image 2.5.7

Idle equipment in the Nutrition Cell (May 2012)

Image 2.5.8

Image 2.5.9

Horizental Feed mixer lying idle in the incomplete poultry farm at Sirwani, East Sikkim (May 2012)

Image 2.5.10

Hand chaff cutter lying idle in the Veterinay hospital, Rhenok (May 2012)

Image 2.5.11

Maruti Van lying idle in the Veterinay hospital, Rhenok (May 2012)

Image 2.5.12

Non-functional liquified nitrogen cooling machine at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.13

Non-functional hatching machine (two) at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.14

Non-functional feeder machine for poultry at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.15

Non-consumable feed for poultry lying dumped at Karfectar Farm, South Sikkim (July 2012)

While accepting the audit observation, the Department stated (October 2012) that further follow up would be intensified to avoid the same in future.

2.5.13.5 Loss of store items

Scrutiny of hand chaff cutter stock register(s) revealed that 11 hand chaff cutters (valuing ₹ 1 lakh) and field implements for goat scheme (value not furnished) were missing from store. Though the FIR was lodged, no intimation to the higher authorities was made in contravention of Rule 20 of Sikkim Financial Rules. Further, two additional hand chaff cutters were lying idle as obsolete items for which no action for their disposal had been taken.

The Department stated (October 2012) that the observation had been noted for future compliance.

2.5.14 Record Management

The management of records in the AHLFVSD during 2007-12 suffered from the following deficiencies:

- As per SFR, physical verification of all stores must be conducted at least once a year indicating the results of such verification. However, physical verification of stores was not done during 2007-12. The entries in stock registers were either incomplete or recorded without proper authentication. Inventories of dead stock articles were not maintained. Therefore, it could not be ensured that the stores shown in the registers were actually available.
- Works Register was being maintained without indicating the requisite information like provision, source of funding, sanctioned cost, dates of work order, agreement, commencement, completion, etc.
- Prescribed formats which were to be filled in by the field offices/workers in the context of disease surveillance were not being filled in properly with complete and requisite information. As a result, the information received through these formats could not be used in the Management Information System having bearing on the future planning

process.

- No log book and history sheet was maintained by the Department for 30 vehicles in its possession. As a result, replacement of spare parts such as tyre, tube, battery, etc. and consumption of actual Petrol, Oil and Lubricant with reference to the tours and mileage covered could not be verified.
- Tools and Plant Register, Guard Files, Duty Allocation Register, Scheme/ Programme Guidelines were not being maintained by the Department. Thus, internal control in the Department was weak.

While accepting the audit observation, the Department stated (October 2012) that internal controls had been streamlined for maintaining all records as per norms.

2.5.15 Human Resources Management

Management of human resources is an important factor for the efficient functioning of any department. Audit scrutiny of Human Resources Management in the Department revealed the following:

2.5.15.1 Staffing

Job analysis, job specification and job description are the prerequisites for efficient management of manpower with reference to the activity of any organisation. While no such analysis had ever been conducted in the Department, in addition to the full-fledged sanctioned strength vis-À-vis men-in-position, another 445 Muster Roll employees viz., Junior Engineer, Law officer, LDC and various categories of group IV staff had been posted in the Department. Further, while the Department had not planned for imparting training to the officials and staff for augmentation of their resource/skill, it had also not maintained any record relating to handing and taking over of the charges by its officials.

2.5.15.2 Non-availability of doctor in dispensaries/farms/check posts

It was seen that 24 out of total 49[51] dispensaries/farms/check posts functioned without doctors during various periods between 2007 and 2012. In the absence of doctors, veterinary care facilities for the animals could not be provided. Even the health status of the animals being imported remained unverified due to the absence of doctors in the check posts. This was fraught with risk of entry of disease bearing animals in the State, which could have been connected to the severe outbreak of deaths of piglets imported in the State for distribution in the West district (14 June 2012).

The Department stated (October 2012) that cadre review had already been submitted to the Government and Department would recruit and train manpower in near future.

2.5.15.3 Training

The Department had one Animal Husbandry Training Centre at Gangtok for imparting

[51] *Veterinary dispensaries:35, Check post: 4 and Farm:10*

training to Livestock Assistants and paravets, farmers, NGOs, SHGs, educated unemployed youths, etc. Audit Scrutiny revealed that the training centre had not prepared any training calendar during 2007-12. Further, establishment of a training centre estimated at ₹ 80.93 lakh at Sokethang of East District under NEC project for completion within September 2011 was not completed (physical progress: 85 *per cent)* even after expending ₹ 64.15 lakh as of March 2012.

The Department stated (October 2012) that it would make all-out efforts to apprise the Government to provide required funds against the plan projection every year so that Department could prepare an Annual Training Calendar in future.

2.5.16 Quality control

Existence of an effective quality control mechanism in the Department was of paramount importance with a view to ensure quality of inputs used in the works as well as materials received and to ensure durability of the assets created. It was however, seen that there was very poor quality control in construction works in the Department as discussed below:

2.5.16.1 Non-conducting of soil stability test for construction works

Sikkim Public Works Code envisages that no work should commence unless a properly designed estimate is framed after detailed survey, investigation and technical sanction. The code further lays down that the estimate should always be accompanied by a report indicating the description of proposal for location, design, specification and drawing.

The Department neither carried out detailed survey of the areas for ascertaining the suitability of land for construction nor obtained mandatory expert opinion of the Mines and Geology Department in terms of Government notifications issued in February 2002 and October 2008. Estimates of the projects were framed without carrying out mandatory tests such as soil testing, stability analysis, etc. These tests are especially important since Sikkim is an earthquake prone zone. Absence of proper survey and quality control resulted in cracks and damages in the newly constructed assets as would be evident from the following photographs:

Image 2.5.16

Cracked wall of ongoing project of piggery shed at Melli Dara

Image 2.5.17

Cracked floor of ongoing project of Mother Dairy Farm at Karfectar

While accepting the audit observation, the Department stated (October 2012) that no further construction would be taken up until the detailed survey of the area ascertaining stability test report certified by the Mines and Geology Department was carried out.

2.5.16.2 Stipulation of Public Works manual not complied

The Sikkim Public Works Manual 2009 incorporated broad guidelines relating to quality control checks and quality assurance in works execution, which however, was not adhered to by the Department as of March 2012 as indicated below:

- No detailed procedures ensuring quality control had been laid down by the Department for observance by the construction team;
- Despite the availability of testing lab in other State Government works departments, no sample was sent for quality testing so far;
- Bills were released to the contractors without mandatory quality control report; and
- No Guard file was maintained in any of the worksites and hence the review of the quality inspections by the higher authorities could not be assured.

The Department, despite having one full-fledged Engineering Cell, did not ensure quality of the materials being used and work executed. Resultantly, the possibility of supplying inferior quality of materials and execution of substandard work could not be ruled out as shown in the photographs above.

While accepting the audit observation, the Department stated (October 2012) that the Engineering Cell of the Department had already been directed to follow broad guidelines of the Sikkim Public Works Manual.

2.5.17 Management Information System

Information Technology (IT) aims at improving governance and ensuring delivery of essential services to the citizen in terms of e-governance enabled information and communication, particularly for the benefit of society. With these objectives, an e-governance steering Committee was constituted during the month of August 2002 by the State Government.

Audit scrutiny revealed that even after a lapse of nine years, the Department had not formulated any IT plan for delivering essential services to citizen in terms of e-governance.

The Department stated (October 2012) that complete plan of action for IT would be incorporated during current plan period.

2.5.18 Compliance to Statutory regulations

Non-adherence to Bio-Medical Waste (Management & Handling) Rules

The Bio-Medical Waste (Management & Handling) Rules 1998 stipulate treatment and disposal of bio-medical waste in a prescribed manner. Scrutiny revealed that none of the veterinary institutions had initiated steps to ensure handling of waste without any adverse effect to human/animal health and environment. No incineration facilities were available in any of the veterinary hospitals and dispensaries test-checked. No records relating to generation, collection, reception, storage, transportation, treatment, disposal or handling of bio-medical waste was kept by any of the institutions.

The Department stated (October 2012) that action would definitely be taken accordingly in future.

2.5.19 Monitoring

The Department had neither any centralised database nor any comprehensive MIS capturing information about the critical components and activities being performed which affected monitoring at the apex level. In the absence of proper monitoring, adjustment of advances, timely surrender of savings, timely completion and quality control in projects, the aspects of non-utilisation of land, non-disposal and loss of store items, etc., could not be regulated. No asset registers were maintained as required under CSS guidelines. Records of the minutes of the review meetings, if any held, and follow-up action taken there against, were also not maintained at the Secretariat level.

Monitoring for efficient functioning was further deficient on the following issues:

2.5.19.1 Absence of impact study

The Department had not conducted any evaluation or impact study to assess the extent of success in the context of providing service delivery to the rural populace owning animals for appropriate follow up and future action.

The Department stated (October 2012) that a monitoring team was constituted for preparing evaluation report and impact analysis.

2.5.19.2 Non-dissemination of annual reports

As per Para 8.4 of the Report of the Technical Committee of Direction for Improvement of Animal Husbandry and Dairying Statistics, Ministry of Agriculture, GOI, the Department was required to issue and circulate the annual reports of the centrally sponsored schemes for wide dissemination to other States and for information sharing amongst them.

Audit scrutiny revealed that the annual reports of centrally sponsored schemes had not been printed by the Department during the period covered under audit. Consequently, the information regarding major livestock products in the State was not available.

The Department stated (October 2012) that corrective measures would be taken in future.

2.5.20 Satisfaction level of beneficiaries

The beneficiary surveys conducted (June-July 2012) throughout all the four districts by audit of 79 beneficiaries revealed that, except for the marketing facility in the State Poultry Mission, the public were generally happy about the animal husbandry activities in the State. It was given to understand by those surveyed that the Government was doing more than what was expected by the general public. Thus, it emerges that the general public were more interested in availing of the fringe benefits of financial and other assistances being provided under various schemes/programmes without focussing on the ultimate objective of the Government of attaining self-sufficiency in the areas of poultry, dairy and livestock as a whole in the State.

The Department stated (October 2012) that all the projects would be prepared with public participation so that the ultimate objective of self-sufficiency is achieved in the field.

2.5.21 Best practices

Despite the shortcomings in the animal husbandry activities in the State as discussed in the preceding paragraphs, the State was doing fairly well in the events of welfare activities being carried out for the street animals by Sikkim Anti Rabies and Animal Health (SARAH), a NGO functioning jointly with the State and Union Governments in the fields of anti-rabies vaccinations/immunisations/sterilisations/medications/upkeeping, etc., especially in the welfare of the street dogs. Another programme deserving appreciation in the context of implementation of animal husbandry activities was production of Angora wool through the Angora Rabbit cultivation in the North district of Sikkim. The photographic illustrations of these two activities were as under:

Image 2.5.18

SARAH for anti rabies programme (June 2012)

Image 2.5.19

Angora Rabbit for wool production (May 2012)

2.5.22 Internal Controls and Internal Audit

2.5.22.1 Internal Control System (ICS) is a management tool which provides reasonable assurance that the organisation's objectives are being achieved and the entity is functioning in an economical, efficient and effective manner. But audit came across many instances, besides those mentioned under Financial Management, where either ICS was absent or was ineffective exposing the Department to risks from malpractice, fraud and corruption as discussed hereunder:

2.5.22.2 Inconsistencies in statistics on GSDP: The contribution of the livestock towards State's economy was shown as 8.16 *per cent* of GSDP in "Sikkim State Livestock Sector Policy: Perspective and Policy Element" (2004-05), which again was shown as 6.70 *per cent* of GSDP in the departmental Annual Reports for all the years of 2008-09 to 2010-11.

However, as ascertained (July 2012) by Audit from the Department of Economics, Statistics, Monitoring and Evaluation, the contribution of livestock was only 1.21 *per cent* (quick estimate at current prices) of GSDP in 2010-11 which consistently declined from 2.08 *per cent* in 2005-06. The Department had not addressed the issue of consistent decline in contribution of livestock towards GSDP in the State through identification of the reasons, planning towards remedial measures, etc. It was further seen that the data on the number of Panchayat Wards shown as 1,100 in the Annual Reports of 2008-09 and 2009-10 was actually 990. Therefore, the status of planning in the Department with variation of 574 *per cent* in the basic data on GSDP casts doubt on the credibility of the Department in all the fields of activities, especially the achievements being claimed against the targets having been fixed. Further, the basic data varying widely with the actual had impaired various stages of `Policy formulation and planning` (**paragraph 2.5.7**), 'Management of schemes and programmes` (**paragraph 2.5.9**), `Management information system` (**paragraph 2.5.17**) and overall 'Monitoring` (paragraph 2.5.19) in the process of achieving animal husbandry in the State.

The Department stated (October 2012) that it proposed to conduct survey considering all the parameters actually needed to estimate under Animal Husbandry sector.

2.5.22.3 Assessment of risk to public health not done: The Sikkim (Livestock and Livestock Products) Control Act 1985 provides that sources of social risk from consumption of unfit meat be regulated. Thus, the Department was required to assess risks to human health from consumption of unfit meat based diseases. The Department conducted only one or two inspection(s) per year during 2007-12 against the requirement of eight. The risk to human health from consumption of unfit meat based diseases remained unaddressed due to inadequate number of inspections.

The Department stated (May 2012) that due to shortage of manpower and vehicles, the required number of inspections could not be taken up. The reply was not acceptable since the Department had full-fledged sanctioned strength and every entitled officer had been allotted vehicles.

2.5.22.4 Non-availability of quarantine measure in the check posts: Sikkim Livestock and Livestock Products Control Act 1985 regulate the entry of only healthy animals in the State. Quarantine would examine all livestock coming into the State to make sure that they don`t introduce diseases that could damage the livestock, pets and native wildlife. But the system had not been introduced by the Department in any of the check posts as of June 2012.

The Department stated (October 2012) that the establishment of quarantine with minimum essential need would be initiated.

***2.5.22.5 Mandatory visit to dispensary not carried out**:* To provide better veterinary service, it was required that veterinary doctors should visit the dispensaries once in a week. It was noticed that the mandatory visits were done 12 times against the requirement of 52 times in a year.

The Department stated (October 2012) that it had already introduced Animal Health Card System and visits performed would be monitored through this method.

***2.5.22.6 Departmental Manual*: ** Every organisation should have a comprehensive manual prescribing the procedure of work, responsibility, structure and control mechanism. Documentation of procedure for various functions of the Department and its updation were essential. However, no manual was prepared despite substantial expansion in the activities of the Department.

The Department stated (October 2012) that finalisation of draft manual would be completed during the financial year 2012-13.

2.5.22.7 Non-functional online software for animal disease reporting system:GOI provided online software for animal disease reporting system under Indo Swiss Dairy Scheme. The system however, remained non-functional since a long time. Despite several requests, the Department could not provide the detailed information in this regard to Audit.

The Department stated (October 2012) that the first round of training had since been completed and the software was being rectified after which the system would be functional.

2.5.22.8 Internal Audit: No internal audit was conducted by the Directorate of Internal Audit under Finance, Revenue and Expenditure Department for ensuring efficient functioning of the Department, during the period covered under audit.

2.5.22.9 Response to Audit*:* Observations on the accounts of various departments noticed during Audit and not settled on the spot are communicated to the Heads of departments/organisations through Inspection Reports. The Heads of departments/ organisations were required to take corrective action in the interest of the better functioning of the State administration and furnish replies on Audit observations within a period of four weeks.

10 Inspection Reports containing 37 paragraphs relating to the Department were lying unsettled since 1996-97 for want of satisfactory replies as of March 2012. Thus, the Department had not discharged its responsibility as even after 17 years, these Inspection Reports with the paragraphs therein remained unsettled.

Despite several written requests, the Department had hardly made available the records in time. This indicates that the Department had not ensured proper upkeep of records for production before Audit despite prior intimation from Audit and specific provision to that effect.

2.5.23 Conclusion

The Department was yet to achieve its objective in animal husbandry sector despite pronouncement of "Diary Mission 2009-12" (August 2009), "Poultry Mission 2009-12" (August 2009), and "Livestock Self Sufficiency Mission 2015" (2008-09). Planning in the process of implementation of the policy formulated had not been properly developed in the

State. Therefore, each initiative, in the absence of year-wise action plan with reference to the ultimate objective, was not coordinated and therefore, lacked linkages for developing a holistic long term animal husbandry plan. Despite the increasing budget provision and expenditure thereagainst, the Department could not increase the population of buffalo, sheep, pig, goat and poultry birds during the period covered under review. The artificial insemination programme for increasing the bovine population of the State also could neither achieve the target set forth by the Department itself, nor could it achieve the requirement of insemination based on the norms fixed by the Department. The Department also could not produce table eggs and fish according to its own target, besides being unable to produce any layer bird through hatching of eggs. Unless Department takes immediate steps to convert its mission into actionable annual plans and follows it up with effective monitoring and evaluation, the mission of making the State self-reliant in livestock sector by 2015 would not fructify.

2.5.24 Recommendations

The Department should ensure the following for improvement of Animal Husbandry in the State:

- Formulation of perspective plan and year-wise action plans by consolidating objectives envisaged in Diary Mission 2009-12, Poultry Mission 2009-12 and Livestock Self Sufficiency Mission 2015.
- Timely conduct of household livestock census for preparing plans for improvement in livestock sector.
- Periodical review of the budget and expenditure control mechanisms to ensure proper utilisation of funds.
- Improvement in marketing of eggs to avoid accumulation of stock in poultry farms.
- Effective Human resource management for improved monitoring for successful implementation of scheme, and
- Improvement in animal health condition by ensuring adequate availability of medicine, routine screening of animals, particularly pigs, for infectious diseases and deployment of required doctors in health centres and check posts.

TOURISM AND CIVIL AVIATION DEPARTMENT

2.6 Loss due to delayed response of the Department

Delay by the Department in acceptance of offer and in opening Letter of Credit led to loss of ₹ 90.23 lakh to Government exchequer.

The Department of Tourism invited (June 2010) tender for supply of Cabins for use in 'Mono-cable Detachable Grip type Passenger ropeway system' from Forest Colony to Samdruptse at Namchi, South Sikkim. In response to the tender, Gangloff Cabins Ltd., Switzerland, quoted (July 2010) a price of CHF (Swiss Franc) 6,87,570 with a discount of 2.5 *per cent* provided

Letter of Credit (LC) for the supply of the materials is opened within 90 days (i.e., 12 October 2010). The Department accepted the offer belatedly (1 April 2011) and opened (January 2012) LC by depositing ₹ 3.92 crore for CHF 6,87,570 @ ₹ 57/CHF.

Audit scrutiny revealed (August 2012) that delay by the Department in accepting the offer quoted by M/s Gangloff Cabins Ltd. resulted in loss of ₹ 7.72 lakh[52] due to non-availing of 2.5 *per cent* discount on offered price of CHF 6,87,570. Further, delay in opening LC led to an avoidable expenditure of ₹ 82.51 lakh[53] on account of differential cost of exchange rate of CHF from ₹ 45 per CHF in October 2010 to ₹ 57 per CHF in January 2012. Thus, delay on the part of Department led to an aggregate loss of ₹ 90.23 lakh (₹ 82.51 lakh + ₹ 7.72 lakh) to the Government exchequer.

In reply, the Department stated (October 2012) that the delay was due to official procedure (July 2010 to February 2012) in obtaining additional financial sanction required for meeting the cost of the project and non-availability of funds. The reply was not tenable because, out of ₹ 27.42 crore (Central: ₹ 14.44 crore and State: ₹ 12.98 crore) sanctioned for the Project, till January 2011, the State Government had released only an amount of ₹ 2.46 crore (18.93 *per cent)* which was spent by the Department as against more than 70 *per cent* (₹ 10.13 crore) utilisation of the total sanction from Central funds. The Department should have coordinated with the Finance, Revenue and Expenditure Department (FRED) for ensuring the additional sanction of ₹ 1.04 crore required for opening the LC especially since the State Government had only released ₹ 2.46 crore out of the ₹ 12.98 crore which was its commitment to the project.

HORTICULTURE AND CASH CROPS DEVELOPMENT DEPARTMENT (SMALL FARMERS AGRI-BUSINESS CONSORTIUM)

2.7 Loss due to injudicious parking of huge funds in Savings account

Injudicious parking of funds by the SFAC (Small Farmers Agri-Business Consortium) in savings account with low rate of interest instead of fixed deposits at higher rates led to loss of ₹ 97 lakh.

The Small Farmers Agri-business Consortium (SFAC), under the Horticulture and Cash Crops Development Department was registered as a Society in November 2000 with the objective of promoting agro-industrial growth in different parts of the State. The SFAC implemented the centrally funded project Horticulture Mission for Development of Horticulture in the North East and Himalayan States.

The accounts of the Society were kept in a Savings Bank Account in the Bank of India. Test check of records revealed (August 2011) that huge balances of funds were available in the account of the SFAC round the year ranging between ₹ 10.74 crore to ₹ 34.25 crore. Despite

[52] *2.5% of ₹ 3,08,71,893 (₹ 44.90 X CHF 6,87,570)*
[53] *₹ 57- ₹ 45 = ₹ 12 X 6,87,570 = 82,50,840*

existence of huge balances in its account, the SFAC had not evolved any investment policy with a view to invest the huge balances in fixed deposits or other forms of deposits which could earn better interest for the Society and thereby increase its corpus of funds substantially. The minimum balance available with the SFAC during the period 2009-11 at any point of time was over ₹ 10.74 crore, which could have been judiciously invested in fixed deposits to earn interest of ₹ 1.72 crore at the average rate of interest of 8 *per cent* per annum, against the actual earnings of ₹ 75 lakh only (at 3.5 *per cent* per annum) leading to loss of ₹ 97 lakh. This additional fund could have been utilised towards development of horticulture in the State.

The Department stated (January 2013) that it had started investing the funds, in an account with higher interest rate, from September 2011 after being pointed out by Audit.

ROADS & BRIDGES DEPARTMENT AND IRRIGATION & FLOOD CONTROL DEPARTMENT

2.8 Excess expenditure due to adding incidental charges twice

Inclusion of incidental charges twice in unit rate of item resulted in excess expenditure of ₹ 2.12 crore.

The rates of various items of works executed by the Works departments in the State are built up of basic components like cost of material and labour. In addition to these basic items, other incidental charges such as water and electricity, tools & plants, sundry items and contractor's profit are also added as a percentage of the basic cost to arrive at realistic rates in the Schedule of Rates (SOR) prepared by the Roads and Bridge Department (RBD).

Providing and laying plum concrete in 1:2:4 cement concrete is one of the items of work executed extensively in the State for construction of protective walls. The basic materials required for execution of this item of works are stone boulders of specified sizes, cement, stone aggregates, sand, water and wooden/metal shutters (form work). While preparing the per unit cost of this item of work by the RBD in SOR 2006, it was seen that the incidental charges (water & electricity, tools & plants and sundries) required for the job were factored in twice – one at the stage of preparation of stone boulders of specified size, 1:2:4 cement concrete mix and form work separately, and again at the stage of preparation of rates for providing and laying plum concrete walls using the stones, cement concrete mix and form work.

Thus, inclusion of incidental charges twice, which was not permissible, had resulted in cost inflation of the rate per unit of plum walls in 1:2:4 cement concrete mix by ₹ 190.47 per cum under SOR 2006 (21,383.597 cum) and ₹ 245.90 per cum under Revised SOR 2006 (69,449.806 cum) in the construction of 90,833.403 cum plum concrete walls during October 2010 to January 2012. Thus, the RBD and Irrigation and Flood Control (IFC) departments incurred inadmissible excess expenditure of ₹ 2.12 crore in 30 works due to the unwarranted inflated cost on this item of work.

In reply, the RBD stated (September 2012) that the defects were rectified in the new SOR 2012 effective from April 2012. It was further stated that SOR rate was used only for ascertaining the basic cost of the project and works were executed after tendering and accepting the lowest rate offered/negotiated and payment made accordingly. The reply was not tenable as rectification was made in respect of one item only (1:2:4 *cement concrete*) and that too in the new SOR 2012 effective from April 2012. Further, the Department's contention that errors/omissions in the SOR did not matter as the works were executed by the contractors after tendering, was also not tenable due to the fact that the estimate prepared is based on SOR which in itself was inflated due to error on analysis of item rate. Thus, the tendering and execution of work on inflated estimates tantamounts to unwarranted benefit to the contractor and burdening the State exchequer to such extent.

Economic Sector

(Public Sector Undertakings)

CHAPTER – III

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

3.1 Overview of State Public Sector Undertakings

Introduction

3.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Sikkim, the State PSUs occupy an insignificant place in the State economy. The State working PSUs registered a turnover of ₹ 86.43 crore as per their latest finalised accounts as of September 2012. This turnover of PSUs was equal to 1.03 *per cent* of State Gross Domestic Product (SGDP) for 2011-12[1]. Major activities of Sikkim State PSUs are concentrated in power and infrastructure sectors. The State working PSUs incurred an overall loss of ₹ 3.24 crore[2] in the aggregate for 2011-12 as *per* their latest finalised accounts as on 30 September 2012. They had employed 604 employees as of 31 March 2012. The State PSUs do not include two[3] Departmental Undertakings (DUs) and one[4] Co-operative Bank, which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in other chapters of this Report along with the findings of Government departments.

3.1.2 As on 31 March 2012, there were 15 PSUs as per the details given below. None of these companies were listed on the stock exchange(s).

Table 3.1.1

Type of PSUs	Working PSUs	Non-working PSUs[5]	Total
Government Companies	6	6[6]	12
Statutory Corporations	2	1	3
Total	**8**	**7**	**15**

Audit Mandate

3.1.3 The Companies Act, 1956 is not extended to the State of Sikkim. The Government Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim 1961'. The accounts of these companies are audited by Statutory Auditors (Chartered Accountants)

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[1] *the State GDP for 2011-12 is ₹ 8,399.88 crore (Quick estimate)*
[2] *Appendix 3.1.2*
[3] *Government Fruit Preservation factory and Temi Tea Estate*
[4] *Sikkim State Co-operative Bank Ltd.*
[5] *Non-working PSUs are those which have ceased to carry on their operations.*
[6] *During 2011-12, three Government companies (Sl. No. C-12, C-13 & C-14 of Appendix 3.1.2) became non-working companies.*

who are directly appointed by the Board of Directors (BoDs) of the respective companies. Besides 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)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.4 There are three Statutory Corporations in the State *viz*. State Bank of Sikkim (SBS), State Trading Corporation of Sikkim (STCS) and Sikkim Mining Corporation (SMC) established under the proclamations of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are audited by the Chartered Accountants, directly appointed by the BoDs of the respective Corporations. Supplementary Audit of these Corporations was taken up by CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment in State PSUs

3.1.5 As on 31 March 2012, the investment (capital and long-term loans) in 15 PSUs was ₹ 374.90 crore as per details given below.

Table 3.1.2

(₹ in crore)

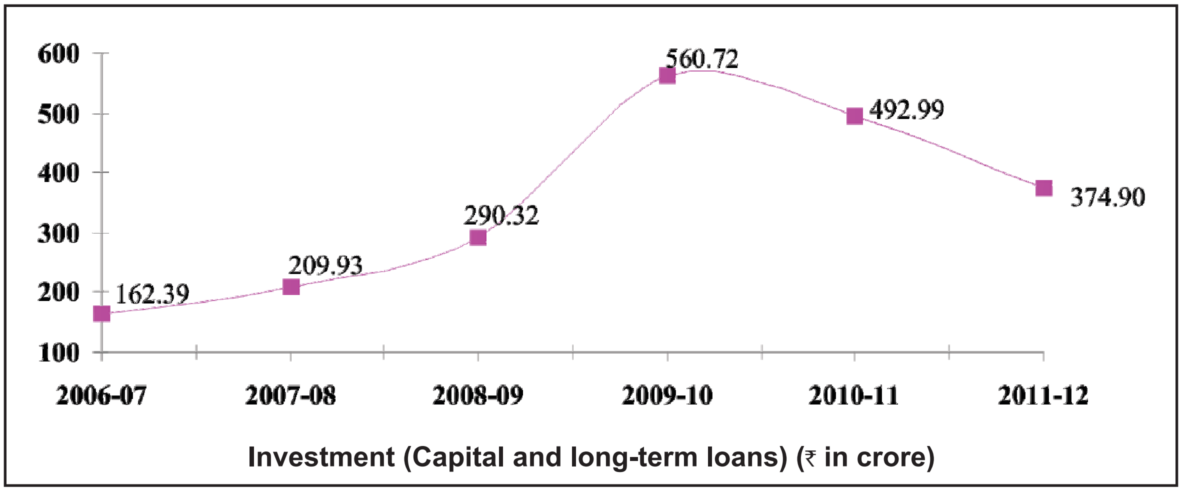
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	55.37	260.92	316.29	2.19	-	2.19	318.48
Non-working PSUs	43.91	0.01	43.92	12.50	-	12.50	56.42
Total	**99.28**	**260.93**	**360.21**	**14.69**	**-**	**14.69**	**374.90**

Source: Data collected from PSUs

A summarised position of Government investment in State PSUs is detailed in **Appendix 3.1.1.**

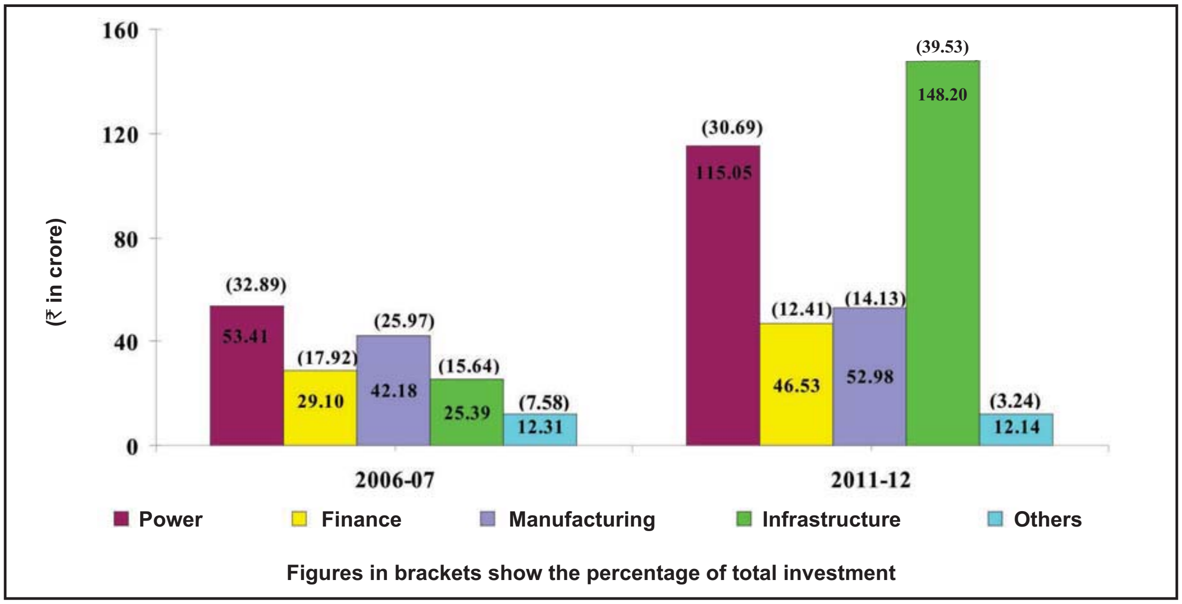
3.1.6 As on 31 March 2012, of the total investment in State PSUs, 84.95 per cent was in working PSUs and the remaining 15.05 per cent in non-working PSUs. This total investment consisted of 30.40 per cent towards capital and 69.60 per cent in long-term loans. The investment had grown by 245.29 per cent from ₹ 162.39 crore in 2006-07 to ₹ 560.72 crore in 2009-10. However, due to decrease in the long term loans, the total investment had also correspondingly decreased by 33.14 per cent from ₹ 560.72 crore in 2009-10 to ₹ 374.90 crore in 2011-12 as shown in the graph below.

Chart 3.1.1



3.1.7 The total investments in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart.

Chart 3.1.2



3.1.8 The thrust of PSUs investment was mainly in power and infrastructure sectors during the six years 2006-07 to 2011-12. The investment in infrastructure sector had grown by 483.69 per cent from ₹ 25.39 crore in 2006-07 to ₹ 148.20 crore in 2011-12. The power sector had also registered an increase by 115.41 per cent from ₹ 53.41 crore in 2006-07 to ₹ 115.05 crore in 2011-12. The increase of investment under infrastructure sector was mainly due to loan of ₹ 285 crore borrowed by Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) from four banks[7] during 2009-10 on behalf of Government of Sikkim to facilitate the development of infrastructure in Sikkim.

[7] *Dena Bank: ₹ 60 crore, Allahabad Bank: ₹ 75 crore, UCO Bank: ₹ 100 crore and Bank of Maharashtra: ₹ 50 crore.*

Budgetary outgo, grants/subsidies, guarantees and loans

3.1.9 The details regarding budgetary outgo towards equity, grants/subsidies, guarantees issued and interest waived in respect of State PSUs are given in **Appendix 3.1.3**. The summarised details are given below for three years ended 31 March 2012.

Table 3.1.3

(₹ in crore)

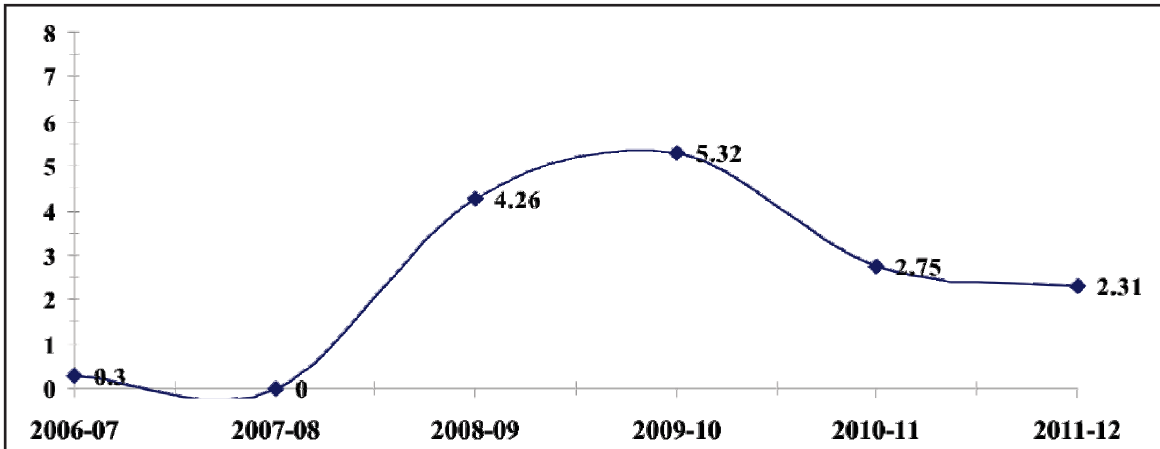
Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	2.10	4	0.96	-	-
2.	Grants/Subsidy received	2	3.22	1	1.79	1	2.31
3.	**Total Outgo (1+2)**	**6**	**5.32**	**5**	**2.75**	**1**	**2.31**
4.	Loans written off	-	-	-	-	-	-
5.	Interest/Penal interest written off	1	0.17	1	0.12	1	0.43
6.	**Total Waiver (4+5)**	**1**	**0.17**	**1**	**0.12**	**1**	**0.43**
7.	Guarantees issued	2	290.44	1	3.28	1	4.08
8.	Guarantee Commitment	3	187.05	2	246.70	2	163.72

Source: Data collected from PSUs

3.1.10 Besides, during the year 2011-12, three Government companies, namely, Sikkim Jewels Ltd., Sikkim Time Corporation Ltd. and Sikkim Precision Industries Ltd. had received an amount of ₹ 25 crore as severance package to employees subsequent to closure of operations of these companies with effect from April 2011.

3.1.11 The details regarding budgetary outgo towards equity and grants/subsidies[8] for past six years are given in the graph below.

Chart 3.1.3



Budgetary outgo towards equity and Grants/Subsidies (₹ in crore)

[8] excluding ₹ 25 crore disbursed to three PSUs for severance package during 2011-12

3.1.12 The guarantee commitment at the end of year has decreased from ₹ 246.70 crore in 2010-11 to ₹ 163.72 crore in 2011-12. As on 31 March 2012, guarantee amounting to ₹ 34.93 crore and ₹ 128.79 crore were outstanding against two Government companies, namely, Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (SABCCO) and Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) respectively.

On any guarantee given to a public body, a guarantee commission at the rate of one per cent is charged by the State Government. Only one Government Company (SIDICO) had paid (July 2010) guarantee commission of ₹ 2.85 crore on the Government guarantee against the loans of ₹ 285.00 crore borrowed (2009-10) from banks. The other Government Company (SABCCO), however, had not paid any guarantee commission against the guarantee outstanding.

Reconciliation with Finance Accounts

3.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is stated below.

Table 3.1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	80.68	87.35	(6.67)
Loans	37.03	2.03	35.00
Guarantees	246.69	163.72	82.97

3.1.14 Audit observed that the differences occurred in respect of eight PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

3.1.15 The financial results of PSUs, financial position and working results of working Statutory Corporations as per their latest finalised accounts as on 30 September 2012 are detailed in **Appendices 3.1.2, 3.1.5 and 3.1.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2006-07 to 2011-12.

Table 3.1.5

(₹ in crore)

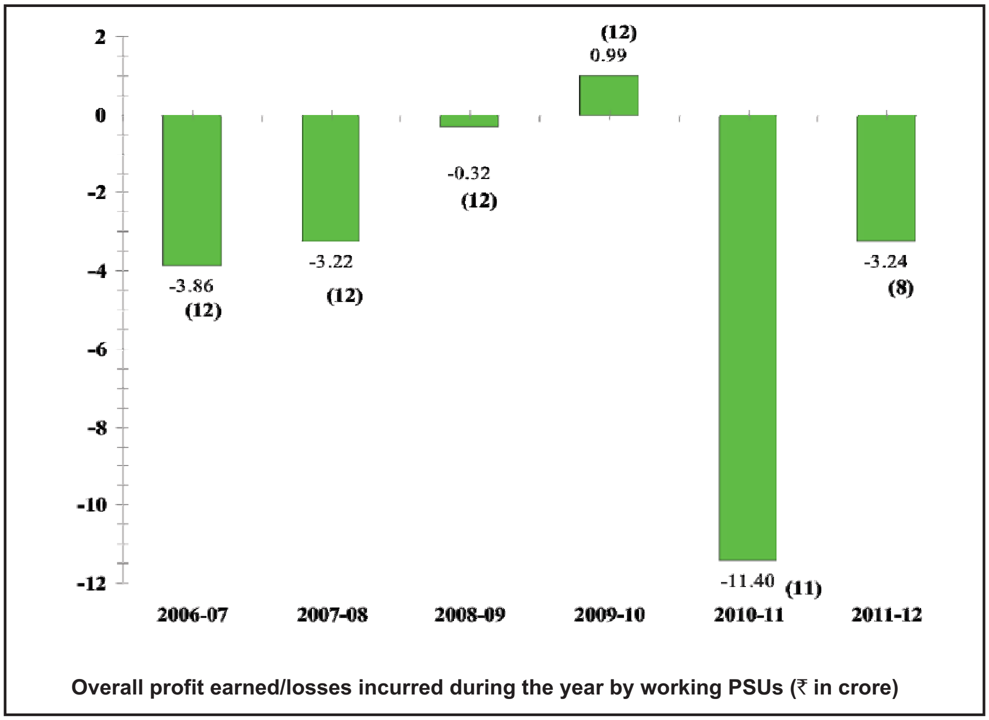
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[9]	45.80	44.44	31.34	41.98	42.81	86.43
State GDP	2,161.45	2,506.09	3,229.08	6,132.76	7,144.55[10]	8,399.88[11]
Percentage of Turnover to State GDP	2.12	1.77	0.97	0.68	0.60	1.03

Source: Data collected from PSUs and Dept. of Economics, Statistics, Monitoring & Evaluation

It may be noticed that during 2006-12, the State GDP had grown by 289 *per cent* from ₹ 2,161.45 crore (2006-07) to ₹ 8,399.88 crore (2011-12). The increase in turnover of State PSUs during the corresponding period was, however, only to the extent of 89 *per cent*. As a result, the percentage of turnover of PSUs to State GDP decreased from 2.12 *per cent* (2006-07) to 1.03 *per cent* (2011-12).

3.1.16 Profit earned/Losses[12] incurred by the State working PSUs during 2006-07 to 2011-12 are given below in the bar chart.

Chart 3.14



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

As per the latest finalised accounts as on 30 September 2012, out of eight working PSUs, four PSUs[13] incurred an aggregated loss of ₹ 16.91 crore whereas four PSUs[14] earned a profit of

[9] *Turnover as per their latest finalised accounts as on 30 September 2012.*
[10] *Provisional Estimates*
[11] *Quick Estimates*
[12] *Figures are as per the latest finalised accounts during the respective years.*
[13] *Sl. No. A-1, A-2, A-3 and A-5 of Appendix 3.1.2*
[14] *Sl. No. A-4, A-6, A-7 and A-8 of Appendix 3.1.2*

₹ 13.67 crore during the year 2011-12. The major profit was earned by SBS and SIDICO (₹ 11.84 crore and ₹ 1.13 crore respectively).

It may be observed that the performance of State working PSUs in terms of the overall working result had shown improving trend upto 2009-10 when overall losses of 2006-07 (₹ 3.86 crore) turned into profits of ₹ 0.99 crore (2009-10). The working PSUs, however, incurred overall losses of ₹ 11.40 crore during 2010-11 mainly on account of loss of ₹ 9.63 crore reported by Sikkim Power Development Corporation Limited due to the interest paid on loans borrowed for project execution. The position again improved during 2011-12 when the overall losses of State working PSUs reduced to ₹ 3.24 crore, which was on account of profits (₹ 11.84 crore) earned by one Statutory Corporation (viz. State Bank of Sikkim) and transfer of three loss making Government Companies[15] under non-working category during 2011-12.

3.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 3.45 crore, which were controllable with better management. Year wise details from Audit Reports are stated below:

Table 3.1.6

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net profit/(loss)	0.99	(11.40)	(3.24)	(10.73)
Controllable losses as per CAG's Audit Report	0.24	2.79	-	3.45
Infructuous Investment	2.58	-	-	2.58

Source: Data collected from PSUs and CAG's Audit Reports

3.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses could be much more. The above table shows that with better management, the losses can be minimised substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

3.1.19 Some other key parameters pertaining to State PSUs are given below:

Table 3.1.7

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (*per cent*)	0.81	1.80	3.38	2.00	5.24
Debt	124.61	194.46	462.76	395.91	260.93
Turnover[16]	44.44	31.34	41.98	42.81	86.43
Debt/Turnover Ratio	2.80:1	6.20:1	11.02:1	9.25:1	3.02:1
Interest Payments	29.68	5.52	7.33	24.56	64.90
Accumulated losses	58.06	66.86	68.62	69.82	83.57

(Above figures pertain to all PSUs except for turnover which is for working PSUs)
Source: Data collected from PSUs

[15] *Sl. No. C-12, C-13 and C-14 of Appendix-3.1.2*
[16] *Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012.*

3.1.20 There was constant improvement in Debt Turnover Ratio during 2009-12 from 11.02:1 (2009-10) to 3.02:1 (2011-12) due to gradual increase in the turnover figures and significant reduction in the debts of PSUs after 2009-10. The decrease in the debts was mainly in respect of two State PSUs (viz. Sikkim Industrial Development and Investment Corporation Ltd. and Sikkim Power Development Corporation Ltd.). The percentage of return on capital employed had also increased significantly from 0.81 per cent (2007-08) to 5.24 per cent (2011-12) mainly due to increase in interest earned by two State PSUs (viz. Sikkim Industrial Development and Investment Corporation Ltd. and State Bank of Sikkim).

3.1.21 The State Government had not formulated (September 2012) any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2012, four PSUs earned an aggregate profit of ₹ 13.67 crore but none of these PSUs declared any dividend. The State Government may consider framing a dividend policy to ensure a minimum return on its investments.

Arrears in finalisation of account

3.1.22 The Companies Act, 1956 is not extended to the State of Sikkim. The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 and the Statutory Corporations are governed under the proclamation of the erstwhile Chogyal (King) of Sikkim. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2012.

Table 3.1.8

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	Number of Working PSUs	12	11	11	11	8
2	Number of accounts finalised during the year	19	24	10	8	7
3	Number of accounts in arrears	31	18	19	22[17]	20
4	Average arrears per PSU (3/1)	2.58	1.64	1.73	2.00	2.50
5	Number of Working PSUs with arrears in accounts	12	11	11	9	8
6	Extent of arrears (in years)	1 to 4	1 to 4	1 to 4	1 to 5	1 to 4

3.1.23 The table above indicates that the PSUs were able to finalise significant number of accounts during 2007-08 (19 nos.) and 2008-09 (24 nos.). As a result, the backlog in arrears of accounts reduced from 31 arrear accounts (2007-08) to 20 arrear accounts (2011-12). None of the working PSUs had, however, finalised their accounts for the year 2011-12. The delay in finalisation of accounts of the working PSUs was due to delay in compilation/adoption of accounts by the BoDs of the respective PSUs.

3.1.24 In addition to above, there were arrears in finalisation of accounts by 7 non-working PSUs ranging from 1 to 17 years.

[17] *including three accounts of one company (Sl. No. C-14 of Appendix-3.1.2) which became non-working during 2011-12 with other two companies (Sl. No.C-12 & C-13 of Appendix-3.1.2)*

3.1.25 The State Government had invested ₹ 4.30 crore (Equity: ₹ 0.26 crore and Grants: ₹ 4.04 crore) in two working PSUs during the years for which their accounts had not been finalised as detailed in **Appendix- 3.1.4**. Delay in finalisation of accounts might result in risk of fraud and leakage of public money.

3.1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments of the State Government were informed every quarter by the audit about the arrears in finalisation of accounts, no remedial measures were taken to clear the backlog of accounts in a time bound manner.

In view of the arrear position discussed above, it is recommended that the Government may impress upon respective PSUs to expedite the process of finalisation of accounts and bring them upto date.

Winding up of non-working PSUs

3.1.27 There were seven non-working PSUs (six Companies and one Statutory Corporation) as on 31 March 2012. None of these non-working PSUs have commenced liquidation process. The numbers of non-working PSUs at the end of each of the previous five years are given below.

Table 3.1.9

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working Companies	3	3	3	3	6
No. of non-working Corporations	-	1	1	1	1
Total	**3**	**4**	**4**	**4**	**7**

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2011-12, one non-working PSU[18] incurred an expenditure of ₹ 0.20 crore towards salaries of its employees which was financed by the State Government.

The stages of closure in respect of non-working PSUs are given below.

Table 3.1.10

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	6	1	7
2	Closure, i.e. closing orders/instructions issued but liquidation process not yet started.	5[19]	1[20]	6

During 2011-12, the Government of Sikkim decided to close down three working PSUs[21]

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[18] *Sikkim Mining Corporation*

[19] *Sikkim Jewels Limited, Sikkim Time Corporation Limited and Sikkim Precision Industries Limited, Sikkim Flour Mills Limited and Chandmari Workshop and Automobiles Limited.*

[20] *Sikkim Mining Corporation*

[21] *Sikkim Jewels Limited, Sikkim Time Corporation Limited and Sikkim Precision Industries Limited*

which were incurring losses as there was no possibility of their turnaround. These three PSUs had stopped their operations and employees were relieved during April 2011.

No Company/Corporation was, however, wound up during 2011-12. The Government may make a decision regarding winding up of these seven non-working PSUs.

Accounts Comments and Internal Audit

3.1.28. Four working Companies forwarded their five audited accounts relating to earlier years to the Principal Accountant General during the year 2011-12[22]. Out of these, three accounts of three Companies were selected for supplementary audit. In respect of remaining two accounts of two working Companies, non-review certificate had been issued. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below.

Table 3.1.11

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	-	-	6	29.93	2	0.51
2	Increase in profit	1	0.03	1	2.59	-	-
3	Decrease in loss	-	-	3	1.49	1	0.11
4	Decrease in profit	-	-	1	1.05	4	11.05
5.	Non-disclosure of material facts	2	-	-	-	-	-
6.	Errors of classification	2	0.06	5	7.77	4	4.04
		5	**0.09**	**16[23]**	**42.83**	**11[24]**	**15.71**

3.1.29 During the year, out of total seven accounts finalised by five PSUs, the statutory auditors had given unqualified certificates for two accounts and qualified certificates for five accounts. Additionally, CAG also qualified five accounts during the supplementary audit.

3.1.30 One working Statutory Corporation forwarded its two annual accounts[25] relating to earlier years to the Principal Accountant General during the year 2011-12.

3.1.31 Some of the important comments in respect of accounts of the PSUs audited during 2011-12 are stated below.

State Bank of Sikkim (2006-07)

➢ Non-provision of dues of ₹ 6.33 crore, which were doubtful of recovery had resulted in overstatement of Advances and Profit for the year as well as understatement of Accumulated loss by ₹ 6.33 crore each.

[22] During the period October 2011 to September 2012
[23] Significant impact on 16 instances of seven PSUs
[24] Significant impact on 19 instances of five PSUs
[25] State Bank of Sikkim for 2006-07 & 2007-08.

State Bank of Sikkim (2007-08)

- Non provision of liabilities against service tax (₹ 1.36 crore) and rent (₹ 0.59 crore) resulted in understatement of Other Liabilities & Provisions with corresponding overstatement of profit by ₹ 1.95 crore each.

- The share capital of SBS was held by Government of Sikkim (GOS) and UCO Bank. 10,000 shares valuing ₹ 10 lakh were allotted to UCO Bank, of which UCO Bank paid ₹ 5 lakh only. With a view to re-allot the shares, SBS returned (June 2006) the amount paid by UCO Bank which was inconsistent with the Proclamation of GOS.

Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (2009-10)

- The share capital include ₹ 1.79 crore being the grant received from the Government of Sikkim during 1998-99 wrongly shown as shares held by Government of Sikkim. The amount should have been booked under the head Reserves & Surplus instead of including the same under share capital. This resulted in overstatement of Share Capital by ₹ 1.79 crore with a consequential understatement of Reserves & Surplus by same amount.

Sikkim Tourism Development Corporation (2009-10)

- The Statutory Auditors' Report on the Unit accounts of Head Office, Sikkim House Kolkata and Rangpo Tourist Lodge had given qualified certificate in their respective reports. However, the Auditors' Report on the consolidated accounts had not reported the qualifications made by the Unit Auditors nor made any reference on the same. Further, the consolidated accounts did not include the accounts of Heliservice, which had earned a profit of ₹ 1.02 crore during the year 2009-10 and had accumulated loss of ₹ 0.39 crore as on 31 March 2010.

Recoveries at the instance of audit

3.1.32 During the course of propriety audit in 2011-12, recoveries of ₹ 64.98 crore were pointed out to the Management of various PSUs. As against this, an amount of ₹ 0.45 crore was recovered by the PSUs during 2011-12.

Status of placement of Separate Audit Reports

3.1.33 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government.

Table 3.1.12

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	Reasons for delay in placement in Legislature
1.	State Trading Corporation of Sikkim	2004-05	2005-06 to 2007-08	August 2011	Concerned administrative department delayed forwarding of SARs for placement in Legislature.
2.	State Bank of Sikkim	2004-05	2005-06 & 2006-07	August 2011 July 2012	
3.	Sikkim Mining Corporation	2006-07	2007-08	July 2012	

Delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

3.1.34 During the year 2011-12, Government of Sikkim had disinvested 49 *per cent* of its equity shareholding (9.95 lakh shares of ₹ 100 each) in Sikkim Power Development Corporation Limited for ₹ 42.25 crore.

Reforms in Power Sector

3.1.35 The State Government targeted the setting up of State Electricity Regulatory Commission (SERC) by May 2003. In terms of the Electricity Act 2003, the State Government was also required to constitute a three member Selection Committee for the purpose of selecting members of the SERC. The State Government constituted the Sikkim State Electricity Regulatory Commission in April 2011.

A Memorandum of Understanding (MoU) was signed in December 2002 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Table 3.1.13

Sl. No.	Milestone	Achievement as of March 2012
1	Setting up of SERC.	SERC in the State has been set up in April 2011.
2	100 *per cent* metering of all consumers.	Out of 88,706 consumers, 65,648 consumers (74 *per cent*) were metered (March 2012).
3	100 *per cent* metering and energy audit and accounting for each 11 KV feeder.	11 KV feeder metering has been completed but due to malfunctioning of meters at a number of installations, proper energy auditing for each 11 KV feeder could not be accomplished. However, under Restructured Accelerated Power Development & Reforms Programme (R-APDRP) the metering of 11 KV feeders in Gangtok and Upper Tadong town has been installed but yet to be commissioned.
4	Mandatory installation of capacitor for consumers of more than 10 HP.	As motors of 10 HP capacity are installed in industrial applications/units only, the concerned units have installed capacitors of required capacities.

Sl. No.	Milestone	Achievement as of March 2012
5	Computerised billing and Management Information System (MIS).	Computerised billing is being done in four Sub-divisions in Gangtok. The MIS was under implementation under R-APDRP scheme for Gangtok. In rest of Sikkim, the energy bills are prepared manually.
6	Consumer indexing.	Consumer Indexing has been started at Gangtok only under R-APDRP Scheme and the work is in progress.

From the table above, it may be noticed that even after lapse of almost 10 years of signing the MoU, the milestones set under the power sector reforms programme could not be fully achieved in four out of six identified areas.

ENERGY AND POWER DEPARTMENT

3.2 Performance Audit of Power Transmission activities of Energy & Power Department, Government of Sikkim

Highlights

The Energy and Power Department (EPD) is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The EPD, however, had not prepared the State Electricity Plan, in line with the National Electricity Plan of February 2005. The annual plans for augmentation of transmission network were prepared on felt need basis depending on availability of funds without considering the future load growth and probable demand for power.

The execution of transmission projects by EPD suffered with several deficiencies mainly relating to delays and excessive time taken in completing the preparatory and pre-work award activities. As the execution of transmission projects was undertaken without synchronisation with actual progress of execution of generating plans, the facilities so created remained underutilised. The Transmission and Distribution losses of EPD exceeded the norms prescribed by the Central Electricity Authority in all five years. Due to non-revision of tariff for last six years, EPD had suffered huge financial losses on sale of energy. The (Sikkim) State Load Dispatch Centre (SLDC) was connected only with 7 SSs out of 19 SSs and in the absence of effective communication network, the SLDC could not monitor the efficiency of the transmission system in the State. The energy accounting and audit system of the EPD was unreliable in the absence of proper metering arrangements. There was no scientific system in place for management of inventory.

Following are the main highlights of the performance audit:

Energy and Power Department had not prepared State Electricity Plan for planning and development of intra-state transmission system in lines with the National Electricity Plan.

(Paragraph 3.2.9)

Against the capacity additions of substations (302 MVA) and transmission lines (338 CKM) targeted under annual plans during 2007-12, EPD could complete capacity additions to the extent of 100 MVA (33 *per cent*) and 69.81 CKM (21 *per cent*) only in respect of substations and transmission lines respectively.

(Paragraph 3.2.10)

Out of 13 projects completed during 2007-12, all the eight projects test checked were delayed by 31 to 67 months. Further, test check of 10 out of 19 ongoing projects showed that 7 ongoing projects had already been delayed by 27 to 100 months till October 2012 and remaining three projects were also at initial stages of execution.

(Paragraph 3.2.12)

The delays in execution of projects occurred mainly on account of delay in completing the preparatory activities like obtaining forest clearance, acquisition of project land, etc. and excessive time taken in processing/finalisation of tenders and issue of work orders, etc.

(Paragraph 3.2.13)

In absence of adequate evacuation system, the EPD lost the opportunity of generating 84.71 MUs from Rongli and Lachung Hydro Electric Projects involving revenue of ₹ 21.86 crore.

(Paragraph 3.2.23)

The total transmission and distribution losses suffered by the EPD in excess of Central Electricity Authority norms for the period 2007-12 were 557.57 MUs valuing ₹ 116.39 crore.

(Paragraph 3.2.33)

Sikkim State Load Dispatch Centre commissioned at a cost of ₹ 10.57 crore remained non-functional since April 2011 due to breakdown of connectivity.

(Paragraph 3.2.36)

EPD had not established Disaster Management programme to safeguard against the risk of blackout situation in case of major transmission system failure.

(Paragraph 3.2.41)

Materials valuing ₹ 0.99 crore remained idle in stores for more than 15 years and no materials were issued from the stores during the performance audit period.

(Paragraph 3.2.48)

Introduction

3.2.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, inter-alia recognised the need for development of National and State Grid with the coordination of Central/State Transmission Utilities. As part of power sector reforms, separate companies were to be formed for managing and controlling the generation, transmission and distribution of electricity in the State of Sikkim. However, only one State owned company (namely, Sikkim Power Development Corporation Limited) was formed in 1998 to look after the generation related aspects, which at present is engaged in operation and maintenance of mini hydro projects. Presently, the activities relating to generation, transmission (including grid operations) and distribution of electricity in the State of Sikkim are managed and controlled by the Energy & Power Department (EPD), Government of Sikkim (GoS). The EPD is mandated to provide an efficient, adequate and properly coordinated grid management and transmission of energy.

3.2.2 The EPD is headed by the Principal Chief Engineer-cum-Secretary (PCE-cum-Secretary). The day-to-day operations of EPD are carried out by the PCE-cum-Secretary with the assistance of six Chief Engineers, two Chief Accounts Officers and a host of junior level engineering staffs. During 2007-08, 375.22 Million Units (MUs) of energy was transmitted by the EPD which increased to 597.22 MUs in 2011-12, i.e. an increase of 59 *per cent* during 2007-12. As on 31 March 2012, the EPD had a transmission network of 361.47 CKM and 19 Sub-stations (SSs) with installed capacity of 297.5 MVA capable of annually transmitting 597.22 MUs at 66 KV and 132 KV level. The turnover of the EPD was ₹ 358.41 crore[26] in 2011-12 which was equal to 4.27 *per cent* of State Gross Domestic Product[27]. It employed 3,850 employees as on 31 March 2012.

A Performance Audit on Power Distribution Utilities was included in the Report of the Comptroller and Auditor General of India (Report No.2), GOS for the year ended 31 March 2011. The Report had not yet been discussed by the Public Accounts Committee.

Scope and Methodology of Audit

3.2.3 The present Performance Audit conducted during April 2012 to June 2012 covers performance relating to the transmission activities of the EPD during 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings at the Head Office and five out of seven[28] circles each headed by an Additional Chief Engineer, except Ravangla Circle which is headed by a Superintending Engineer.

Out of six SSs (capacity: 70 MVA) constructed during 2007-12, four SSs (capacity: 55 MVA) were selected for examining project execution related issues. Similarly, out of seven transmission lines (Distance: 69.81 CKM) completed during 2007-12, four lines (Distance: 42 CKM) were examined. The augmentation of 30 MVA made in four SSs were also examined. Besides, out of 13 SSs and 6 transmission lines under construction, the project execution in

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[26] *Combined turnover of EPD against sale of power within as well as outside the state*
[27] *Quick estimate for 2011-12 is ₹ 8,399.88 crore*
[28] *Gangtok, Topakhani, Rongli, Jorethang, Ravangla, Gyalshing and Mangan*

respect of six SSs and four lines were also examined. The sample selection for examining project execution related aspects was made on the basis of financial value covering four districts in the State.

The operational performance of 8 SSs[29] out of 19 SSs as on March 2012, as well as related transmission lines, were examined in audit. The sampling was based on a mix of all categories of SSs (having capacity of 5, 10 and 20 MVA each) consisting of mix of good and bad performing SSs. The sample selection was made based on the capacity and geographic location of the SS.

Audit Objectives

3.2.4 The objectives of the performance audit were to assess whether:

- ➢ Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/Plan and State Electricity Regulatory Commission (SERC) and assessment of impact of failure to plan, if any;
- ➢ The transmission system was developed and commissioned in an economical, efficient and effective manner;
- ➢ Operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- ➢ Effective failure analysis system was set up;
- ➢ Disaster Management System was set up to safeguard the transmission operations against unforeseen disruptions;
- ➢ Effective and efficient system existed for filing of Aggregate Requirement Revenue (ARR) for tariff revision in time;
- ➢ Efficient and effective energy conservation measures were undertaken in line with the National Electricity Plan (NEP) and Energy Audit System was established;
- ➢ Efficient and effective system of Procurement of material and inventory control mechanism was in place; and
- ➢ There is a monitoring system in place to - review existing/ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/Internal audit observations.

Audit Criteria

3.2.5 The audit criteria for assessing the achievement of the audit objectives were derived from the following sources:

- ➢ Provisions of National Electricity Policy/Plan and National Tariff Policy;
- ➢ Perspective Plan and Project Reports of the EPD;

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[29] *132KV SS at Melli, 66 KV SSs at Melli, Phodong, Sichey, Tadong, LLHP, Bulbulay, and Pelling*

- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- Report of the Task force constituted by the Ministry of Power to analyse critical elements in transmission project implementation;
- Report of the Committee constituted by the Ministry of Power recommending the "Best Practices in Transmission";
- Directions from State Government/Ministry of Power (MoP);
- Norms/Guidelines issued by SERC/Central Electricity Authority (CEA);
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code consisting of planning, operation, connection codes
- Reports of Regional Power Committee (RPC)/Regional Load Dispatch Centre (RLDC); and
- Circulars, Manuals and MIS reports of the EPD.

Audit Methodology

3.2.6 Audit followed the following mix of methodologies:

- Scrutiny of loan/subsidy files, physical and financial progress reports;
- Analysis of data from annual budgets and physical as well as financial progress with completion reports;
- Scrutiny of records relating to project execution, procurement, receipt of funds and expenditure;
- Examination of tariff fixed by State Electricity Regulatory Commissions (SERC); and
- Interaction with the Management during entry and exit conference.

Besides, the audit objectives were also explained to the EPD during an 'Entry Conference' held on 2 April 2012. Subsequently, audit findings were reported to the EPD/GOS in August 2012 and discussed in an 'Exit Conference' held on 12 November 2012. The Exit Conference was attended by Principal Chief Engineer-cum-Secretary and Chief Engineers of the EPD. The EPD replied to audit findings in November 2012. The views expressed by them have been appropriately considered while finalising this Performance Audit.

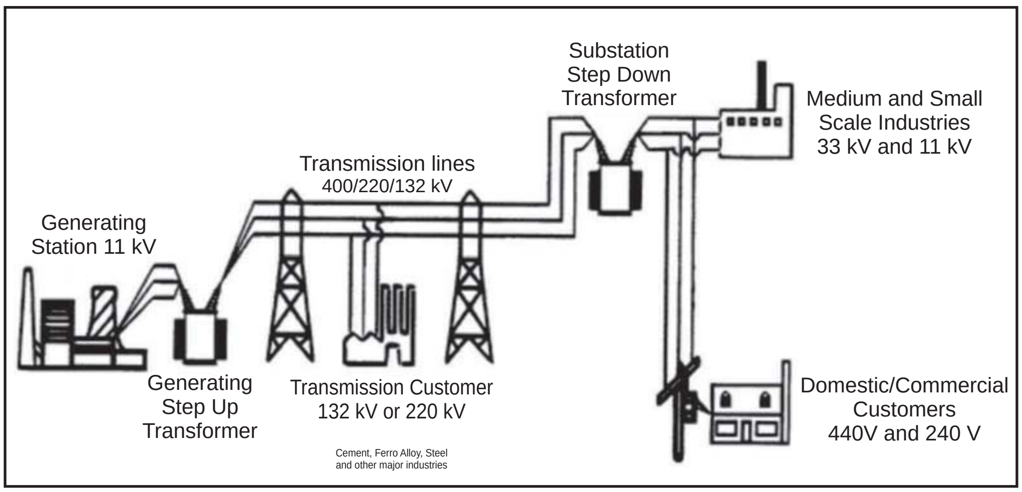
Brief description of transmission process

3.2.7 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 KV and above. However, in Sikkim the transmission of power is done at 66 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. Sub-stations (SSs) are facilities within the high voltage electric system used for stepping-up/stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step down transmission SSs thereafter decreases voltages to sub transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages.

Electrical energy cannot be stored; hence generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:

Charrt 3.2.1



Audit Findings

3.2.8 The audit findings of Performance Audit has been finalised after taking into consideration the replies and views expressed by the representatives of EPD and GOS during exit conference. The audit findings are discussed in the succeeding paragraphs.

Planning and Development

National Electricity Policy/Plan

3.2.9 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan in coordination with all concerned agencies. At the end of 10th Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220/kV stood at 1.98 lakh CKM of transmission lines which was planned to be increased to 2.93 lakh CKM by end of 11th Plan i.e. March 2012. The National Electricity Plan assessed the total inter-regional transmission capacity at the end of 2006-07 as 14100 MW and further planned to add 23,600

MW in 11th plan bringing the total inter-regional capacity to 37,700 MW.

Similarly, the EPD's transmission network at the beginning of 2007-08 consisted of 13 Extra High Tension (EHT) SS with a transmission capacity of 197.5 MVA and 291.66 CKM of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 19 EHT SSs with a transformation capacity of 297.50 MVA and 361.47 CKM of EHT transmission lines.

The EPD is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The State Electricity Regulatory Commission (SERC), however, had not given any instructions/guidance to the EPD for preparation of State Electricity Plan (SEP). The EPD also had not formulated any State Electricity Plan in line with the National Electricity Plan 2005 prepared by the Central Electricity Authority **(CEA).** The EPD, however, had prepared Master Plan (September 2009) engaging a private consultant for Transmission Network of Power Lines in Sikkim, with a perspective of 15 years (2009-2024). It was, however, noticed that even the suggestions made in the Master Plan were not considered by EPD before taking up the projects. In fact the projects were taken up by EPD on need basis depending on the availability of funds. In a test check of three out of six projects taken up by EPD during 2009-12 (viz. after preparation of the Master Plan), it was found that there was no reference of the Master Plan in the Detailed Project Reports (DPRs) of these three projects. Thus, EPD failed to make scientific plans and upgrade the existing transmission network taking into account the growth in load and increase in future demand of power. Besides, in absence of necessary synchronization between State and National Electricity Plans, the benefit of planned development as reflected in the National Power policy could not be derived.

Transmission network and its growth

3.2.10 The transmission capacity of the EPD at EHT level during 2007-08 to 2011-12 is given below:

Table 3.2.1

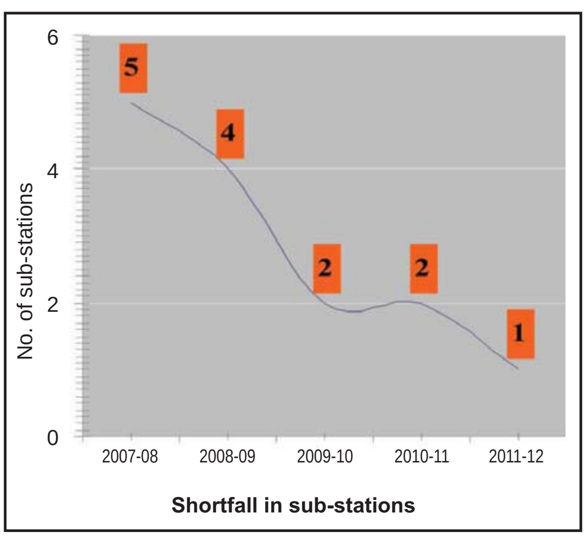
Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
A. Number of Sub-stations (Numbers)						
1	At the beginning of the year	13	14	15	15	17
2	Additions planned for the year	6	5	2	4	3
3	Added during the year	1	1	0	2	2
4	Total sub stations at the end of the year **(1+3)**	14	15	15	17	19
5	Shortfall in additions **(2-3)**	5	4	2	2	1
B. Transformers capacity (MVA)						
1	Capacity at the beginning of the year	197.5	207.5	232.5	242.5	260
2	Additions/augmentation planned for the year	67	60	35	72.5	67.5
3	Capacity added during the year	10	25	10	17.5	37.5
4	Capacity at the end of the year **(1+3)**	207.5	232.5	242.5	260	297.5
5	Shortfall in additions/augmentation	57	35	25	55	30
C Transmission lines (CKM)						
1	At the beginning of the year	291.66	309.66	322.47	333.47	361.47
2	Additions planned for the year	81	81	58	58	60
3	Added during the year	18	12.81	11	28	0
4	Total lines at the end of the year **(1+3)**	309.66	322.47	333.47	361.47	361.47
5	Shortfall in additions **(2-3)**	63	68.19	47	30	60

Source: Data collected from substations and planned figures taken from the State Annual Budget

The above table shows that the number of SSs increased from 13 to 19 (46 *per cent*), with corresponding increase in the Transformer Capacity from 197.50 MVA to 297.50 MVA (51 *per cent*) during 2007-12. Similarly, Transmission lines also increased from 291.66 CKM to 361.47 CKM (24 *per cent*) during the last five years. As against this, however, the power consumption in the State had grown by 59 *per cent* from 375.22 MUs (2007-08) to 597.22 MUs (2011-12).

Chart 3.2.2 **Chart 3.2.3**

Line Graph showing the trend in shortfall in addition of Sub-stations in numbers as well as accretion to transformation capacity



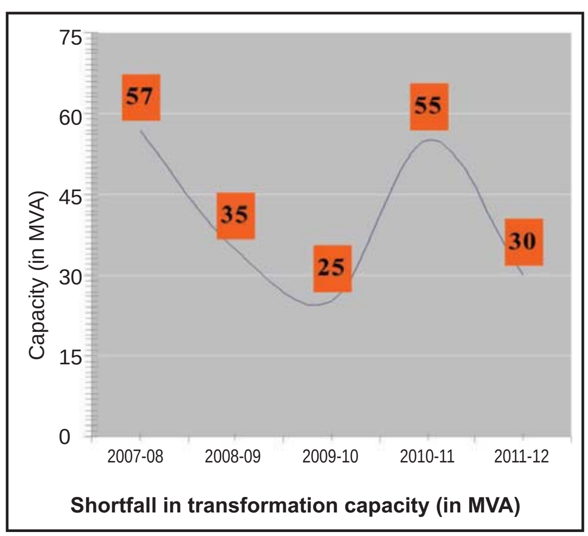
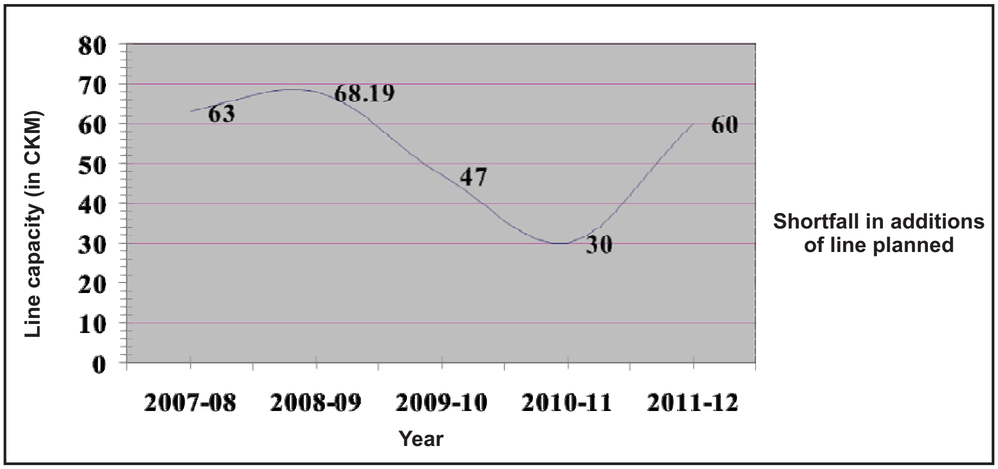


Chart 3.2.4

Line Graph showing trend in shortfall in addition of lines in Circuit Kilometres (CKM)



It may be observed that during 2007-12, the yearwise shortfall in the capacity addition of SSs and TLs ranged from 25 MVA to 57 MVA and 30 CKM to 68.19 CKM respectively as compared to the annual targets fixed. The overall actual capacity addition during 2007-12 in respect of SSs and TLs was 100 MVA (33 *per cent*) and 69.81 CKM (21 *per cent*) as against the target of 302 MVA and 338 CKM respectively.

The particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity additions, etc. during performance audit period are given in **Appendix 3.2.1**. The reasons attributed for shortfall in capacity addition and slippages in achieving the target by the EPD were improper planning and delay in execution of projects, as discussed in the succeeding paragraphs.

Project management of transmission system

3.2.11 The transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project Execution Phase. For reduction in project implementation period, the Ministry of Power, Government of India constituted a Task Force on transmission projects (February 2005) with a view to:

- analyse the critical elements in transmission project implementation,
- implementation from the best practices of CTU and STUs, and
- suggest a model transmission project schedule for 24 months' duration.

The Task Force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems.

- Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities, etc. in advance/parallel to project appraisal and approval phase and go ahead with construction activities once

Transmission Line Project sanction/approval is received;

- Break-down the transmission projects into clearly defined packages such that the packages can be procured & implemented requiring least coordination & interfacing and at same time it attracts competition facilitating cost effective procurement; and
- Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

3.2.12 Notwithstanding the elaborate guidelines given by the Task Force Committee for timely completion of the projects, the EPD failed to execute several SSs and Lines during 2007-12 as detailed below.

Table 3.2.2

Capacity in KV	Total No. Constructed		No. test checked by Audit		Delay in construction (Numbers)		Time overrun[30] (range in months)		Cost overrun (₹ in crore)	
	SSs	Lines	SS	Lines	SSs	Lines	SSs	Lines	SS	Lines
Completed (Numbers)										
132 kv	1	2	1	1	1	1	32	32	Nil	Nil
66 kv	5	5	3	3	3	3	31-67	60-62	Nil	Nil
Under Construction (Numbers)										
132 kv	-	-	-	-	-	-	-	-	-	-
66 kv	13	6	6	4	3*	4	89-100	27-100	Nil	Nil

**excluding three SS projects for which the scheduled date of completion was not over (as of October 2012)*

Out of six SSs and seven transmission line projects completed during the performance audit period, the scrutiny of files relating to construction of four SSs[31] and four transmission lines[32] were examined. It may be observed that all the eight projects completed during 2007-08 to 2011-12 and test checked in audit were delayed in completion for periods ranging from 31 to 67 months.

As regards the ongoing projects, records relating to 10 (6 SSs[33] and 4 TLs[34]) out of 19 (13 SSs and 6 TLs) ongoing projects sanctioned during 2007-12 by the Ministry of Development of North East Region (DONER) and Ministry of Power (MoP) were examined. It was observed that as against the period of 18 months prescribed by DONER for completion of projects, seven out of ten ongoing projects test checked had already been delayed for periods ranging from 27 to 100 months (October 2012).

The main reasons attributed for these inordinate delays were delays in acquisition of project land, excessive time taken in obtaining statutory/forest clearance **(Paragraphs 3.2.14, 3.2.15, 3.2.17, 3.2.19** and **3.2.20)**, excessive time taken in finalisation of tenders and award of work **(Paragraph 3.2.16, 3.2.17),** delay in release of State Government's share of project funding

[30] *Test checked in audit*
[31] *SS at Bulbulay, Pelling, Chungthang and Gyalshing*
[32] *TL from Sichey to Bulbulay, LLHP to Bulbulay, Meyong to Chungthang, Gyalshing to Sagbari*
[33] *SS under constructions at Khamdong, Perbing, Sombaria, Jorethang, Rabomchu and Lachung Switchyard*
[34] *TL under construction-Khamdong to Phodong, LLHP to Nathula, Sombaria to Soreng, Rongli to Sungdung*

(**Paragraph 3.2.19**), non-receipt of material due to non-pursuance with the supplier **(Paragraph 3.2.21)**, etc. The case study on project execution has been presented under **paragraphs 3.2.17 to 3.2.21** *infra*.

Deficiencies in completing the preparatory and other pre-work award activities

3.2.13 With a view to accelerate the works relating to transmission infrastructure projects, the Task Force constituted by MoP had suggested (July 2005) several remedial actions, which include taking up the preparatory activities in advance/parallel to project appraisal phase, awarding the work after splitting the projects into clearly defined packages, standardising the design of tower fabrication, etc. It was observed that the EPD was not able to adhere to the detailed steps recommended by the Task Force for speedy and timely completion of the projects right from project formulation to implementation. During test check of 8 out of 13 works completed during 2007-12, it was observed that none of these eight works were completed within the stipulated time mentioned in the work orders as delays were occurred at various stages of project planning and execution.

The stage wise details of time taken in pre and post work award activities of the projects relating to four new SSs and four new TLs completed during 2007-12 and test checked in audit are tabulated in **Table 3.2.3**.

Table 3.2.3

Sl. No.	Name of the Project	Date of sanction of DPR	Date of Notice Inviting Tenders (NIT)	Date of work order	Time taken in issue of work order after sanction of DPR (in months)	Schedule date of completion	Actual date of completion	Delay in months
	Construction of Substations							
1	Bulbulay Substation	April 2002	August 2002	December 2002	8	March 2004	October 2009	67
2	Gyalshing Substation	July 2004	February 2005	October 2005	15	October 2006	June 2009	32
3	Chungthang Substation	March 2004	June 2004	October 2004	7	October 2005	December 2010	62
4	Pelling Substation	December 2006	No NIT	May 2007	5	May 2008	December 2010	31
	Drawing of Transmission line from							
5	LLHP to Bulbulay	April 2002	August 2002	December 2002	8	March 2004	March 2009	60
6	LLHP to Sichey	April 2002	August 2002	December 2002	8	March 2004	March 2009	60
7	Meyong to Chungthang	March 2004	July 2004	October 2004	7	October 2005	December 2010	62
8	Gyalshing to Sagbari	July 2004	February 2005	October 2005	15	October 2006	June 2009	32

Similarly, the stage wise details of time taken in pre and post work award activities in respect of 10 out of 19 ongoing projects (13 SSs and 6 transmission lines) test checked are tabulated in **Table 3.2.4** below:

Table 3.2.4

Sl. No.	Name of the Project (Ongoing)	Date of sanction of DPR	Date of Notice Inviting Tenders (NIT)	Date of work order	Time taken in issue of work order after sanction of DPR	Schedule date of completion	Actual date of completion	Delay in months upto October 2012
	Construction of substations							
1	Kamdong	April 2003	August 2003	February 2004	10	June 2004	Work in progress	100
2	Sombaria	April 2003	August 2003	February 2004	10	June 2004		100
3	Jorethang	April 2003	January 2004	November 2004	18	May 2005		89
4	Perbing	April 2010	October 2010	June 2011	14	December 2012		-
5	Lachung switchyard[35]	March 2011	January 2010	April 2012	13	October 2013		-
6	Rabomchu	July 2011	January 2010	April 2012	9	October 2013		-
	Drawing of Transmission lines							
7	Kamdong to Phodong	April 2003	January 2004	September 2004	17	March 2005	Work in progress	91
8	Sombaria to Soreng	April 2003	August 2003	February 2004	10	June 2004		100
9	LLHP to Nathula	June 2006	August 2006	February 2007	8	February 2009		44
10	Rongli to Sungdung	August 2009	Not issued	January 2010	5	July 2010		27

From the **Tables 3.2.3 and 3.2.4** above, it may be noticed that the delays in execution of 8 out of 13 projects completed during 2007-12 and test checked in Audit ranged between 31 and 67 months. In case of ongoing projects, it may be observed that in 7 out of 10 ongoing projects test checked, the completion of works had already been delayed for periods ranging from 27 months to 100 months (till October 2012). In respect of the remaining three projects, though the scheduled date of completion was not over (as of October 2012), the execution of these works was at initial stages and was also likely to be delayed.

The delays in completion of the projects occurred mainly on account of abnormally higher time taken in completing the preparatory activities like, obtaining forest clearance, acquisition of land, etc. Besides, the EPD had also taken excessive time in processing and finalisation of tenders and issue of work orders, which further contributed in delaying the completion of the projects as discussed below.

Delay in obtaining forest clearance

3.2.14 Obtaining of forest clearance is very essential for execution of any project and at the same time, procedural uncertainties are also involved in completing the process. The Task Force constituted by the Government of India also recommended that the process for obtaining the forest clearance should be initiated at the project planning/appraisal stage viz.

[35] *Including transmission line work from Lachung to Maltin*

before award of work so as to ensure timely completion of the project. During the test check of 8 completed and 10 ongoing projects, it was noticed that in 7 projects (6[36] completed and 1[37] ongoing) forest clearance was obtained belatedly after periods ranging from 10 to 57 months from the date of issue of work order, which was not in line with the recommendations of Task Force. The reasons for delay in obtaining forest clearance were not on the records produced to audit.

Delay in acquisition of project land

3.2.15 The acquisition of project land is a pre-requisite for award of project work. Under the provisions of Land Acquisition Act 1894 (LA Act), the process of land acquisition begins with a notification published in the Official Gazette and in two local newspapers. As per the records made available to Audit there were no records of issuing of Preliminary Notice either in the official gazette or in local newspapers for acquisition of project land in respect of 18 projects (8 completed and 10 ongoing) test checked in Audit. It was observed that in 11 cases (7[38] completed and 4[39] ongoing), the project land was acquired belatedly for period ranging from 8 to 65 months after issue of work order. Procedural delays in acquisition of land ultimately caused delay in completion of the projects.

Thus, due to delay in completing the preparatory activities viz. acquisition of land, obtaining statutory clearance, etc. completion of works was also delayed thereby defeating the intended objectives of the projects.

The EPD accepted the audit observation and stated (November 2012) that the delays were due to administrative bottlenecks. The reply is not acceptable as the EPD needed to minimise such procedural delays by better coordination and synchronisation of activities with the concerned departments of the State Government.

Delay in award of works

3.2.16 As per the conditions of the DONER sanctioning the project funding, the EPD needed to issue work orders within a time frame of three months from the date of sanction of the project. From the **Tables 3.2.3 and 3.2.4** under **paragraph 3.2.13** supra, however, it may be noticed that the EPD had taken abnormally higher periods ranging from 5 to 18 months in issuing the work orders after sanction of DPR in respect of 18 projects (8 completed and 10 ongoing) test checked. These delays were mainly due to excessive time taken (3 to 9 months) in preparation of tender documents and issuing Notice Inviting Tenders (NIT). The issue of work orders after NIT was further delayed (3 to 9 months) in all these 18 projects on account of excessive time taken in finalisation of tenders.

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[36] *Construction of substations at Bulbulay and Chungthang, drawing of transmission lines from LLHP to Bulbulay, LLHP to Sichey, Gyalshing to Sagbari and Meyong to Chungthang.*

[37] *Drawing of transmission line from LLHP to Nathula.*

[38] *Construction of substations at Pelling, Bulbulay and Chungthang, drawing of transmission lines from LLHP to Bulbulay, LLHP to Sichey, Gyalshing to Sagbari and Meyong to Chungthang.*

[39] *Construction of substations at Khamdong and Sombaria, drawing of transmission lines from Khamdong to Phondong and LLHP to Nathula.*

The delays at various stages in release of award letters for the works, as stated above, had correspondingly pushed back the scheduled dates of project completion.

Case study

The case study of project execution and deficiencies observed by audit during the test check of records are enumerated in the succeeding paragraphs.

Completed Projects

Transmission line from Lower Lagyap Hydel Project (LLHP) to Bulbulay

3.2.17 With a view to ensure dependable power supply and to have alternate supply for all the 66 KV SSs in East Sikkim area, DONER sanctioned (July 2002) construction of Double Circuit (DC) 66 KV Transmission Line (TL) from LLHP to Bulbulay along with Single Circuit (SC) 66 KV TLs from Bulbulay to Sichey and from Sichey to Ranka. The project was to be implemented by March 2004 under Non Lapsable Control Pool of Resources (NLCPR) at an estimated cost of ₹ 12.97 crore.

The following observations are made on execution of above work:

- The cost of the project was sanctioned by DONER based on the Detailed Project Report (DPR) submitted by EPD. It was observed that while preparing the DPR for the project, several essential works relating to power evacuation system, VCB panels, etc. were not included in the DPR. As a result, the project cost sanctioned by DONER was not found sufficient to meet the cost of the said works. Since the said works were essential for successful commissioning of the project, the EPD had to carry out downward revisions in the scope of the works so as to accommodate the costs of these essential works within the sanctioned project cost (₹ 12.97 crore). It was noticed that the scope of works of LLHP-Bulbulay TL was restricted from Double Circuit to Single Circuit besides scrapping of the Single Circuit TL from Sichey to Ranka on this account. It was observed that though the above deviations to the originally approved project were significant, EPD had not intimated the same to DONER for its concurrence. The downward deviations in the scope of the original project had adversely affected the intended benefits of the project.

- The work order for construction of 66 KV Transmission line from LLHP to Bulbulay was issued in December 2002, with stipulation to complete the work within 15 months (by March 2004). It was, however, observed that the execution of project suffered on account of excessive time taken by EPD in issue of work order by eight months after obtaining the sanction of DONER. Further, the forest clearance was obtained after an abnormal delay of 19 months of issue of work order. Further, though the work order for the project was issued in December 2002, the process of acquisition of project land could be completed after 42 months in June 2006 only. As a result, as against the scheduled date of completion by March 2004, the project was completed after a delay of 60 months in March 2009. Delay in completion of works had correspondingly deferred the intended benefits of the project.

Wasteful expenditure in shifting of transformer

3.2.18 DONER sanctioned (July 2004) the project of Extension of 132 KV system in South and West districts of Sikkim at ₹ 23.03 crore for transmission of power including construction of sub-station at Gyalshing.

Under the above project it was proposed to transfer the 20 MVA transformer installed at Sagbari SS to new 132/66 KV Sub-station at Gyalshing and to replace Sagbari SS with 10 MVA transformer belonging to NHPC and used by EPD. It was observed that before implementing the decision for replacement of Sagbari SS with 10 MVA transformer, no feasibility study was carried out by EPD, which was essential for such decisions. It was noticed that EPD incurred an expenditure of ₹ 66.57 lakh towards dismantling of Sagbari SS transformer. Before the Sagbari SS transformer could be transported for installation in Gyalshing SS, it was found (June 2008) that the 10 MVA transformer proposed for Sagbari SS was not providing adequate backup and could not cater the load demand of West and South Districts. Hence, it was decided to reinstall the Sagbari SS transformer back at Sagbari and to procure a new 20 MVA transformer for 132/66 KV Sub-station at Gyalshing. The new 20 MVA transformer was installed in May 2009 at substation Gyalshing, at a cost of ₹ 3.85 crore. EPD stated (November 2012) that they had no option but to retain the Sagbari SS transformer at Sagbari so as to cater to the then existing load.

Thus, inappropriate decision of the EPD to shift the 20 MVA transformer from Sagbari to Gyalshing switch yard without conducting proper feasibility study had resulted in wasteful expenditure of ₹ 66.57 lakh.

Ongoing projects

Transmission line from LLHP to Nathula

3.2.19 (i) On the basis of Detailed Project Report (DPR) submitted by EPD, DONER sanctioned (June 2006) the work of Construction of 132 KV Transmission Line from Lower Lagyap Hydel Project (LLHP) to Nathula including SS at Sherathang at a cost of ₹ 31 crore. As per the approved funding pattern, the project cost was to be contributed by the Union and State Government in 90:10 ratio. The State Government was to contribute its share (₹ 3.09 crore) after release of the share of the Union Government, Ministry of Power (MoP). The tenders were invited (August 2006) and work order was issued (February 2007), with stipulation to complete the work by February 2009. It was, however, observed that the project had already been delayed by 44 months against the targeted date of completion (February 2009) and the same was still in progress (October 2012). It was observed that though the MoP (Union Government) had already released 65 *per cent* (₹ 18.16 crore) of its share (till October 2012), no funds had been released by the State Government towards its share of the project cost. Delay in release of State Government's share in project funding had contributed towards delay in completion of project. Further, the requisite forest clearance was obtained belatedly in August 2008, 18 months after the issue of work order. The process of acquisition of project land could also be completed only in March 2010, i.e. 37 months after the issue of work order.

It was observed that the EPD failed to undertake these preparatory activities in parallel with the tender process contrary to the recommendations of the Task Force constituted by the GOI.

(ii) For the above mentioned 132 KV transmission line (LLHP to Nathula), the EPD constructed 132KV towers. It was, however, observed that for the said 132 KV line, the Substation had been proposed at 66/11 KV level, instead of 132/11 KV. Thus, the accessories such as transformer, circuit breakers and isolators were also procured considering the suitability of 66/11KV SS. EPD had planned to charge 132 KV transmission line initially at 66 KV and changeover the same to 132 KV at later stage when the future load growth/power demand of Nathula area attain the desired level commensurate to 132 KV infrastructure. It was observed that EPD's planning to changeover the new transmission line from 66 KV to 132 KV would be fruitful only in case the load increases in near future which is doubtful as the sub-station is located at high altitude border area with sparse population.

Image 3.2.1

Towers for proposed 66 KV line

Image 3.2.2

Existing 11 KV line

It may be mentioned that currently the Gangtok town is being fed by 66 KV transmission line. It was not likely in the foreseeable future that Nathula area would attain the density or requirement of electricity comparable to the current requirement of Gangtok town. Therefore, construction of 132 KV transmission line from LLHP to Nathula was far in excess of requirement of Nathula. As a result, the full potential of LLHP-Nathula line involving a huge estimated investment of ₹ 31 crore could remain underutilised.

The EPD stated (November 2012) that the above project was conceived when the border trade was started in 2006, with the anticipation that there was possibility of increase in trade, hotels and other tourism related business activities but the same did not materialise due to poor road infrastructure. The reply is not tenable as the EPD failed to make proper assessment of the load demand which resulted in creation of excess infrastructure capacity.

Construction of Substation at Perbing

3.2.20 (i) Based on the DPR submitted by the EPD, DONER sanctioned (April 2010) ₹ 15.89 crore for construction of 66/11KV Substation at Perbing, Ranka, East Sikkim. The scope of work also included the construction of related 11 KV HT transmission Lines for Power evacuation as well as other allied electrical works in and around Gangtok. The work order was issued (June 2011), with stipulation to complete the same by December 2012. As of October 2012, however, the work could be completed to the extent of 25 *per cent* only and the same was still in progress. The execution of project was delayed mainly due to delay in acquisition of project land by EPD. Scrutiny of records revealed that though the sanction for the above project was received in April 2010, the process of acquisition of land was started only after 14 months in June 2011 viz. after the issue of work order. The acquisition of project land was still pending (October 2012). Thus, due to non-availability of land, completion of the project within the stipulated period remains uncertain.

ii) The DPR for the above project included ₹ 52.44 lakh towards committed liabilities incurred for taking up emergency works at 66/11 KV Sub-station at Sichey. It was, however, observed that this work was originally meant to be met from Accelerated Power Development & Reforms Programme and had already been completed at the time of preparation of DPR for the above project. Thus, the EPD prepared faulty DPR duly incorporating the specifications of completed work not within the ambit of the project and availed sanction from the DONER for extra fund of ₹ 52.44 lakh with a view to divert the said funds for settlement of its old liabilities.

The EPD has confirmed (November 2012) the fact and stated that the additional expenditure of ₹ 52.44 lakh was incurred with the approval of the Cabinet. The reply is not acceptable as the project cost was deliberately inflated to meet the expenditure not related to the project without the knowledge of the DONER.

Improper planning in drawing transmission line from Khamdong to Phodong

3.2.21 The work sanctioned under APDRP (2003-04) relating to renovation/ augmentation/strengthening and upgradation of Sub-Transmission and Distribution System at East Sub-circle was bifurcated into two parts viz.:

(i) Installation of additional 7.5 MVA, 66/11 KV Transformer bay at Mamring at ₹ 2.57 crore

(ii) Drawing of 66 KV S/C line from Khamdong to Phodong at ₹ 4.35 crore

Scrutiny of records (May 2012) revealed the following deficiencies/irregularities:

- Though the work order was issued in September 2004, the route alignment was finalized in April 2005. It was further observed that the project land for execution of works was yet to be provided to the contractor as the process of land acquisition was still pending with the District Administration (October 2012). As a result, the contractor could not complete the work of construction of towers envisaged in the DPR due to non-availability of project land.
- Audit Scrutiny further revealed that out of ₹ 1.12 crore expended for the project, ₹ 0.64 crore was paid (October 2004) to State Trading Corporation of Sikkim (STCS) on account of advance for purchase of equipment/materials for the above work. As per records made available to Audit, however, it was observed that no materials had been received at the work site till date (October 2012) and EPD had also not pursued the matter with STCS. As a result, the project funds to the tune of ₹ 0.64 crore was blocked

with STCS for more than eight years. The EPD accepted (November 2012) the audit observation and stated that the matter was now being pursued with STCS.

Mismatch between Generation Capacity and Transmission facilities

3.2.22 National Electricity Policy envisaged augmenting transmission capacity taking into account the planning of new generation capacities, so as to avoid mismatch between generation capacity and transmission facilities. It was observed that in several cases, transmission wing of EPD could not timely execute the works relating to transmission projects as per the requirements of the Generation plans of its generation wing. This had caused mismatch between the state generation capacity and the transmission facilities available in the state causing avoidable loss of generation as discussed below:

Table 3.2.5

Sl. No.	Generating Wing's plan		Transmission Wing's plan	Result of Mismatch
	Project	Capacity		
1	Rongli Hydro Electric Project (HEP)	5 MW	Transmission line work from Rongli at Sisney under execution at various stages (October 2012).	In absence of evacuation system HEP could not harness the potential generation resulting in idling of the generating capacity (5 MW).
2	Lachung HEP	3 MW	Work order for drawing of transmission line issued in April 2012 and execution at initial stages (October 2012).	HEP caters to local demand of 1 MW, through existing/old transmission line, causing under-utilisation of HEP by 2 MW
3	Rambochu HEP	3 MW	Work order for drawing of transmission line issued in April 2012 and execution at initial stages (October 2012).	HEP caters to local demand of 0.6 MW, through existing/old TL. There was under-utilisation of HEP by 2 MW.

Source: Assessment of Financial Resources

Two out of above three cases of mismatch between generation capacity and transmission facilities projects were examined and findings are enumerated below:

Rongli and Lachung HEPs

3.2.23 The two Hydro Electric Projects (HEPs) viz. Rongli HEP (Capacity–5 MW) and Lachung HEP (Capacity–3 MW) developed by Sikkim Power Development Corporation Limited, were commissioned in September 2010 and January 2009 respectively. In absence of adequate evacuation system, however, the two projects could not be utilised to their full capacity resulting in potential generation loss of 84.71 MUs and corresponding revenue loss of ₹ 21.86 crore till October 2012 as detailed below:

Table 3.2.6

Name of the unit	Date of Commission	Installed capacity (MW)	Evacuation capacity (MW)	Plant load factor (percentage)	Generation loss (MUs)	Loss of revenue (₹ in crore)
Rongli HEP	September 2010	5 MW	Nil	60	51.03	13.17[40]
Lachung HEP	January 2009	3 MW	1 MW	55	33.68	8.69[41]
					Total loss	**21.86**

Rongli HEP

3.2.24 The construction of Rongli HEP was started in November 2002 and trial run completed in August 2010. The proposal for construction of related transmission line for evacuation of energy was, however, initiated in March 2007 and the same was sanctioned by NEC in August 2009. The work order was issued (January 2010) to the contractor, without tendering, on the plea of urgency involved as the HEP was at the verge of commissioning and in the absence of evacuation system the power generated from the HEP could not be wheeled out. The EPD, however, failed to adequately address the issues relating to land acquisition, Right of Ways (ROW), settlement of compensation to land owners, etc. at the planning and approval stage of the project. As a result, the project work, originally scheduled for completion by July 2010, was lying standstill since June 2011 due to protests from the land owners. In absence of adequate financial resources, the EPD also failed to explore alternative course of action for completing the project. As of October 2012, the execution of project had already delayed by 25 months causing generation loss of 51.03 MUs as well as loss of potential revenue of ₹ 13.17 crore besides deferring the intended benefits of the project for the delayed period.

EPD while accepting the facts stated (November 2012) that other alternatives are being explored for early completion of project work. The reply was, however, silent on EPD's failure in addressing the land related issues at planning/approval stage of the project, which ultimately caused delay in completion of the project.

Lachung HEP

3.2.25 Lachung HEP was commissioned in January 2009 with the installed capacity of 3 MW. In absence of adequate evacuation system, however, the generation of HEP was restricted to only 1 MW so as to meet load requirement of Lachung area. It was observed that the DPR for the related 66 KV transmission line from Lachung HEP to Maltin SS was prepared and submitted to DONER only in May 2009 for estimated project cost of ₹ 10.25 crore, which was sanctioned by DONER in March 2011. It was observed that though the Notice Inviting

[40] 5000 KW X 60% PLF X 24 HOURS X 30 DAYS X 25 MONTHS = 54,000,000 units less 5.5% auxillary consumption = 51,030,000 units X ₹ 2.58 per unit

[41] 2000 KW X 55% PLF X 24 HOURS X 30 DAYS X 45 MONTHS = 35,640,000 units less 5.5% auxillary consumption = 33,679,800 units X ₹ 2.58 per unit

Tender (NIT) was issued in January 2010, the EPD had taken abnormally excessive time of 26 months in completing the tendering activities mainly on account of administrative bottlenecks. The work order for the project was finally issued in April 2012 for completing the work within 18 months by October 2013. The project work was at initial stages of execution (October 2012).

It can be observed from the above that although the construction of HEP was completed and commissioned long back (January 2009), optimum energy could not be wheeled out, in the absence of the evacuation facilities. Thus, due to mismatch in generation and transmission planning and excessive time taken by EPD in creating the related transmission infrastructure, the State suffered potential generation loss of 33.68 MUs (upto October 2012), besides not making available the intended benefits of the project for the delayed/mismatch period. Further, EPD also suffered loss of potential revenue of ₹ 8.69 crore (upto October 2012) against the loss of generation.

The EPD accepted (November 2012) the facts and stated that the power evacuation from Lachung HEP could not be completed due to earthquake (September 2011). The reply, however, did not address the lapses on the part of EPD for delay in preparing and submitting the DPR for the transmission project and also for the abnormally excessive time taken in issuing the work order, which ultimately delayed the creation of transmission infrastructure for evacuation of power from Lachung HEP.

Performance of transmission system

3.2.26 The performance of the EPD mainly depends on efficient maintenance of its transmission network for supply of quality power with minimum interruptions. In the course of operation of sub-stations and lines, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the EPD with regard to Operations and Maintenance (O&M) of the system is discussed in the succeeding paragraphs.

Transmission capacity

3.2.27 The EPD, in order to evacuate the power from the Generating Stations and to meet the load growth in different areas of the State, constructs lines and SSs at different voltages. A Transformer converts Alternate Current (AC) voltage and current to a different voltage at a very high efficiency. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 66 KV SSs in Sikkim. The transmission capacity (66 KV) created vis-à-vis the transmitted capacity (peak demand met) at the end of each year by the EPD during the five years ending March 2012 are as follows:

Table 3.2.7

(in MVA)

Year	Installed	After leaving 30 *per cent* towards margin	Peak demand including non- coincident demand	Excess/ shortage (3-4)
2007-08	207.50	145.25	140.83	(+)4.42
2008-09	232.50	162.75	157.15	(+)5.60
2009-10	242.50	169.75	173.75	(-)4.00
2010-11	260.00	182.00	188.14	(-)6.14
2011-12	297.50	208.25	208.58[42]	(-)0.33

Source: Data collected from Sub Stations

It can be observed from the table that the overall transmission capacity was in excess of the requirement for first two years. The transmission capacity excluding 30 *per cent* towards redundancy worked out to an excess of 5.60 MVA as of March 2009. In subsequent three years from 2009-10 to 2011-12, however, the overall available transmission capacity was insufficient to meet the peak demand. The shortages of installed capacity with regard to peak demand varied between 0.33 MVA and 6.14 MVA during these three years. Scrutiny of individual records of SSs revealed that during 2011-12, in 7 SSs out of total 19 SSs, the installed capacity of transformer after leaving 30 *per cent* towards margin were in excess of peak demand by 26 MVA. At the same time, it was noticed that in respect of remaining 12 SSs, the installed capacity after leaving margin were in short of peak demand by 26.33 MVA. Existence of extra/idle capacity in transmission network in some places and prevalence of overloads, high voltages on certain other places reflects an unscientific planning in creation of transmission network.

The EPD accepted the facts and confirmed (November 2012) that the existing Sub-Stations were designed to cater to the then existing loads with sufficient excess margins. However, the load increase has been exponential in the State. The reply is not acceptable as the present situation of having irrational transmission infrastructure could have been avoided with better planning for creation of transmission network based on realistic assessment of requirement.

Sub-stations

Adequacy of Sub-stations

3.2.28 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different SSs i.e., 150 MVA for 132 KV and 75 MVA for 66 KV SSs. Scrutiny of the maximum capacity levels of SSs revealed that the transformers capacity did not exceed the permitted levels. It was also observed that every SS of capacity 66 KV and above should have at least two transformers. Though the State Electric Regulatory Corporation (SERC) had not issued any Transmission Planning and Security Standards, it would be a good practice if the size and number of transformers in the SS are planned in such a

[42] *Peak demand figures for 132 KV Gyalshing SS (20 MVA), installed in January 2012, not available, as the SS was yet to be charged (October 2012).*

way that in the event of outage of any single transformer the remaining transformer(s) could still supply 80 *per cent* of the load. It was, however, seen that out of 19 SSs of EPD, four SSs[43] were equipped with single transformer. Besides one SS (Pakyong) presently under construction was also being equipped with single transformer. Further in remaining 15 SSs having two or more transformers, 11 SSs did not have the capacity to bear 80 *per cent* of the load in case of any transformer failure. It was also noticed that the EPD had no standby transformers in stock so as to manage the situation in case of major breakdown of any working transformers.

The EPD stated (November 2012) that the MTPC guidelines are based on data taken from major load centres in the plains whereas the planning for SSs in Sikkim is based on load requirements and availability of funds under various schemes. The reply is not satisfactory as the EPD should have worked out the capacity requirement of SSs based on the topography as well as other influencing factors for the Sikkim State and should have followed the same for stable and continuous power supply.

Voltage management

3.2.29 The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remain within limits. As per Indian Electricity Grid Code, STUs should maintain voltages ranges between 380-420 KV (in 400KV line), 198-245 KV (in 220 KV line), 119-145 KV (in 132 KV line) and 60-72 KV (in 66 KV line). In one SS (Melli), out of two 132 KV SSs test checked, it was noticed that the voltages recorded in 132 KV bus voltages during April 2011 to March 2012 ranged between 131 and 134 KV, which was within the permissible limits. Further, in 7[44] out of 17 (66 KV) SSs test checked, the voltages recorded were ranged within the permissible limits between 61 to 67 KV, except in one SS (LLHP) where voltages varied between 58 to 65 KV in deviation of the permissible limit.

Lines

EHT lines

3.2.30 As per MTPC permissible line loading cannot normally be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. The TLL limits the maximum power flow of the lines. As per MTPC the TLL of 132 KV line with ACSR[45] Panther 210 sq. mm. conductor was 366 amps. Scrutiny of the line loadings on the 132 KV feeders revealed that the maximum line loading on one out of three 132 KV feeders test checked was 70 Amps only, which was within the permissible limit.

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[43] *Phodong, Pelling,Ravangla and Gyalshing*
[44] *LLHP, Peling, Sichey,Tadong, Phodong, Bulbulay and Melli*
[45] *Aluminium Conductor Steel Reinforced*

Maintenance

Performance of Current transformers (CT)

3.2.31 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks, thus it is of special interest to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operation conditions of CTs, various kinds of oil analysis like the standard oil Dissolved Gas Analysis (DGA) tests are generally conducted. For CT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA is used, as failures inside the CT lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of the failure cause. The table below indicates status of failure of transformers during the years 2007-08 to 2011-12:

Table 3.2.8

Year	No. of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life	Expenditure on repair and maintenance (₹ in lakh)
(1)	(2)	(3)	(4)	(5)	(6)
2007-08	25	2	Not Available	Not Available	16.99
2008-09	27	1	- do -	- do -	1.80
2009-10	30	1*	- do -	- do -	0
2010-11	32	1	- do -	- do -	12.46
2011-12	35	2	- do -	- do -	33.00
	TOTAL				**64.25**

**Transformer at Phodong lying idle for want of repairs*
Source: Data collected from SSs

It can be noticed from the above table that during 2007-08 to 2011-12, the EPD incurred ₹ 0.64 crore on repairs and maintenance of transformers. The details regarding the guarantee period, expected normal life, etc. of the failed transformers were, however, not available. Deficiencies noticed in the upkeep and maintenance of current transformers have been discussed in the succeeding paragraphs.

Non maintenance of records.

3.2.31.1 The maintenance of 'History Card' containing complete details of each transformer is essential for effective monitoring of performance and realistic assessment of remaining useful life of the transformers. The said details relating to transformers, like, the name of the supplier of transformers, capacity, voltage ratio, date of issue, date of installation, date of energisation, date of failure, date of expiry of guarantee period, normal life of transformer, date of repair and subsequent commissioning of transformers, etc., were required for monitoring performance and ascertaining the remaining working life. It was, however, observed that:

➢ History cards and Asset Registers were not maintained for CTs. As a result, the procurement dates and the periods for which the CTs were in service were not ascertainable.

- Registers for CT-wise load distribution and periodical maintenance were not maintained in Sub-Division/Divisions and Circle offices.
- There could be several reasons responsible for untimely failure of CT like manufacturing defects, inadequate protection, lack of maintenance and adverse system/environmental conditions, etc. The EPD, however, had not analysed the reasons for failure of CTs for taking corrective action.

Hence, in absence of complete details on CTs, it could not be ascertained in audit whether the failed CTs had served their normal life. The age-wise incidence of failure of CTs as well as the number and details of CTs failed within the guarantee period also could not be derived in absence of complete information.

The EPD stated (November 2012) that necessary instructions are being issued to all Circle Offices to maintain complete records.

Periodical maintenance of transformer

3.2.31.2 Preventive maintenance of transformer is an important aspect of its operation as it reduces breakdowns and possibility of accidents due to mechanical failures. To ensure trouble free service of the CTs it is necessary that periodical maintenance is planned, conducted and recorded as per the schedule prescribed. It was, however, observed that:

- EPD had not prescribed any maintenance and inspection schedule for CTs.
- Divisions/sub-divisions had not prepared any detailed maintenance programme to ensure maintenance of all CTs over a cycle.
- There was no system of feedback on maintenance performed by the divisions to the circle/Head Office for monitoring and control.

The EPD stated (November 2012) that the work of preparing a detailed guidelines and maintenance schedule was in process.

Idle Transmission Transformers

3.2.31.3 The 2.5 MVA transformer at Phodong substation was under breakdown since 2009-10 due to ageing and want of major repairs. As a result, the electricity to entire Phodong Division was being fed through NHPC Substation. The 2.5 MVA transformer had been in disuse since two years for want of repair thereby rendering it unproductive, with the possibility of the transformer deteriorating over the period of time. No decision was, however, taken either for repair or disposal of the damaged CT lying disused.

Working of hot lines division/sub divisions

3.2.32 Regular and periodic maintenance of transmission system is of utmost importance for its uninterrupted operation. Apart from scheduled patrolling of lines, the following techniques are prescribed in the Report of the Committee for updating the best practices of Transmission in the country for maintenance of lines:

- Hot Line Maintenance.

- Hot Line Washing.
- Hot line Puncture Detection of Insulators.
- Preventive Maintenance by using portable earthing hot line tools.
- Vibration Measurement of the line.
- Thermo-scanning.
- Pollution Measurement of the equipment.

The hot line technique (HLT) envisages attending to maintenance works like hot spots, tightening of nuts and bolts, damages to the conductor, replacement of insulators, etc. of SSs and lines without switching off. This includes thermo scanning of all the lines and SSs towards preventive maintenance. The other advantage in HLT is less redundancy in transmission network. HLT was introduced in India long back in 1958. It was, however, observed that EPD had not implemented hot line technique till date (October 2012). In absence of the hot lines technique, EPD had to shut down the transmission system for carrying out the maintenance work causing frequent interruptions in power supply during routine maintenance/repair works.

Transmission & Distribution Losses

3.2.33 While energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and the energy sent to the power distribution wing of EPD. Due to non-availability of separate operational data for Transmission Wing and Distribution Wing of EPD, however, the combined T&D losses have been considered for analysis. The details of combined T&D losses of EPD as a whole from 2007-08 to 2011-12 are given below:

Table 3.2.9

Particulars	Unit	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
Power received for transmission (inside state)	MUs	375.22	393.47	558.17	598.25	597.22
Net power transmitted	MUs	260.25	277.31	363.30	337.62	347.93
Actual T&D losses	MUs	114.97	116.16	194.87	260.63	249.29
	Percentage	31	30	35	44	42
Combined Target T&D losses as per the CEA norms	Percentage	15	15	15	15	15
Target T&D losses as per SERC norms[46]	Percentage	-	-	-	-	-
T&D losses in excess of CEA norms (Valued at realisation per unit).	MUs	58.69	57.14	111.14	170.89	159.71
	Rate per unit in ₹	1.89	1.93	1.90	1.87	2.58
	₹ in crore	11.09	11.03	21.11	31.96	41.20

Source: Assessment of Financial Resources & Annual Plan 2012-13

[46] *SERC had not prescribed any norms for T&D losses*

It could be seen from the above that during five years' period from 2007-08 to 2011-12, the percentage of T&D losses were on increasing trend (excepting marginal reduction in 2008-09 and 2011-12). The T&D loss of EPD had, however, exceeded the CEA norm of 15 *per cent* in all the five years. The total T&D losses suffered by the EPD in excess of the CEA norm for the period 2007-12 were to the tune of 557.57 MUs valuing ₹ 116.39 crore. Audit analysis revealed that the major factors attributable for high T&D losses were:

- transmission of energy for long distances through Low Tension lines for covering the scattered villages;
- over-ageing of transmission lines and lack of re-conductoring due to funds constraints;
- theft of energy through meter tampering by the consumers and unauthorised tapping/hooking by the non-consumers;
- non- constitution of any vigilance squad for conducting regular and routine raids to detect theft/pilferages of electricity; and
- non-achievement of 100 *per cent* consumer metering mark by EPD. At present, 26 *per cent* of consumers were unmetered. (March 2012)

The EPD accepted (November 2012) the facts and stated that metering of all consumers are vigorously pursued with the aim to substantially reduce the T&D losses. The reply is not acceptable as the EPD failed to take any concrete action to reduce the T&D losses despite constant and significant losses during preceding five years.

Grid Management

Maintenance of Grid and performance of State Load Dispatch Centre (SLDC)

3.2.34 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations and supply to the Distribution Wing consumers. Grid Management ensures moment-to-moment power balance in the inter-connected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by CEA. National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC) to ensure integrated operation of the power system in the concerned region. The Sikkim State Load Dispatch Centre (SLDC) is a constituent of Eastern Region Load Dispatch Centre (ERLDC) at Kolkata to ensure integrated operation of power system in the State. The SLDC is not assisted by Area Load Dispatch Centres (ALDCs) but is assisted by four Sub-SLDCs[47] for data acquisition and transfer to SLDC as well as supervisory control of 132 KV and 66 KV equipment.

Infrastructure for load monitoring

3.2.35 Remote Terminal Units/Sub-station Management Systems (RTUs/SMSs) are

[47] *Tadong, Lower Lagyap, Melli and Namchi*

essential for monitoring the efficiency of the transmission system and the loads during emergency in load dispatch centre as per the Grid norms for all SSs. It was observed that out of 19 SSs and 13 generating stations, only 7 SSs (37 *per cent*) and 2 generating stations (15 *per cent*) were provided with RTUs for recording real time data for efficient Energy Management System. Further, the Sub-SLDCs were not integrated among themselves and did not have any data storing or back up facilities. Thus, the role of these Sub-SLDCs was confined merely to observation centres. Due to non-availability of past transmission data, the SLDC could not monitor the efficiency of the transmission system.

The EPD stated (November 2012) that the initial work for creating the Central Load Dispatch Centre could not cover all the Sub-Stations due to fund constraints. The scheme also did not feature backup and storage facilities. It was further stated that these shortfalls are being met in new schemes. The fact, however, remained that without establishing the complete connectivity of all sub stations, the benefit of SLDC could not be harnessed.

Ineffectiveness of SLDC

3.2.36 Establishment of State load Dispatch Centre (SLDC) is mandated by section 31 and 32 of the Electricity Act, 2003. The prime objective of establishment of SLDC is to monitor the integrated grid operation, optimum scheduling and dispatch of electricity within the State, keep accounts of the quantity of electricity transmitted through State Grid, exercise supervision & control of the intra-state transmission system and be responsible for carrying out real-time operation of the grid and dispatch of electricity within the state. The SLDC in the state of Sikkim was commissioned in January 2008 at a cost of ₹ 10.57 crore. However, the SLDC was non-functional since April 2011 due to breakdown of connectivity.

Scrutiny of records (June 2012) revealed the following:

- The SLDC was connected only with 7 SSs out of total 19 SSs in the State. In absence of effective and complete communication network, effective monitoring of power generation and load management could not be achieved.
- The physical verification of SLDC conducted (June 2012) by EPD revealed that the SLDC was non-functional since April 2011 due to rupture of optical fiber at different places.
- The SLDC did not have any data storage/back up facilities, in absence of which the EPD could not exercise proper supervision and control over the power transmission for facilitating effective monitoring of grid operations.

Thus, due to non operation of SLDC the statutory obligations stipulated under Electricity Act 2003 could not be fulfilled by EPD. The EPD stated (November 2012) that implementation of a new scheme for removing the above deficiencies was in process.

Grid discipline by frequency management

3.2.37 As per Grid Code, the transmission utilities are required to maintain grid discipline for efficient functioning of the grid. All the constituent members of the grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz), (49.2 and 50.3 Hz with effect from March 2009). The grid frequency, however, goes below or above the permitted frequency levels on account of various reasons such as shortages in generating capacities, high demand, grid indiscipline in maintaining load generation balance, inadequate load monitoring and management, etc. To enforce the grid discipline, the SLDC issues three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and over-drawal is more than 50 MW or 10 *per cent* of schedule whichever is less. Violation B message is issued when frequency is less than 49.2 Hz and over-drawal is between 50 and 200 MWs for more than ten minutes or 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after the issue of message B when frequency continues to be less than 49.2 Hz and overdrawal is more than 100 MW or ten *per cent* of the schedule whichever is less. The Transmission Wing of EPD, however, had not received any such violation messages during the period from 2007-08 to 2011-12.

Grid discipline

3.2.38 For maintenance of grid discipline the CERC takes up *suo motu* petition on overdrawal of power from the grid at a lower frequency thus putting the Grid to the risk. The EPD had not violated the grid discipline and no penalty was levied by CERC during the years 2007-08 to 2011-12.

Backing Down Instructions (BDI)

3.2.39 When the frequency exceeds the ideal limits i.e. situation where generation is more and drawal is less (at a frequency above 50 Hz) SLDC takes action by issuing BDI to the Generators to reduce the generation for ensuring the integrated grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the generators to follow the SLDC instructions would constitute violation of the Grid code. The EPD, however, had not evolved any system of issuing BDI due to ineffective functioning of the SLDC.

Planning for power procurement

3.2.40 The EPD should draw up long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolve net additional requirement of power. It should also draw up day ahead plan for assessing its day to day power requirement. The details of total requirement of the State, total power supplied and excess power traded for the five years 2007-08 to 2011-12 are given below:

Table 3.2.10

(Figures in MUs)

Sl.No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total power requirement	375.22	393.47	558.17	598.25	597.22
2	Total power supplied[48]	670.58	850.30	923.42	989.06	1,012.22
3	Trading outside State	295.36	456.83	365.25	390.81	415.00

Source: Assessment of Financial Resources & Annual Plan 2012-13

It could be seen from the above that in Sikkim there is no shortage of power due to free power received from two NHPC projects and the import of power from different Inter State Generating Stations (ISGS). The excess power, however, was being sold outside the state through trading companies which facilitates generation of additional revenue.

The gap in demand supply position leads to variation between actual generation or actual drawal and scheduled generation or scheduled drawal which is accounted through Unscheduled Interchange (UI) charges, worked out by ERLDC for each 15 minutes time block. UI charges are levied for the supply and consumption of energy in variation from the pre-committed daily schedule. The UI charges vary inversely with the system frequency prevailing at the time of supply/consumption. Hence it reflects the marginal value of energy at the time of supply. The levying of UI charges acts as a commercial deterrent to curb overdrawls from CGS[49] during low frequency conditions.

It was observed that during 2007-12, the EPD incurred UI loss of ₹ 43.32 crore and at the same time earned UI gain of ₹ 125.78 crore, which ultimately resulted in net UI gain of ₹ 82.46 crore as per the following details:

Table 3.2.11

(₹ in crore)

Sl. No.	Year	UI Gain	UI Loss	Net Gain
1	2007-08	25.70	6.34	19.36
2	2008-09	27.23	15.25	11.98
3	2009-10	43.67	7.12	36.55
4	2010-11	21.09	9.20	11.89
5	2011-12	8.09	5.41	2.68
	Total	**125.78**	**43.32**	**82.46**

Source: Data provided by EPD

Disaster Management

3.2.41 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the Best Practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried out by deploying Emergency Restoration System, DG sets, vehicles, fire fighting equipment, skilled and specialised manpower. Disaster Management Centre, National Load Dispatch Centre, New Delhi will act as a Central Control Room in case of disasters.

[48] *Including generation, short and long term purchases and drawl from Central Generating Stations.*
[49] *Central Generating Stations*

It was, however, observed that the EPD had not established any DM programme so far for quick restoration of transmission system in case of major breakdown of system. In absence an effective DM system, the transmission system of EPD was exposed against the risk of blackout situation for longer duration in case of major transmission system failure.

EPD stated (November 2012) that procurement of an Emergency Restoration System for setting up DM programme was in process.

Inadequate facilities for DM

3.2.42 Diesel generating (DG) sets and synchroscopes[50] form part of DM facilities at EHT SSs connecting major generating stations. EPD had total 13 generating stations as on 31 March 2012. It was, however, observed that the EPD had not installed DG sets in any of its 13 generating stations to facilitate Black Start operations.

Tariff Fixation

3.2.43 The financial viability of the EPD depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the EPD, the issues relating to tariff are discussed hereunder.

In terms of the Electricity Act 2003, the Sikkim SERC (SERC) was constituted in November 2003 but the Commission was not operational till April 2011 due to disagreement of the members over the procedure for appointment of the Chairman. Setting up of the SERC was linked to a chain of follow-up reform measures. Its establishment was expected to bring tariff fixation (both bulk and retail) under regulatory regime duly involving the consumers through public hearing. The tariff was last revised in February 2006 and although SERC was functional during 2011-12, EPD failed to file the Annual Revenue Requirement (ARR) petition for revision of tariff.

Analysis of power purchase rate from various Central Generating Stations with selling rate within the state revealed that the EPD was selling power at the rates much lower than the purchase price during 2007-12. As result, the EPD sustained revenue loss of ₹ 208.48 crore during the five years ended 2011-12, as detailed below:

[50] *In an AC electrical power system it is a device that indicates the degree to which two systems generators or power networks) are synchronised with each other.*

Table – 3.2.12

Year	Total power procured and consumed within the State* (in MUs)	Purchase Rate (in ₹)	Selling Rate (in ₹)	Difference in Rate (in ₹)	Total Loss (₹ in crore)
2007-08	329.01	2.07	1.89	0.18	5.92
2008-09	345.47	2.44	1.93	0.51	17.62
2009-10	519.63	2.72	1.90	0.82	42.61
2010-11	556.72	3.12	1.87	1.25	69.59
2011-12	572.72	3.85	2.58	1.27	72.74
				Total	**208.48**

Source: Assessment of Financial Resources and Annual Plan 2012-13
(*) Excluding own generation

Audit is of the view that the reason for the increasing trend in losses was non-revision of tariff during the last six years commensurate with purchase rate and high T&D losses. The EPD stated (November 2012) that tariff has been revised with effect from April 2012. Fact, however, remained that EPD failed to revise the tariff for the last six years, in spite of continuous increase in power purchase rate to attain the revenue sustainability.

Other topics of financial interest

Project Funding - Non release of State share

3.2.44 Sikkim is a special category State whose development plans are financed on the basis of Grants from GOI (90 *per cent*) and State Government (10 *per cent*). As per the approved funding mechanism for execution of projects, contribution from State Government was to be provided simultaneously on receipt of funds from the DONER. In respect of 17 ongoing transmission projects, it was observed that against GOI's share of ₹ 160.79 crore in project funding, DONER had released an amount of ₹ 101.53 crore (63 *per cent*) as on March 2012. It was, however, noticed that out of the State's share of ₹ 50.11 crore, only ₹ 13.56 crore (27 *per cent)* was released by the State Government in respect of 7 out of above 17 projects. As regards the remaining 10 projects, no fund was provided by the State Government. Non-release of its share by the State Government in project funding had adversely affected the pace of execution of related projects.

EPD stated (November 2012) that the matter is being pursued with the State Government for release of remaining share of project funding. Reply is not satisfactory as the EPD should have taken up the matter at the higher level for early release of funds for the above projects.

Non-recovery of outstanding dues

3.2.45 The Indian Electricity Act, 2003 provides for bilateral power trading between states whereby two parties can enter into an agreement to buy or sell a specific quantity of power during a certain period of the day for a pre-specified period of time. The excess power available after the State's internal requirement is traded outside the state through trading companies registered with CERC.

The EPD had entered into MOU (June 2011) for sale of energy with M/s Mittal Processors Pvt

Limited (MPPL) for the period from May 2011 to May 2012 at the rate of ₹ 4.00 per unit. As per the terms and conditions of MOU, MPPL was required to maintain irrevocable letter of credit (LC) minimum to the extent of 105 *per cent* of the weekly dues amounting to ₹ 1.12 crore[51]. It was observed that the MPPL failed to pay its dues from the beginning (June 2011) and the unpaid dues accumulated to ₹ 48.76 crore as on January 2012. It was noticed that the EPD failed to effectively monitor the fulfillment of the MOU's condition regarding maintaining of minimum value of LC by MPPL. As a result, the LC available as of January 2012 was only to the extent of ₹ 4.00 lakh against the requirement of ₹ 1.12 crore. EPD requested (January 2012) the bankers of MPPL for revoking the LC of MPPL available with them for recovery of its unpaid dues. The bankers of MPPL had transferred (February 2012) the available LC amount of ₹ 4.00 lakh to EPD account. The total amount outstanding against MPPL as of March 2012 was ₹ 52.71 crore, including interest of ₹ 3.95 crore **(Appendix 3.2.2)**.

EPD stated (November 2012) that the outstanding amount was due to non-payment by Uttar Pradesh Power Corporation Ltd. (UPPCL) and Andhra Pradesh Power Coordination Committee (APPCC), owned by the Governments of the respective States and the issue of release of the payments being directly pursued with UPPCL and APPCC.

The reply is not satisfactory as blocking up of huge funds against outstanding dues from MPPL could have been avoided by effective pursuance and ensuring the LC of required amount from MPPL as per the agreement.

Non-levy of Transmission Charge

3.2.46 Transmission Charges are recoverable by EPD at the applicable rates from all long-term transmission system users irrespective of their actual utilisation recorded during the period of operation. The Transmission Charges are arrived at based on the installed capacity of the generating unit.

In absence of own network of power lines, Sikkim Power Development Corporation Limited (SPDCL) utilised the transmission lines owned by EPD to inject energy generated from its two HEPs into the State Grid for distribution. The SERC, however, had not fixed any transmission charges and EPD also had not apprised the SERC for fixation of transmission charges. As a result, EPD was deprived of the potential revenue of ₹ 1.38 crore[52] till October 2012 **(Appendix 3.2.3)**, against transmission charges for utilisation of its network by SPDCL.

Energy Accounting and Audit

3.2.47 Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) boundary metering points. It was observed that there was no interface metering points between GTs. It was further observed that installation of MRI on TD boundary metering points

[51] 4 lakh units per day @₹ 4 per unit for 7 days
[52] At ₹ 80 per MW, as prescribed under CERC (Open Access in inter-State Transmission) Regulations, 2008

was restricted to only two cities of the State, viz. Gangtok and Tadong. As on 31 March 2012, all 36 TD metering points in respect of these two cities were provided with E3mo21 (3ph 4 wire) type meters with Class 0.5s meters (30 nos.) and Class 0.2s meters (6 nos.). Thus, absence of proper metering of feeders end rendered the energy accounting and recording of transmission loss data unreliable.

EPD stated (June 2012) that on completion of the boundary metering programme, energy audit in these two towns (Gangtok and Tadong) would be initiated after the commissioning of R-APDRP. The reply is not satisfactory as the boundary metering needs to be installed in all TDs and GTs throughout the state.

Material Management

3.2.48 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The EPD had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Scrutiny of the records of the EPD revealed the following:

The table below indicates the details of Opening stock, purchases, issues and closing stocks for the period from 2007-08 to 2011-12.

Table – 3.2.13

(₹ in crore)

Year	Consumption	Net Closing stock
2007-08	Nil	1.29
2008-09	Nil	1.29
2009-10	Nil	1.29
2010-11	Nil	1.29
2011-12	Nil	0.99

Source: Data furnished by EPD

It may be noticed that the EPD had stock valuing ₹ 1.29 crore lying idle in various stores for more than 15 years. During physical verification (February 2008) stock valuing ₹ 0.30 crore were identified as unserviceable/obsolete and the same were disposed of during 2011-12.

The maintenance divisions of EPD were mainly needed the store items for routine operation and maintenance works. EPD, however, had no effective control on the purchases of stores made by these maintenance divisions directly. It was observed that the maintenance divisions were procuring the required store through local purchases directly instead of lifting the said items from EPD stores through indents. As a result, the consumption of store items from EPD's stores was nil during 2007-12. EPD, therefore, needed to put in place an effective control mechanism on direct purchases of store items by the maintenance divisions so as to ensure economy in procurement of stores centrally and avoid obsolence of material.

Non-conducting of annual physical verification of stocks

3.2.48.1 Sikkim Financial Rules provides that physical verification (PV) of all stores must be made at least once in every year and all discrepancies noticed must be brought into account immediately. During the review period, the PV of all four[53] departmental stores was conducted only in 2008 and 2011. The value of non-moving, surplus, obsolete, unserviceable and scrap material during the last five years is given below:

Table – 3.2.14

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/unserviceable/scrap	0.30	0.30	0.30	0.30	-
Non-moving	0.99	0.99	0.99	0.99	0.99
Total	1.29	1.29	1.29	1.29	0.99

Source: Data furnished by EPD

From the above, it was observed that no materials from the stores were issued during the review period as also discussed in the preceding paragraph. The reconciliation of the above stock also could not be made as the PV of all the stores are not being done annually.

Idling of inventory in stores

3.2.48.2 Material management is necessary to have adequate stock of materials of proper quality for smooth functioning of the maintenance work. Procurement of material of right quality, right quantity at the right time is necessary to control the ever increasing costs of material. Proper assessment should be done before procurement of materials. Audit noticed following inconsistencies in inventory management:

- During the departmental meeting, it was decided (October 2008) that the materials lying at stores should be issued for maintenance works and new works sanctioned during 2009-10. It was also circulated (June 2011) that all officers were to lift the materials from EPD's store for day to day maintenances of electrical networks. It was, however, observed that till date of Audit (July 2012) not even a single material had been lifted from the different stores. Further, the EPD had no control over direct purchases made by the maintenance divisions from local suppliers as discussed under **paragraph 3.2.48** *supra*.

- A Joint Physical Inspection of the stores at Lagyap and Sichey was conducted by the Audit party along with officers of EPD. The results of the inspection revealed that the store premises at Lagyap was in a dilapidated condition. There were water leakages and no fencing/gate was in existence in these stores. Further, the stores had been used as thoroughfare of public resulting in complete absence of safety measures for the assets stored inside the store premises as can be seen from the photographs.

[53] *Sichey, LLHP, Topakhani and Rothak*

Image 3.2.3

Image 3.2.4

Dilapidated condition of store rooms at Lagyap

During Joint Physical Inspection at Sichey stores, it was noticed that the transformers were kept in open and exposed to the vagaries of nature which had led to deteriorated condition over a period of time as can be seen from photographs below:

Image 3.2.5

Image 3.2.6

Transformers kept in open space at Sichey stores

Thus, from the above it was evident that there was lack of an effective internal control mechanism as regards to Stores & Stock management in EPD.

EPD stated (November 2012) that the materials lying at various stores would be issued to indenting divisions in future. Reply is not tenable as the EPD had not initiated any concrete measures for utilisation of these idle stores.

Monitoring and Control

3.2.49 The performance of the SSs and lines of 132/66 kV on various parameters like Maximum and Minimum voltage levels, breakdowns, voltage profiles should be recorded/ maintained as per the grid code standards. It was noticed that the year-wise cumulative performance of the SSs and lines were neither being maintained nor consolidated for evaluation of annual performance of the SSs and lines.

It was further observed that monthly and weekly reports from SSs were not being forwarded to the Head Office. There was virtual non-existence of Management Information System in EPD.

Internal Controls and Internal Audit

3.2.50 Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds. Internal audit is an important tool of management for an effective internal control system.

It was noticed that no internal audit department existing in EPD. It was also observed that EPD was not maintaining any systematic assets or inventory registers of Sub-Stations, Transformers and Transmission Lines. In absence of these registers the date of creation of assets, cost of construction of the projects and date of subsequent repairs could not be ascertained. Further, the quality control checks and supervision was virtually non-existent. Physical access control was almost nil as anybody could enter the EPD's premises like control room of SSs, Switchyard and Stores without any check or verification of credentials. The photograph below depicts that that there was no system of locking the gate at 66 KV switch yards at Tadong as well as at Lower Lagyap.

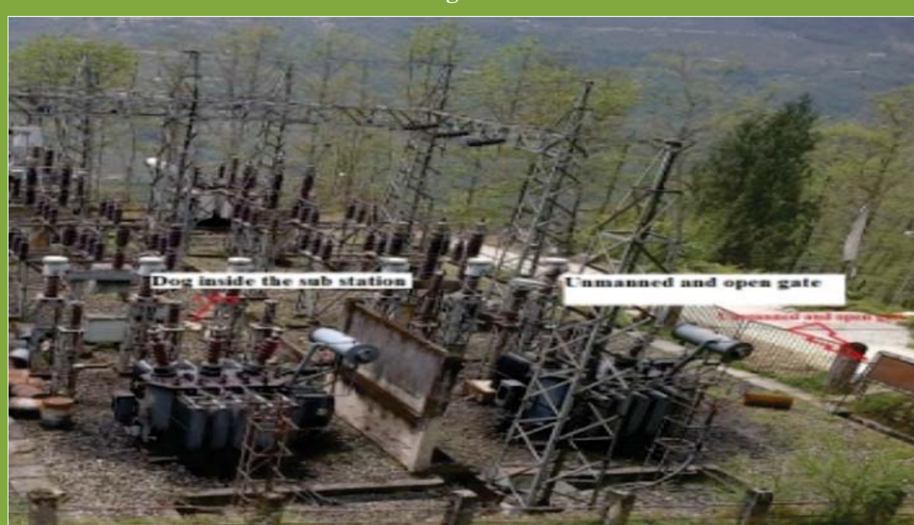
Image 3.2.7

66 KV Switchyard at Tadong

Image 3.2.8

66 KV Switchyard at Lower Lagyap

Image 3.2.9



Apart from the above mentioned lapses in physical access controls, the non-existence of proper MIS systems, irregular physical verification of stores, non-compliance with the Sikkim Financial Rules and lack of independent internal audit system indicates the weak internal controls in EPD.

Acknowledgement

3.2.51 We acknowledge the cooperation and assistance extended by different levels of the officers and staff of the EPD at various stages of conducting the performance audit.

Conclusions

The EPD did not prepare any State Electricity Plan for development of transmission infrastructure in the State based on the National Electricity Plan. The annual plans for augmentation of transmission network were prepared on felt need basis without considering the expected future load growth.

The execution of transmission projects by EPD suffered with several deficiencies mainly relating to delays in completing the preparatory and pre-work award activities. As a result, against the capacity addition of substations (302 MVA) and transmission lines (338 CKM) planned under the five annual plans for 2007-12, the EPD could complete capacity additions of the substations and transmission lines to the extent of 100 MVA (33 per cent) and 69.81 CKM (21 per cent) only. The generation capacities of newly developed Hydro projects could also not be fully utilised due to delays in completion of the related transmission projects by the EPD.

The transmission and distribution losses during 2007-12 showed increasing trend (excepting 2008-09 and 2011-12) and EPD could not achieve the CEA norms in any of the five years.

The Grid Management system of EPD was not satisfactory in absence of adequate facilities for recording real time data. The functioning of the State Load Dispatch Centre (SLDC) was also ineffective in absence of effective and complete communication network, data storage/backup facilities, etc.

No Disaster Management programme was in place thereby exposing the system against the risk of black out situations in case of major break down.

EPD sustained huge financial losses on sale of energy due to non-revision of tariff for last six years. Though the State Electricity Regulatory Commission (SERC) became functional in 2011-12, EPD did not file Annual Revenue Return petition for revision of tariff.

The Energy accounting and audit system of the EPD was unreliable in the absence of proper metering arrangements and authentic estimation of transmission loss. No scientific system was in place for management of inventory. Monitoring mechanism of EPD was weak due to non-maintenance of necessary records on performance of the transmission system.

Recommendations

- Capacity additions should be planned and executed in tandem with the National

Electricity Plan duly taking into account the future load growth and probable increase in demand.

- EPD should overcome the deficiencies in completing the preparatory and other pre-award activities by adhering to the recommendations of the Task Force for speedy completion of works.
- EPD should identify the factors responsible for high transmission losses through proper metering and effecting energy accounting and take necessary corrective action to restrict the losses within CEA norms.
- Proper functioning of the communication system should be ensured so as to maintain effective Grid discipline.
- An effective Disaster Management System should be established for restoration of the transmission system in least possible time in case of major break down.
- An effective mechanism should be put in place for filing of ARR within due dates for revision of tariff.
- A scientific system of Inventory Management needs to be put in place for proper accounting and upkeep of stores. Specific instructions should be issued to field offices for maintenance of complete records on performance of transmission system and regular submission of MIS reports to higher authorities for prompt remedial action on the discrepancies noticed.

SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

3.3 Blockage of working capital

Blocking up of working capital of ₹ 6.51 crore due to ineffective mechanism of the Corporation for monitoring and recovery of loans.

Sikkim Industrial Development and Investment Corporation Limited (Corporation) grants loan to various private entrepreneurs for the promotion and development of industries in the State of Sikkim.

As per the terms of loan agreements, the loans sanctioned were to be secured by way of hypothecation of property to the extent of loan to be disbursed. Further, prior to the release of subsequent installment, Corporation was required to conduct physical inspection of the project/hypothecated property so as to ensure that the loan disbursed had been fully utilised for the purpose for which it was sanctioned. In case of default, the Corporation had the right to levy additional interest at the rate of 2 *per cent* per annum from the date of default till the recovery of the dues. Further, the loan agreement empowers the Corporation to take possession of the hypothecated/mortgaged property and recover its dues through auction of the said property.

Audit scrutiny revealed that the Corporation had disbursed loans to different entrepreneurs amounting to ₹ 89.95 crore[54] during the period from 1984 to 2012 at an interest rate ranging from 10 to 19 *per cent* per annum.

The table given below gives the details of loan amount outstanding vis-à-vis the default cases under various categories of loan schemes sanctioned by the Corporation as on 31 March 2012:

Table 3.3.1

(₹ in crore)

Sl. No.	Types of loan	No. of accounts	Total amount outstanding	Defaulted loanees			
				No. of accounts	Principal	Interest	Total
1	SSI loan	62	5.79	55	2.09	3.53	**5.62**
2	Composite loan	153	1.14	153	0.38	0.75	**1.13**
3	Hotel loan	278	7.21	221	3.33	3.11	**6.44**
4	Multipurpose loan	2,031	20.50	87	0.63	0.27	**0.90**
5	Computer loan	284	0.56	35	0.09	0.05	**0.14**
	Total	**2,808**	**35.20**	**551**	**6.52**	**7.71**	**14.23**

It was seen from above table that as against loans amounting to ₹ 89.95 crore disbursed by the Corporation, an amount of ₹ 35.20 crore (39.14 *per cent)* remained outstanding as on 31 March 2012. Of these, 551 beneficiaries defaulted in repayment of Principal amounting to ₹ 6.52 crore for periods ranging from 7 months to more than 10 years from the due dates of repayment. It was observed that of the above 551 defaulters, 127 loanees availed loans aggregating ₹ 5.38 crore under SSIs, Hotels and Composite loans categories and had not repaid even a single instalment towards principal loan amount till March 2012.

Scrutiny of records revealed that the Corporation failed to ensure the utilisation of the loans by the loanees on the purpose for which these were disbursed. It was observed that in above 127 loan default cases, no physical inspection of the industrial/project units was conducted on periodic basis for ensuring the utilisation of the loan amount on intended purposes.

The recovery mechanism of the Corporation was also ineffective. It was observed that in all the 127 default cases mentioned above, the recovery action of the Corporation was confined to merely issuing of the legal notices without any fruitful results. No documentary evidences were available on records for initiating further legal course of action for seizure of the mortgaged/hypothecated properties for recovery of defaulted loan amounts.

Thus, overdue loans amounting to ₹ 6.52 crore (principal) remained unrecovered due to ineffective monitoring and recovery system and failure to initiate legal actions for seizure of the mortgaged property depriving the Corporation to meet its working capital requirements for furthering its activities.

In reply, the Management stated (July 2012) that pre-sanction inspection and periodic inspections are conducted prior to release of installments to ensure that the loans sanctioned/released were fully utilised for the purpose for which it was sanctioned and that

[54] *Including Term Loans of ₹ 1.51 crore disbursed upto 31st March 1984, details of which are not available.*

action was being taken to recover the dues by filing cases/by for one settlement.

The reply is not acceptable since the inspection stated to have been carried out by the Corporation is not supported by any documentary evidences. Further, non-recovery of even a single instalment against 127 out of 551 defaulter cases mentioned above establishes the fact that the recovery mechanism of the Corporation was ineffective.

It is, therefore, recommended that the Corporation:

- should monitor the loanees by regular site inspection/physical verification of the projects;
- should conduct regular follow up to recover the dues; and
- should initiate legal action for recovery of the outstanding dues.

The matter was reported (June 2012) to the Government; their reply had not been received (October 2012).

3.4 Inefficient monitoring system

Inefficient monitoring system and absence of effective recovery mechanism led to blockage of ₹ 44.66 crore sanctioned under Chief Minister's Self Employment Scheme.

In June 2002 Chief Minister's Self Employment Scheme (CMSE) was launched by the Government of Sikkim (GOS) to address the problem of educated unemployed youth in the State by providing loans at a low rate of interest (six *per cent* per annum) to start self employment ventures in business, service and industrial activities.

Sikkim Industrial Development and Investment Corporation Limited (Corporation) was the nodal agency of the GOS for processing the loan applications and disbursing the loans to deserving applicants after verifying the eligibility criteria. Besides, the Corporation was required to carry out physical site inspection of the proposed projects and also to ensure the repaying capacity of the applicants before approval of loan. After disbursement of loans, the Corporation, being the nodal agency for implementation of the scheme, was also required to monitor the performance of the beneficiaries through regular physical inspection of their projects so as to ensure timely recovery of the loan amounts. As per the scheme conditions, the Corporation, in case of default, was required to initiate all possible recovery measures before resorting to legal course of action. The maximum loan per individual under the scheme was ₹ 3 lakh, which was enhanced to ₹ 5 lakh from 2005-06. The loan was interest free for first two years from the date of disbursement and carried simple interest at the rate of 6 *per cent* per annum thereafter.

Till 2011-12, the GOS had provided an aggregate amount of ₹ 72.54 crore to the Corporation for disbursement under the scheme. As of March 2012, the Corporation had disbursed loans amounting to ₹ 63.28 crore to 6,350 individuals/loanees. As against this, loan amount (principal) of ₹ 47.92 crore (viz. disbursements made upto 31 March 2010) had become due for recovery as on 31 March 2012. The Corporation, however, could recover a meagre amount of

₹ 3.26 crore (7 *per cent*) against the overdue (principal) loans and ₹ 44.66 crore was still pending for recovery as on 31 March 2012.

During scrutiny of records relating to 150 out of 3,241 loan cases sanctioned during 2002-06 it was revealed that in all the cases test checked, the Corporation sanctioned loans aggregating ₹ 1 crore[55] without obtaining adequate security. The monitoring mechanism for watching the post disbursement performance of the beneficiaries was also ineffective as the Corporation failed to conduct proper verification and site inspection of the projects of the Scheme beneficiaries as required under the scheme. It was observed that out of 1,263 loan cases (loan amount ₹ 11.41 crore) sanctioned during 2009-10 and test checked in audit, site inspections were carried out only in 117 cases[56] (9.26 *per cent*). The Corporation also failed to initiate recovery drives as well as legal course of action, to recover its dues in the default cases.

It was observed that in 5,097 default cases as on 31 March 2012 involving an aggregate amount of ₹ 53.34 crore (including interest of ₹ 8.68 crore), the recovery action of the Corporation was confined to merely issuing of the legal notices without any fruitful results. No documentary evidences were available on records for initiating further legal course of action for seizure of the mortgaged/hypothecated properties for recovery of defaulted loan amounts.

Thus, inefficient monitoring and absence of effective recovery measures on the part of the Corporation had resulted in the blocking of scheme funds aggregating ₹ 44.66 crore (excluding interest).

In reply, the Corporation stated (July 2012) that due to manpower constraints, the site inspection could not be carried out completely and that efforts were being taken for recovery of the outstanding dues. The reply is not acceptable as the Corporation is vested with the responsibility of site inspection before disbursement of loans and also to regularly monitor the performance of the beneficiaries after disbursement. The Corporation also could not initiate vigorous legal action against defaulters for recovery of overdue loans despite involving significant funds.

It is, therefore, recommended that the Corporation:

- should conduct proper verification and site inspection before sanction of loans;
- should monitor the performance of the loanees by regular site inspection/physical verification of the projects;
- should initiate legal course of action for recovery of the outstanding dues, after resorting to recovery drives.

The matter was reported (June 2012) to the Government; their reply had not been received (October 2012).

[55] *50 cases of ₹ 1 lakh each for graduates and 100 cases of ₹ 0.50 lakh each for under-graduates.*
[56] *Amount involved could not be compiled due to voluminous records.*

SIKKIM MINING CORPORATION

3.5 Weak internal controls

Weak internal controls in maintenance of asset records, inadequate safeguarding of assets led the Corporation exposed to risk of loss of assets.

Sikkim Mining Corporation (SMC) was incorporated with the main objectives to explore mining of minerals, etc. The Corporation became non-functional since January 2007 on account of perennial losses. The operations of the Corporation was decided to be wound up by the Stakeholders – Government of Sikkim and the Government of India in August 2003 and June 2004 respectively under a plan to dispose of the assets and payment of liabilities. The mining operations were discontinued from January 2007 and the employees were paid under a Voluntary Retirement Scheme. The accounts of the Corporation had been in arrears for one year viz. 2011-12. Latest certified accounts for the year ended 31 March 2011 depicted that the Corporation had total assets of ₹ 0.91 crore (including immovable assets of ₹ 0.11 crore and movable assets of ₹ 0.80 crore).

For disposal of its assets, there should be systematically maintained and up-to-date records available. However, the Corporation had not established any proper internal control mechanism for ensuring availability of accurate and up-to-date status of the assets held as can be seen from the following:

Inadequate maintenance of asset records

It was noticed in audit that the Corporation had not maintained proper and up-to-date record of fixed assets in its Fixed Assets Register which should contain information regarding the location, original cost, accumulated depreciation, technical and engineering specifications of machinery, identification number, etc. of each individual asset.

Due to non-maintenance of the assets register, the Corporation would be having great difficulty in determining the value of the assets for sale at the time of disposal.

Physical verification of assets

The system of physical verification of assets at regular time intervals is an essential ingredient of internal control. An effective system of periodic physical verification of assets minimises the risks of loss/theft of movable assets and possibilities of encroachments in case of immovable properties. At the same time, periodic physical verification of assets enables the Management to take timely remedial action against the detected cases of theft/encroachments of assets.

It was, however, observed that the Corporation had no laid down policy for periodic physical verification of assets. The Corporation had also confirmed that no physical verification had been conducted since January 2004. No reports for physical verification of assets for any period were, however, available with the Corporation.

In the absence of maintenance of assets records and physical verification, audit was unable to ensure that all the assets shown in the financial statements actually existed and were actually in physical possession of the Corporation.

Non-use of assets

The Corporation needs to make adequate arrangements for proper maintenance and upkeep of the plant and machinery not in use. As the operations of the Corporation has been discontinued since January 2007, the periodical review of the position of these assets taking into account the condition of the assets and their physical verification was essential so as to avoid deterioration of assets due to efflux of time. The assets which were no longer required for use also needed to be considered for sale since their value would only decrease with the efflux of time.

It was, however, observed that there were no proper arrangements for maintenance and upkeep of the assets not in use. Further, no physical verification of the plant and machinery, inventory, etc. was carried out since February 2004. In the absence of the same, no remedial measures were taken for preventing the plant and machinery, and inventory, etc. valued at ₹ 0.50 crore from further deterioration.

Insurance cover

The insurance for the properties is a cover that guards the assets of the Corporation against the probable losses due to natural calamities and other reasons such as theft, damage, fire, floods, riots, etc. Regular and adequate coverage of insurance at a nominal cost, i.e. premium, minimises the risks against these losses. It was, however, observed that the Corporation had not obtained any insurance cover for their assets thereby leaving them exposed for losses against the natural calamities and other risks.

The Corporation replied (July 2012) that due to closure of activities, all the employees were relieved under Voluntary Retirement Scheme and hence, the updation of assets records could not be maintained and the physical verification of the assets could not be conducted. The reply is not tenable since it is the duty of the Corporation to maintain all assets in good condition till their disposal in the interest of stakeholders and creditors. No comments, were however, offered by the Corporation for not obtaining insurance cover for the properties.

In view of this, it is recommended that the Corporation

- should complete and up-to-date its records giving all vital information of all movable and immovable assets;
- conduct up-to-date physical verification of assets; and
- make adequate arrangement for proper upkeep of assets before their disposal.

The matter was reported (May 2012) to the Government; their reply had not been received (December 2012).

STATE BANK OF SIKKIM

3.6 Blockage of fund

SBS was deprived of ploughing back of ₹ 6.17 crore towards its working capital in absence of professionalism in monitoring and follow up of recovery of loans disbursed.

The State Bank of Sikkim (SBS) with its vast network throughout the state of Sikkim plays an important role in the area of financing operations. It provides various kinds of loans like construction loan, smart loan, cash credit and overdraft facilities, etc. besides acting as the banker of the State Government. Based on the commercial judgement and other prudential business considerations, SBS extends loans under various schemes to the eligible applicants duly taking into account the repaying capacity of the borrowers.

As per the prudent practices adopted by the professional bankers for sanction of loans, SBS was required to conduct a pre-sanction appraisal/inspection of the project duly supported by estimates for the project expenditure. Further, for ensuring the utilisation of loan amount for the purpose of its sanction, SBS was needed to carry out inspections of the project sites on periodic basis prior to the release of each loan instalment. After disbursement of loans, the SBS was also required to monitor the performance of the beneficiaries through regular physical inspection of their projects so as to ensure timely recovery of the loan amounts. In the event of default, the SBS was required to initiate all possible recovery measures for recovery of loans before resorting to legal course of action, which included seizure of the mortgaged properties and recover its dues through auction of the properties so seized.

During July 2005 to March 2010, SBS disbursed Construction Loans aggregating ₹ 18.38 crore to 95 loanees. During test check of 30 out of the said 95 loan cases, it was revealed that in 17 cases involving an amount of ₹ 9.06 crore, the loanees had become defaulters as no EMI was paid by these loanees for periods ranging from 14 to 80 months as on 31 March 2012. As a result, against an aggregate amount of ₹ 7.21 crore due for recovery from these 17 loanees, a meagre amount of ₹ 1.04 crore (14.42 *per cent*) could actually be recovered as on 31 March 2012 leaving an unrecovered loan amount of ₹ 6.17 crore as detailed in the **Appendix 3.6.1**.

Scrutiny of records further revealed that SBS did not make assessment of repaying capacity of loanees before disbursement of loans in these 17 cases. It was also observed that no system generated reports were prepared for monitoring timely recovery of EMIs. Thus, the system for follow up of EMIs for repayment by the loanees was completely absent. It was noticed that the SBS had actually issued reminders only in 6 out of above mentioned 17 loan cases despite their being chronic defaulters in making payment of EMIs. No evidences were seen on records for issuing legal notices or for initiating further legal course of action against these 17 defaulters for seizure of the mortgaged/hypothecated properties for recovery of defaulted loan amounts.

Thus, due to absence of professionalism in monitoring and follow up for recovery of loans disbursed, the SBS was deprived of ploughing back of ₹ 6.17 crore towards its working capital.

The Management replied (June 2012) that the bank sanctions loan only after assessing the applicant's source of income. Further, at the instance of audit a dedicated recovery team was formed which has recovered ₹ 18 lakh after the audit period. The reply is not tenable, as it is evident from the default cases that the SBS had not made proper assessment of repaying capacity of loanees and the amount of default is still ₹ 6.17 crore (September 2012) in respect of above 17 loanees. Further, the Bank had not initiated any legal action towards seizure of the mortgaged property to recover the dues, as adopted by the professional bankers.

In view of the above, it is recommended that:

- Repaying capacity of the loanee should be assessed on realistic basis before disbursements of loans;
- Proper monitoring system should be in place for identifying the defaulting loanees and recovery of dues.
- Proper follow up should be made by way of initiating all legal course of action available against the defaulting loanees.

The matter was reported (May 2012) to the Government; their reply had not been received (December 2012).

Revenue Sector

CHAPTER – IV

REVENUE SECTOR

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Sikkim during the year 2011-12, 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 below:

Table 4.1.1

(₹ in crore)

Sl. No.		2007-08	2008-09	2009-10	2010-11	2011-12
I.	**Revenue raised by the State Government**					
	Tax revenue	197.86	199.19	223.65	279.54	293.92
	Non-tax revenue	1,413.74	1,205.31	1,356.44	1,137.76	1,044.57
	Total:	1,611.60	1,404.50	1,580.09	1,417.30	1,338.49
II.	**Receipts from the Government of India**					
	State's share of net proceeds of divisible Union taxes	345.12	364.20	374.68	524.99	611.65
	Grants-in-aid	742.71	902.55	1,299.62	1,105.02	1,722.50
	Total:	1,087.83	1,266.75	1,674.30	1,630.01	2,334.15
III.	**Total receipts of State Government (I + II)**	2,699.43	2,671.25	3,254.39	3,047.31	3,672.64
IV.	**Percentage of I to III**	**60**	**53**	**49**	**47**	**36**

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 1,338.49 crore) was 36 *per cent* of the total revenue receipts against 47 *per cent* in the preceding year. The balance 64 *per cent* of receipts during 2011-12 was from the Government of India. Non-tax revenue and total receipts of the State shown in the table above include gross receipts under State Lotteries.

4.1.2 The following table presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

Table 4.1.2

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1	Sales Tax/VAT	81.32	101.14	121.07	142.74	124.19	(-) 13.00
2	Taxes on Income other than Corporation Tax	49.10	16.16	2.84	4.94	4.86	(-) 1.42
3	State Excise	37.94	46.47	57.27	70.64	96.26	(+) 36.27
4	Stamps and Registration Fees	4.26	4.35	4.48	5.70	8.27	(+) 45.09
5	Taxes on Vehicles	6.22	6.94	7.88	10.67	16.56	(+) 55.20
6	Other Taxes and Duties on Commodities and Services	16.26	22.18	27.39	37.52	39.17	(+) 4.37
7	Land Revenue	2.75	1.95	2.71	7.33	4.61	(-) 37.11
Total		**197.85**	**199.19**	**223.64**	**279.54**	**293.92**	

The following reasons for variations were reported by the concerned departments:

Sales Tax/VAT: Decrease was due to natural calamity due to which business had an adverse impact.

Other Taxes and Duties on Commodities and Services: Increase was due to more realisations under entertainment tax and sale of tender forms.

The other departments had not given reasons for the variations (November 2012).

4.1.3 The following table presents the details of non-tax revenue raised during the period 2007-08 to 2011-12:

Table 4.1.3

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1	Interest Receipts	15.10	25.94	44.18	28.14	29.39	4.44
2	Road Transport	15.62	17.64	20.29	24.76	30.89	24.76
3	Plantations	2.10	2.35	1.80	2.90	2.59	(-)10.69
4	Dividends & Profits	0.68	1.31	0.46	2.37	0.00	(-)100
5	Forestry and Wild Life	10.95	11.26	8.79	12.25	12.53	2.29
6	Tourism	1.18	2.11	1.62	3.00	1.84	(-) 38.67
7	Crop Husbandry	1.64	0.71	0.40	0.51	0.46	(-) 9.8
8	Power	97.66	154.74	285.83	87.86	79.70	(-) 9.29
9	Printing & Stationery	1.98	1.50	2.27	1.52	1.92	26.32
10	Medical and Public Health	1.14	0.96	1.02	0.72	1.27	76.39
11	Village & Small Industries	0.23	0.08	0.09	0.07	0.10	42.86
12	Public Works	4.32	4.97	2.89	3.48	5.38	54.6
13	Police	14.64	11.68	14.52	9.57	12.89	34.69
14	Animal Husbandry	0.43	0.30	0.32	0.38	0.48	26.32
15	Industries	0.01	0.25	0.18	0.27	0.54	100.00
16	State Lotteries[1]	1232.55	957.00	949.92	938.15	844.15	(-) 10.02
		(30.84)	(43.95)	(40.90)	(42.54)	(43.62)	(2.54)
17	Others	13.51	12.51	21.86	21.81	20.44	(-) 6.28
Total		**1,413.74**	**1,205.31**	**1,356.44**	**1,137.76**	**1,044.57**	(-) 8.19

[1] *Figures in brackets represent net receipts*

The following reasons for variations were reported by the concerned departments:

Increase:

Road Transport: Improved monitoring and evaluation.

Medical and Public Health: Increase in user charges.

Public Works: More sale of tender forms.

Police: Reimbursement pending from NHPC and others; receipt of 'Reimbursement of expenditure on Police Check Post' for 2009-10 during the year (2011-12) and receipt of arrears of deployment charges of 2008-09 and 2009-10 of Indian Reserve Battalion (IRBn) personnel from Delhi Police.

Decrease:

Plantations: Due to Natural Calamity.

Tourism: Earthquake of 18 September 2011 during peak tourist season.

Crop Husbandry: Use of farms mainly for research works leading to decreased yield and discontinuance of sale of seeds to farmers.

State Lotteries: Closure of lottery market in big States.

Others:

***Increase*:**

Public Service Commission: Conduct of various State examinations.

Food, Storage and Warehousing: Recovery of outstanding arrears of previous years.

Industries: Receipt of land compensation.

Decrease:

Non Ferrous Mining and metallurgical Industries: Receipt of less number of applications from the public and sister departments for issue of stability reports.

Housing: Non-occupation of Government Quarters.

The other departments had not given reasons for the variations (November 2012).

4.1.4 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2011-12 are given in the following table:

Table 4.1.4

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax Revenue				
1.	Sales Tax/VAT	160.11	124.19	(-) 35.92	22.43
2.	Taxes on income other than corporation tax	125.33	122.26	(-) 3.07	2.45
3.	State Excise	67.44	96.26	(+) 28.82	42.73
4.	Other taxes and duties on commodities and services	22.47	39.16	(+) 16.69	74.28
5.	Taxes on Vehicles	10.00	16.56	(+) 6.56	65.6
6.	Stamp Duty and registration Fees	3.26	8.27	(+) 5.01	153.68
7.	Other taxes on income and expenditure	2.00	4.88	(+) 2.88	144.00
8.	Land revenue	3.82	4.61	(+) 0.79	20.68
	Non-tax Revenue				
9.	Miscellaneous General Services	1,010.78	843.90	(-) 166.88	16.51
10.	Power	150.00	79.70	(-) 70.30	48.87
11.	Police	39.29	12.89	(-)26.40	67.19
12.	Road transport	23.75	30.89	(+) 7.14	30.06
13.	Forestry and wildlife	11.00	12.53	(+) 1.53	13.91
14.	Interest Receipts	13.92	29.39	(+) 15.47	111.14
15.	Public works	3.80	5.38	(+) 1.58	41.58
16.	Other administrative services	2.84	6.68	(+) 3.84	135.21
17.	Water supply and sanitation	3.49	2.90	(-) 0.59	16.91
18.	Medical and Public Health	0.56	1.27	(+) 0.71	126.79
19.	Tourism	5.00	1.84	(-)3.16	63.20
20.	Dividends and profit	1.26	0.08	(-) 1.18	93.65
21.	Urban Development	0.78	1.67	(+) 0.89	114.10
22.	Plantations	2.80	2.59	(-) 0.21	7.50
23.	Other Rural Development Programme	2.32	1.25	(-) 1.07	46.12
24.	Stationary and Printing	1.51	1.92	(+) 0.41	27.15

Source: Estimates of Receipts and Finance Accounts for the year 2011-12

The following reasons for variations were reported by the concerned departments:

Sales Tax/VAT: Shortfall was due to natural calamity causing slowdown of business.

Taxes on vehicles: Excess was due to improved monitoring and evaluation.

Miscellaneous General Services: Shortfall was due to closure of lottery market in big cities.

Police: Shortfall shown was due to non-inclusion of the receipts from Delhi Police on account of reimbursements against the deployment of IRBn personnel.

Road transport: Excess was due to improved monitoring and evaluation.

Public works: Excess was due to more sales of tender forms.

Other administrative services: Excess was due to increase in issue of duplicate Electronic Photo Identity Cards (EPIC) after summary revision of electoral rolls and auction of old vehicle.

Medical and Public Health: Excess was due to increase in user charges, collection of more fees due to high number of tenders called for and more fines imposed under Prevention of Food Adulteration Act (PFA).

Tourism: Shortfall was due to excess budget and earthquake of 18 September 2011 during peak tourist season.

Urban development: Excess was due to better collection.

The other departments had not given reasons for the variations (November 2012).

4.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collections for 2010-11 are mentioned in the following table.

Table 4.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross on collection to gross collection	All India average percentage for the year 2010-11
1	Sales Tax/VAT	2009-10	121.07	3.75	3.10	0.75
		2010-11	142.74	3.28	2.30	
		2011-12	124.19	6.08	4.90	
2	State Excise	2009-10	57.27	3.62	6.32	3.05
		2010-11	70.64	3.93	5.56	
		2011-12	96.26	3.87	4.02	
3	Taxes on Vehicles	2009-10	7.88	1.34	17.01	3.71
		2010-11	10.66	1.13	10.60	
		2011-12	16.56	1.32	7.97	
4	Stamp Duty and Registration Fees	2009-10	4.48	0.38	8.48	1.60
		2010-11	5.70	0.20	3.51	
		2011-12	8.27	0.13	1.57	

Source: Finance Accounts

4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of the principal Heads of Revenue as reported by the departments was ₹ 59.96 crore of which ₹ 3.61 crore (6 *per cent*) were outstanding for more than five years as per details mentioned in the following table:

Table 4.1.6

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years
1	Taxes/VAT on Sales, Trades etc.	0.38	0.16
2	Tourism	0.14	0.14
3	Education, Sports, Art and Culture	0.29	0
4	Police	53.82	0
5	Food Storage and Warehousing	0.01	0
6	Non-ferrous Mining and Metallurgical Industries	3.30	2.55
7	Animal Husbandry	0.57	0.57
8	Water Supply and Sanitation	1.45	0.19
	Total	**59.96**	**3.61**

4.1.7 Refunds

The information on refunds in case of Sales Tax/VAT during 2011-12 as provided by the Department is given in the following table. No information was received in respect of Stamp Duty and Registration Fee.

Table 4.1.7

Sl. No.	Particulars	Sales Tax/VAT	
		No. of cases	Amount (in ₹)
1	Claims outstanding at the beginning of the year	Nil	Nil
2	Claims received during the year	2	2,91,469
3	Refunds made during the year	2	2,91,469
4	Balance outstanding at the end of the year	Nil	Nil

4.2 Response of the departments/ Government towards Audit

On the basis of inspections conducted in various departments of the State Government by sending Audit parties from the office of the Principal Accountant General each year, all the irregularities which are of serious nature are incorporated in the Inspection Reports and forwarded to the concerned office with a request to furnish replies within a specified period. Audit findings of very serious nature are processed into draft paragraphs and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the departments/Government towards audit is discussed in the succeeding paragraphs.

4.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Principal Accountant General (Audit), Sikkim (PAG) 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 with the Inspection Reports (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 next 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 PAG within one month from the date of the issue of the IRs. Serious financial irregularities are reported to the Heads of the departments and the Government.

IRs issued upto December 2011 disclosed that 332 paragraphs involving ₹ 814.27 crore relating to 127 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding two years.

Table 4.2.1

	June 2010	June 2011	June 2012
Number of outstanding IRs	100	110	127
Number of outstanding audit observations	245	248	332
Amount involved *(₹ in crore)*	511.41	281.70	814.27

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

Table 4.2.2

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.	10	73	286.36
2	Finance, Revenue and Expenditure (State Income Tax)	Income Tax	14	60	23.58
3	Excise (Abkari)	State Excise	07	18	17.80
4	Land Revenue and Disaster Management	Land Revenue	22	27	0.87
5	Transport	Taxes on Motor vehicles	05	15	2.20
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	4	5	3.33
7	Forest, Environment and Wildlife Management	Forestry and Wildlife	42	70	46.48
8	Finance, Revenue and Expenditure (State Lotteries Division)	Lottery	5	8	138.51
9	Energy and Power	Power	9	31	286.98
10	Urban Development and Housing	UD & HD	9	25	8.16
	Total		**127**	**332**	**814.27**

The first replies required to be received from Heads of Offices within one month from the date of issue of the IRs were not received for seven IRs issued (during 2011-12) upto November 2012. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that Heads of Offices and Heads of the departments had not initiated adequate action to rectify the defects, omissions and irregularities pointed out by Audit through IRs.

It is recommended that Government takes suitable steps to put in place an effective procedure for prompt and appropriate response to audit observations as per the prescribed time schedules.

4.2.2 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are to be chaired by the secretaries of the concerned administrative Department and attended by the concerned officers of the State Government and officers of the PAG. The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. However, no meeting was held during the year 2011-12.

The Government may ensure regular holding of meetings of these committees for ensuring effective action on the audit observations.

4.2.3 Response of the departments to the draft audit paragraphs

Four draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 were forwarded (August 2012) to the Secretaries/Commissioners of the respective departments through demi-official letters. The administrative Secretaries/Commissioners furnished replies in respect of all draft paragraphs.

4.2.4 Follow up on Audit Reports – summarised position

The administrative departments are required to submit Action Taken Notes on paragraphs and reviews included in the Audit Reports after its presentation in the State Legislature.

As at the end of 2011-12, Audit Reports for the period upto 2007-08 were discussed and recommendations made.

4.2.5 Compliance with the earlier Audit Reports

In the Audit Reports 2006-07 to 2010-11 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands, etc. involving ₹ 125.23 crore were reported. As of March 2012, the departments concerned have accepted observations of ₹ 6.35 crore. However, no recovery was made. Audit Report wise details of cases accepted are given in the following table:

Table 4.2.3

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2006-07	22.31	5.39	Nil
2007-08	1.33	0.32	Nil
2008-09	8.48	0.25	Nil
2009-10	7.08	0.15	Nil
2010-11	86.03	0.24	Nil
Total	**125.23**	**6.35**	**Nil**

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

In order to analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years in respect of Directorate of Sikkim State Lotteries (of Finance, Revenue and Expenditure Department) is evaluated and included in this Report.

The succeeding **paragraphs 4.3.1 to 4.3.2.1** discuss the performance of the Directorate of Sikkim State Lotteries in dealing with the cases detected in course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2002-03 to 2010-11.

4.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last seven years, paragraphs included in these Reports and their status as on 30 June 2012 are given in the following table:

Table 4.3.1

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2005-06	4	8	36.84	1	3	131.02	-	4	1.97	5	7	165.89
2006-07	5	7	165.89	1	5	21.84	1	2	61.92	5	10	125.81
2007-08	5	10	125.81	1	1	0.63	-	1	4.20	6	10	122.24
2008-09	6	10	122.24	1	4	3.49	-	1	15.70	7	13	110.03
2009-10	7	13	110.03	1	4	17.45	-	1	0.52	8	16	126.96
2010-11	8	16	126.96	1	3	13.23	3	5	15.72	6	14	124.47
2011-12	6	14	124.47	1	4	10.61	2	7	18.05	5	11	117.03

The Department was periodically reminded to furnish replies to the outstanding audit observations.

4.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Reports

4.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years accepted by the

Department and the amounts recovered thereagainst are mentioned in the following table:

Table 4.3.2

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)
2002-03	1	7.14	1	7.14	0	0
2004-05	1	85.48	1	85.48	0	0
2006-07	1	15.70	-	-	-	-
2009-10	3	87.59	2	72.41	0	0
2010-11	1	26.03	1	26.03	0	0
Total			**5**	**191.06**		

From the above table it is seen that the Department accepted five cases involving ₹ 191.06 crore but failed to recover any amount.

The Department needs to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

4.4 Results of audit

4.4.1 Position of local audit conducted during the year

Test-check of the records of 6 units under Revenue departments (Energy & Power, Mines, Minerals and Geology, Motor Vehicle, Sales Tax, State Excise and State Lotteries) conducted during the year 2011-12 revealed irregularities involving revenue aggregating ₹ 250.85 crore in 35 cases. During the course of the year, the departments concerned accepted non-assessments and other deficiencies of ₹ 0.51 crore involved in one case which was pointed out in audit during 2011-12.

4.4.2 This Report

This Report contains four paragraphs involving financial effect of ₹ 2.22 crore. The departments/Government have accepted audit observations involving ₹ 2.21 crore, out of which ₹ 0.19 crore has been recovered. These are discussed in the succeeding paragraphs.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (COMMERCIAL TAXES DIVISION)

4.5 Non-realisation of taxes

The cancellation of registration of nine dealers without assessing and realising the unpaid taxes resulted in non-realisation of tax and consequent loss of ₹ 64.62 lakh.

Under Section 27 (4) of the Sikkim Value Added Tax Act 2005, a dealer may apply, for the cancellation of his registration, not less than six months before the end of a year to the authority which granted him his certificate of registration, for the cancellation of such registration to take effect at the end of the year in which the application for such cancellation is made and the said authority shall, unless the dealer is liable to pay tax under this Act, cancel the registration accordingly.

During 2009-11, the Special Commissioner (SC), Commercial Taxes Division, Finance, Revenue and Expenditure Department cancelled dealerships of 60 registered dealers who had applied for cancellation of their registration. Test-check of records (March 2012) relating to 15 such cancelled registration revealed that the registration of nine dealers was cancelled immediately after submission of applications for cancellation without adhering to the mandatory requirement of realisation of the taxes due from the dealers. Although the dealers had utilised waybills issued to them during the period of operation of their business and imported/exported goods worth ₹ 25.91 crore, the SC had not realised tax of ₹ 64.62 lakh due from these dealers before cancelling their registration as detailed in **Appendix 4.5.1.** It may be mentioned that after cancellation of registration, these dealers cannot be termed as such in the records and it may not be possible to realise tax from the previous dealers who do not exist on record.

Thus, the cancellation of registration by the Commercial Taxes Division without verifying the books of accounts for assessing the tax payable by the dealers, resulted in non-realisation of tax of ₹ 64.62 lakh due from the dealers.

In reply, the Department stated (October 2012) that M/s Royal Demazong, a hotel, utilised the entire way bills for importing capital goods for hotel use and not for resale. It was further stated that while VAT was not applicable for the purchases not intended for resale, the office of Commercial Taxes was taking action against the hotel for importing capital goods through import way bills, which was not permissible. While the Department was silent on the other eight cases mentioned in the Appendix, the fact remained that Department had not verified the utilisation and taxes to be realised before cancelling the registration of the dealers.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (INCOME TAX DIVISION)

4.6 Non realisation of State Income Tax

State Income Tax of ₹ 57.01 lakh remained to be realised over a period of more than four years after the assessment and issue of demand notices.

The assessment and realisation of income tax in Sikkim was being regulated under the provision of the Sikkim Income Tax Manual 1948 until the Indian Income Tax Act 1961 was implemented in the State of Sikkim with effect from 16 June 2008.

Under the provisions of the Sikkim Income Tax Manual, income tax on the gross sale proceeds at prescribed rate was required to be charged from all persons engaged in business. Rule 4 (ii) of the Manual prescribed that 'Every person doing business was expected to keep proper accounts and produce them on demand before the Income Tax Officer, who in default or in case of unsatisfactory account would assess tax according to his discretion'.

From the entries in the Demand and Collection Register being maintained by the Income Tax Division under Finance, Revenue and Expenditure Department, Audit observed (February 2010) that an amount of ₹ 1.12 crore assessed during the years 2006-07 (₹ 17.55 lakh) and 2007-08 (₹ 93.99 lakh) was shown as unrealised and the observation was sent to the Division in March 2010. After the issue was again taken up by Audit in August 2012, the Department stated (August 2012) that ₹ 41.96 lakh had already been deposited by the individual assessees during assessment but had not been accounted for in the Division's records and that ₹ 6.31 lakh, ₹ 1.72 lakh and ₹ 4.53 lakh were realised during 2008-09, 2009-10 and August 2012 respectively. Thus, total outstanding unrealised revenue as of August 2012 worked out to ₹ 57.01 lakh.

Since the provisions of the Sikkim Income Tax Manual 1948 have ceased to be in force from 16 June 2008, i.e., over four years ago, unless requisite steps are taken, it will become more difficult to realise these arrears with the passage of time.

The Division further intimated (October-November 2012) that ₹ 18.65 lakh had since been realised/accounted for. Final reply was awaited (November 2012).

TRANSPORT DEPARTMENT (MOTOR VEHICLES DIVISION)

4.7 Loss of revenue

Despite the entry of 898 overloaded trucks in Sikkim during 2010-12, no fine was imposed by the MV Division as required under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) by the State Government for imposition of various fines on vehicles carrying loads in excess of permissible limits leading to a loss of revenue of ₹ 55.59 lakh.

The State Government under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) imposition of various fines on vehicles carrying loads in excess of permissible limits.

The Transport Department of the State Government consists of two divisions – (i) the Sikkim Nationalised Transport (SNT) which looks after 'Control and Transportation' of all goods and passengers on nationalised routes within the State and also outside the State under Inter-State agreement and (ii) the Motor Vehicles (MV) Division which enforces the provisions of the Motor Vehicles Acts and Rules. Goods are carried into the State through two modes; by hiring trucks under the control of the SNT after paying appropriate freight charges to the SNT or by private carriers which operate under the supervision of SNT after paying supervision charges to the SNT based on weight of goods carried and the distance travelled, over and above the actual transportation cost.

The details of private trucks hired through the SNT for carrying goods into Sikkim are maintained at the SNT office at Siliguri while the entry of goods trucks into the State are monitored at two check-posts located at Melli and Rangpo. Both the SNT and MV divisions have offices in the same premises at Melli and Rangpo where the supervision charges were realised by SNT on the basis of the weight of goods carried and the distance travelled declared by the transporters.

Test-check of records maintained by the SNT Division at Siliguri office, Melli and Rangpo check-posts revealed that although as many as 898 overloaded trucks travelled into Sikkim during 2010-11 and 2011-12, no fine was imposed by the MV Division on these trucks for carriage of excess weight (as verified from the SNT in supervision charge realisation records) beyond permissible limit, which, besides leaving stressed infrastructure such as roads and bridges, led to a loss of revenue of ₹ 55.59 lakh.

The failure to levy appropriate fines from the vehicles carrying loads in excess of permissible limits was due to non-coordination within the Transport Department. Though the requisite information was available with the SNT Division, it was neither passed on by the SNT Division nor obtained by the MV Division. This was despite the fact that both the offices function from the same building in Melli and Rangpo.

After being pointed out, the Additional Secretary, Transport Department stated (July 2012) that some of the functions could not be done due to acute shortage of staff. In a further reply (August 2012), it was stated that remedial measures were decided by the Department and a decision had been taken to combine the check-posts of SNT Division and Motor Vehicle Division to function as one check post for improvement of collection of revenue.

However, implementation of the decisions taken was awaited (November 2012) since there was still no weighbridge functional at Rangpo. Therefore, lack of co-ordination within the Transport Department resulted in non-collection of fines amounting to ₹ 55.59 lakh from vehicles carrying loads in excess of permissible limits.

LABOUR DEPARTMENT AND SIKKIM BUILDING & OTHER CONSTRUCTION WORKERS WELFARE BOARD

4.8 Loss of interest

Due to retention of the Cess fund in current account, instead of investing the funds in violation of the Supreme Court's order, the Board suffered a loss of interest of ₹ 44.91 lakh.

The Hon'ble Supreme Court, while disposing Writ Petition (Civil) No.318 of 2006 directed all State Governments that the funds available with the Building and Other Construction Workers Welfare Board which had not been disbursed or are not likely to be disbursed within a short period, should be properly invested with the Nationalised Banks only.

Scrutiny of records of the Sikkim Building and Other Construction Workers Welfare Board (SBOCWWB) revealed (August 2012) that the Board collected ₹ 13.97 crore as Cess from different Government departments/agencies during the period October 2010 to July 2012 and deposited the same in Board's bank account *(current account)* in the State Bank of Sikkim (a State Government undertaking). The Cess was neither utilised towards implementation of welfare activities for building and other construction workers nor invested till 29 March 2012. The reasons for parking the fund in current account without investment, in violation of the Supreme Court's order, were not available on records.

From 30 March 2012 onwards, the Board invested part of the Cess fund available in the current account in fixed deposits at the rate of 9.25 *per cent* for 12 months, 8.25 *per cent* for 6 months and at 7.25 *per cent* for 91 days in the State Bank of Sikkim. However, after these part investments from the fund, there was a sizeable corpus of over ₹ 1.85 crore which was still lying uninvested (as on 1 April 2012) which gradually increased to ₹ 4.51 crore in July 2012 in the current account.

Thus, even if the applicable interest rate is calculated on the basis of Fixed Deposits for short durations of 91 days of the State Bank of Sikkim for the period (October 2010 to July 2012) when the Cess fund amount was lying in the State Bank of Sikkim's current account, the resultant loss suffered by the Board which should have been available for the welfare of the building and construction workers in Sikkim, amounted to ₹ 44.91 lakh[2].

It may be mentioned that against the rate of 5 *per cent* to 7.25 *per cent* offered by the State Bank of Sikkim, for fixed deposits of 91 days, for the same periods of Fixed Deposits (October 2010 to July 2012), the State Bank of India was offering six to nine *per cent*.

Thus, non-investment of the Cess fund by the Board, in contravention of the Supreme Court's orders has resulted in loss of ₹ 44.91 lakh, which means the non-availability of this amount for the welfare of the building and other construction workers.

The Board stated (September 2012) that this had occurred due to their lack of knowledge and there was no intention of negligence.

[2] *@ 5 per cent from October 2010 to January 2011, 6 per cent February 2011 to September 2011 and 7 .25 per cent from October 2011 to July 2012*

General Sector

CHAPTER – V

GENERAL SECTOR

5.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2011-12 are given in the table below:

Table – 5.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Development Planning, Economic Reforms and North Eastern Council Affairs	90.05	28.61
Election	2.62	2.59
Excise	5.47	5.32
Finance, Revenue and Expenditure	1,419.59	1,264.68
Governor	4.53	4.53
Home	31.20	26.86
Information Technology	2.91	2.52
Information and Public Relations	7.68	6.70
Judiciary	16.84	14.76
Land Revenue & Disaster Management	447.14	280.87
Law	3.69	3.69
Legislature	14.18	13.05
Municipal Affairs	4.73	4.47
Panchayat Raj Institutions	328.97	278.47
Parliamentary Affairs	0.80	0.80
Personnel, Administrative Reforms and Training	38.38	31.86
Police	224.32	184.80
Printing	6.79	6.09
Public Service Commission	2.47	2.46
Science and Technology	1.60	1.59
Sports and Youth Affairs	17.18	14.90
Vigilance	4.11	4.12
Total	**2,675.25**	**2,183.74**

** There are 22 departments which are under General Sector*

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

Table – 5.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Land Revenue and Disaster Management	MPLAD scheme	District Collector East	1,000.00
2	Police	Computerization of police society	Directorate of forensic science	218.00
3		Computerization of police society	Crime & criminal tracking network system.	32.85
			Total	**1,250.85**

Source: Central Plan Scheme Monitoring System

5.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of 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 containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

During the year, test-check audits involving expenditure of ₹ 1,263.91 crore (including funds pertaining to previous years audited during the year) of the State Government under General Sector were conducted. The Chapter contains one Performance Review and one transaction audit paragraph.

The major observations detected in audit during the year 2011-12 are given below:

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

5.3 Implementation of Schemes under Rural Infrastructure Development Fund

The Government of India (GOI) set up a Rural Infrastructure Development Fund (RIDF) during 1995-96 for operationalisation through the National Bank for Agriculture and Rural Development (NABARD) for development of basic rural infrastructure like roads, water supply systems, school buildings, irrigation channels, rural marketing centres, etc., through loans provided to the State Governments. The State of Sikkim has been availing loans from the NABARD since 1998-99 for creating and developing various rural infrastructures in keeping with its broad development perspective for rural areas. As of March 2012, the State had availed loan of ₹ 224.61 crore and incurred interest liability of ₹ 73.97 crore from the

NABARD. Considering the large size of loan and the corresponding interest liability incurred by the State, a performance evaluation of the schemes funded under the RIDF was taken up with a view to assess the effectiveness of the loans availed from NABARD for infrastructure development vis-à-vis the real benefits made available to the rural masses through such loan. It was observed that schemes under RIDF were sanctioned far in excess of availability of funds resulting in incomplete works. Also assets were created at substantial costs in unsuitable locations which resulted in negligible benefits for the rural people. There was inadequate monitoring and supervision of execution of works while evaluation of the schemes had not been done.

Out of 553 schemes scheduled to be completed within March 2012, 110 schemes could not be completed despite an expenditure of ₹ 60.48 crore.

(Paragraph 5.3.10.1)

There were cases of wasteful expenditure of ₹ 1.56 crore which neither created any regular employment nor generated any income for the rural people.

(Paragraph 5.3.10.2)

The UDHD irregularly implemented RIDF schemes valued at ₹ 3.61 crore in urban areas in violation of the spirit of the RIDF and incurred interest liability of ₹ 1.17 crore.

(Paragraph 5.3.10.3)

Assets worth ₹ 3.43 crore were lying idle and unused for more than two years due to their creation without need assessment and viability study.

(Paragraph 5.3.10.6)

5.3.1 Introduction

The Government of India (GOI) set up a Rural Infrastructure Development Fund (RIDF) during 1995-96 for operationalisation by NABARD for financing as well as motivating the State Governments to take up implementation of the ongoing as well as new infrastructure projects in the rural areas. The objectives of RIDF were to provide term loans at concessional rates to State Governments to (i) complete the projects which were lying incomplete for want of resources, (ii) execute new development activities covering agriculture sector, social sector, rural connectivity sector, etc., (iii) reduce potential loss of income and (iv) provide rural employment.

Initially, only ongoing irrigation, flood protection and watershed management projects were financed under RIDF-I to facilitate completion of the projects delayed on account of financial constraints. Financing of rural roads and bridges was initiated during RIDF- II. Subsequently, coverage of RIDF was broad-based in each tranche and at present, a wide range of 31 activities in Agriculture and related sectors (Minor Irrigation Projects/Micro Irrigation, Flood Protection, Plantation and Horticulture, etc.), Social Sectors (Drinking Water and Infrastructure for Rural Educational Institutions) and Rural Connectivity (Rural Roads and Bridges) were being covered.

The first RIDF project for Sikkim was sanctioned in 1998-99 under RIDF-IV. The Finance, Revenue and Expenditure Department (FRED) was the Nodal Department for overall co-ordination and management of the schemes under the RIDF while implementation of the projects was done by six departments of the State Government viz., Water Security and Public Health Engineering Department (WSPHED), Urban Development and Housing Department (UDHD), Rural Management and Development Department (RMDD), Sikkim Public Works Department (RBD), Irrigation and Flood Control Department (IFCD) and Human Resource Development Department (HRDD) in the State of Sikkim.

5.3.2 Funding Pattern

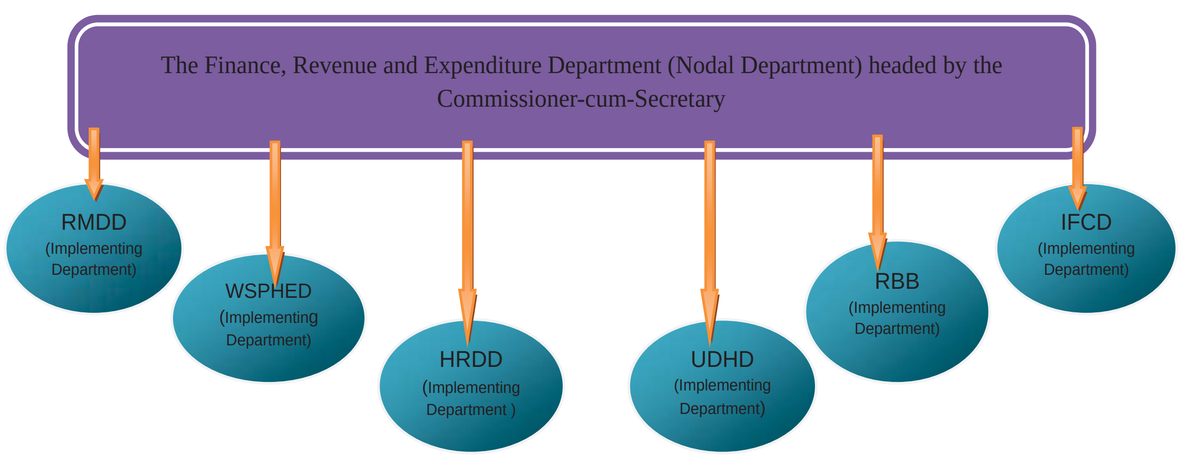
To facilitate creation of infrastructure facilities under RIDF in North Eastern Region (NER) and Sikkim, NABARD extended loan component of 95 *per cent* of the eligible project cost for agriculture and allied sectors for all States and 90 *per cent* of the eligible project cost for rural roads and social sector projects for North Eastern Region (NER) and Sikkim. The State Government was required to bear the balance cost.

Each RIDF tranche is announced in the Union Budget and normative allocation for each State is conveyed to the State Governments. The respective State Government departments prepare project reports and submit the same to the NABARD through the Nodal Department (FRED) for sanction of funds. NABARD sanctions the loan on the basis of the project reports submitted by the Nodal Department (FRED) at an interest rate of 6.5 *per cent* and the loan is released as reimbursement of expenditure incurred and claimed by the State.

5.3.3 Organisational structure

The FRED, headed by the Commissioner cum Secretary, acted as the Nodal Department for overall co-ordination and management of implementation of schemes under the RIDF. The heads of six State Government departments were responsible for execution of the schemes within their respective departments as shown below:

Chart – 5.3.1



5.3.4 Scope of Audit:

The performance audit was conducted with reference to records maintained by the FRED (Nodal Department) and six State Government departments *(WSPHED, UDHD, RMDD, RBD, IFCD and HRDD)* for the period 2007-12. Out of 614 schemes approved by these departments during 2007-12, a sample of 158 schemes were selected for test check by adopting four stage sampling. The schemes implemented by the six departments were segregated district wise and 25 *per cent* of the total number of schemes selected on the basis of their sanctioned costs which include 15 *per cent* of higher valued schemes, 5 *per cent* each from lower and medium valued schemes.

5.3.5 Audit Objectives

The performance audit was conducted with the objective of:

- Examining the existence of rural development policy and plan and assessing the adequacy and effectiveness of the planning process for implementation of the schemes;
- Assessing the efficiency, economy and effectiveness of implementation of schemes in terms of achievement of targeted outputs and outcomes; and
- Assessing the adequacy and effectiveness of monitoring, inspection, reporting and evaluation processes.

5.3.6 Audit Criteria

The audit observations in this report are benchmarked against the following criteria:

- Terms and conditions set forth by NABARD;
- Instructions/orders issued by GOI;
- Instructions and circulars issued by State Government from time to time;
- Sikkim Public Works Code and Manual;
- Schedule of Rates and Analysis of Rates of the State Government; and
- Sikkim Financial Rules.

5.3.7 Audit Methodology

The schemes implemented under RIDF for the period 2007-12 were examined in audit from May 2012 to August 2012. The audit commenced with Entry Conference (May 2012) with the Heads of departments and other officers of the Nodal Department and the six project implementing departments wherein audit objectives, audit criteria and methodology were discussed.

Records maintained in the departmental headquarters at Gangtok were examined followed by test check of records in the Districts. Besides, joint physical verification of assets was also conducted and the findings suitably incorporated in the report. An exit conference was held

(October 2012) with the Commissioner-cum-Secretary, FRED and Heads of implementing departments.

Audit findings

5.3.8 Policy and Planning

5.3.8.1 Rural Infrastructure Development – Policy and Planning

The State Government had not clearly defined any comprehensive rural infrastructure development policy and plan despite its vision to transform every single rural habitation into a vibrant, economically productive, socio-politically conscious, sustainable and progressive entity in every sphere of human activity. Lack of co-ordination and absence of dovetailing of similar schemes implemented by different departments indicated absence of adequate and co-ordinated planning and organised action by the State in so far as executing rural development schemes were concerned. There was no detailed development plan delineating the assets planned for creation over time vis-à-vis the requirement and availability of funds from various sources - grants, loans and internal resources. The State had not spelt out any policy and plan for availing loans from NABARD for implementing rural infrastructure schemes. The FRED should have fixed ceiling for each implementing department for availing loans from NABARD after considering the normative allocation declared by GOI. No such ceiling was fixed, as a result, the estimated cost of the total schemes far exceeded the year-wise normative allocation of loan declared by the GOI resulting in shortage of funds for making payments against works done. This is illustrated by the fact that against the normative allocation of loan of ₹ 170 crore from the NABARD for the period 2007-12, schemes valued over ₹ 397 crore were sanctioned. Such unplanned sanction of schemes without regard to availability of loan resulted in large number of schemes remaining incomplete and delayed.

5.3.8.2 Improper Detailed Project Reports

A vital area required to be addressed at the inception stage before commencing any project is proper survey and investigation followed by preparation of detailed project reports (DPRs) incorporating all essential inputs required for implementation of the projects. While making plan, all the initial data and inputs were not taken into account by the implementing departments. In all DPRs relating to construction of rural roads, no details of habitation survey and population covered by such roads were included. In the DPRs of 10 water supply schemes[1] quality of water was not analysed, in two schemes[2], source discharge was not studied while in the DPRs of three other such schemes[3], availability of land was not mentioned – non-finalisation of land leading to non-completion of the schemes in scheduled time. In 12 Minor Irrigation Channels (MIC) schemes the implementing Department did not carry out detailed survey on the required parameters such as availability of sufficient water at source, land

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[1] *RMDD-4 and WSPHED-6*

[2] *i) Augmentation of WSS at Mangalbarey Rural Marketing Centre, ii)RWSS at Upper, Middle & Lower Tryang and Sudong*

[3] *i) RWSS at Upper, Middle & Lower Tryang and Sudong, ii)Augmentation of Reshi Bazar WSS, iii)RWS Chalampong & Chalisey*

availability for the schemes, detailed cost estimates, Benefit Cost Ratio (BCR) and Culturable Command Area (CCA). Further the data source of the CCA and BCR as indicated in the DPRs for all the 12 MICs were not available in any of the files test-checked by audit. This indicated that reliable data were not analysed while preparing the DPRs. In three cases, the MICs became defunct due to drying up of source of water. The DPRs of Pay & Use Toilets-cum-Shops and Haat sheds were prepared without proper feasibility study and identification of suitable sites for construction resulting in non-utilisation of the assets created.

While the RMDD and WSPHD (October 2012) accepted the fact, IFCD stated (October 2012) that the BCR and CCA had been worked out tentatively and Audit observation had served as a guidance for preparation of DPR of new schemes, which shall be adhered to in future.

5.3.9 Financial Management

5.3.9.1 Funds Allocation, Budget Provision and Expenditure

The overall position of loan scheduled to be released by NABARD, amount of loan actually released, budget provision and expenditure incurred by the six implementing Departments during the period 2007-12 is depicted in **Appendix 5.3.1**.

It was seen in audit that the size of schemes sanctioned by the State/NABARD was much in excess of the annual allocation of funds made by the Planning Commission for the State as depicted in the table below:

Table – 5.3.1

(₹ in crore)

Year	Annual allocations by Planning Commission	Yearly budget provision	Size of schemes sanctioned by State/NABARD	Sanction of schemes in excess of availability of funds
2007-08	20	19.50	41.69	21.69
2008-09	40	39.35	99.28	59.28
2009-10	40	45.40	176.58	136.58
2010-11	40	40.00	77.62	37.62
2011-12	30	27.00	2.23	(-)27.77
Total	**170**	**171.25**	**397.40**	**227.40**

While the State more or less restricted the budget provision within the funds allocated by the GOI under the RIDF, there was excess sanction of schemes much beyond availability of funds for making payments for the works. During 2007-12, against the availability of ₹ 170 crore, schemes valued at ₹ 397.40 crore were sanctioned resulting in shortfall of funds of ₹ 227.40 crore. There was thus, no correlation between actual availability of resources vis-à-vis quantum of works sanctioned under the scheme. At the annual rate of allocation of ₹ 40 crore by the GOI, it would take more than five years for the State to make payments for the existing schemes which were to be actually completed within three years. Thus, for the ensuing five years, the State would be unable to sanction any further schemes under the programme if it earnestly aspires to complete the already sanctioned schemes. Thus, planning for any new and urgently needed projects for the coming five years under the RIDF would be difficult due to the already excess schemes sanctioned beyond its paying capacity.

The FRED accepted (October 2012) that the schemes were sanctioned in excess of available funds.

5.3.9.2 Short release of State share

In terms of the agreement with the NABARD for availing loans for implementation of the RIDF schemes, the State was to contribute maximum 10 *per cent* of the project cost from its own resources. There was however, huge default by the State in releasing its share of the schemes cost. The State had to release ₹ 60.74 crore as its share for implementing the RIDF schemes during 2007-12. The State, however, could provide only ₹ 6.08 crore which was just 10 *per cent* of the actual amount required to be released. The short release of funds of ₹ 54.66 crore was due to the tight revenue resources position of the State, impairing its capacity to implement the huge number of schemes it had taken up under the RIDF. The State should correctly assess its capacity to defray the expenses required for the projects and render their sanction to that capacity.

5.3.10 Programme implementation

5.3.10.1 Physical achievement

During the period of 2007-12 covered by audit, 614 schemes involving ₹ 483.24 crore were approved under RIDF out of which 553 schemes were to be completed by 31 March 2012. Of the total amount sanctioned, RBD accounted for 61 *per cent* followed by HRDD (ten *per cent)*, RMDD and WSPHED (nine *per cent* each), UDHD (six *per cent*) and IFCD (five *per cent*). The projects taken up under RIDF were to be completed within three years. As against 553 schemes, 443 schemes were completed as of 31 March 2012 as shown in the table below:

Table -5.3.2

(₹ in crore)

Department	No of Projects approved	Approved cost	Loan amount	No of Projects scheduled to be completed by March 2012	No of Projects completed within March 2012	No of incomplete projects which were to be completed by March 2012	Amount spent on incomplete works which was to be completed by March 2012
HRDD	82	50.36	43.59	78	46 (51)	32(49)	9.99
RMDD	20	44.18	34.70	18	6 (33)	12(67)	3.47
UDHD	40	29.41	26.64	37	28 (76)	9(24)	5.09
WSPHED	19	42.37	37.11	16	11(69)	5(31)	5.47
IFCD	353	22.26	21.11	338	331(98)	7(2)	0.60
RBD	100	294.66	259.14	66	21(32)	45(68)	35.86
Total	**614**	**483.24**	**422.29**	**553**	**443(80)**	**110(20)**	**60.48**

Source: Monthly returns, sanctioned letter issued by NABARD. Figures in brackets indicate percentage

It can be seen from above that incomplete schemes ranged between two *per cent* and 68 *per cent*. Against 553 schemes to be completed by March 2012, 443 schemes (80 *per cent*) could be completed - 110 schemes (20 *per cent*) remained incomplete on which an expenditure of ₹ 60.48 crore had already been incurred. Incomplete schemes in respect of the RBD (68 *per* *cent*), RMDD (67 *per cent*) and the HRDD (49 *per cent*) contributed very high proportion of total schemes which adversely impacted the creation of rural road connectivity, rural water supply system and school buildings.

Work details of some delayed and incomplete projects with photographs obtained from spot verification are given below:

Image 5.3.1

Name of Scheme	:	***RWSS at Mangalbari, Rinchenpong / Chakung***
Sanctioned cost	:	**₹ 7.87 crore**
Date of commencement	:	**22-12-2008**
Due date of completion	:	**21-12-2010**
Total Expenditure incurred	:	**₹ 3.47 crore**
Reasons for delay	:	**Delay in forest clearance, land dispute, non-availability of stock material**

Image 5.3.2

Name of Scheme	:	***Construction of new road from Nandugaon to water pumping site via ICDS centre at Harrabotey.***
Sanctioned cost	:	**₹ 5.04 crore**
Date of commencement	:	**15-03-2011**
Due date of completion	:	**15-02-2012**
Total Expenditure incurred	:	**₹ 0.39 crore**
Reasons for delay	:	**Land Dispute**

Image 5.3.3

Name of Scheme	:	***Construction of road from Dong Ambottey School to Harrabotey***
Sanctioned cost	:	**₹ 6.68 crore**
Date of commencement	:	**23-10-2010**
Due date of completion	:	**22-10-2011**
Total Expenditure incurred	:	**₹ 0.87 crore**
Reasons for delay	:	**Reason for daley not recorded in the file**

Image 5.3.4

Name of Scheme	:	*Construction of rural market cum Haat Yard at Damthang*
Sanctioned cost:		₹ 0.74 crore
Date of commencement	:	04-10-2010
Due date of completion	:	03-10-2011
Total Expenditure incurred	:	₹ 0.14 crore
Reasons for delay	:	Due to funds constraint

Image 5.3.5

Name of Scheme	:	*Augmentation of Reshi WSS*
Sanctioned cost	:	₹ 2.64 crore
Date of commencement	:	09-01-2009
Due date of completion	:	08-01-2010
Total Expenditure incurred	:	₹ 1.80 crore
Reasons for delay	:	Non-availability of land for construction of sedimentation tank and reservoir tank

Image 5.3.6

Name of Scheme	:	*Upgradation of existing Chakung Gelling Road (R&B)*
Sanctioned cost	:	₹ 6.14 crore
Date of commencement	:	17-03-2009
Due date of completion	:	31-03-2011
Total Expenditure incurred	:	₹ 3.08 crore
Reasons for delay	:	Non-issue of departmental material and funds constraint

FRED stated (October 2012) that the delay in the implementation of some of the schemes was due to paucity of funds. The State Government however, had already issued instructions in 2011-12 to all the implementing departments to complete the projects.

5.3.10.2 Economy of operation

Since all schemes under the RIDF were funded by loan to be repaid with interest over a period of time, exercising economy in execution by the implementing departments is of importance. It was observed in audit that the element of economy was not given due importance while implementing the RIDF projects in the State leading to cases of excess, avoidable, wasteful and unwarranted expenditure as elucidated below:

Avoidable expenditure

➢ ***Non exemption of excise duty.***

The Union Ministry of Finance, Department of Revenue, GOI exempted (September 2002) excise duty on pipes for delivery of water from its source to a water treatment plant. Subsequently, the benefit of this exemption was extended to pipes with outer diameter 10 cm (December 2009) even if they are used in the distribution network beyond the first storage point. Such exemption was to be granted by the Deputy Commissioner, Central Excise on the basis of certificate obtained from the District Collector of the district in which the plant is located to the effect that the goods were meant for the intended use. The RMDD purchased Galvanised Iron pipes and fittings at a cost of ₹ 2.94 crore for water supply schemes under RIDF through the State Trading Corporation of Sikkim (STCS). No action was, however, taken by it to avail the excise duty exemption provided by the GOI leading to avoidable expenditure of ₹ 30.30 lakh and avoidable payment of interest amounting to ₹ 9.85 lakh on the loan availed from NABARD.

The Department (October 2012) stated that it did not seek exemption of excise duty inadvertently and assured that this would be claimed in future cases.

➢ ***Construction of Government Degree College at Rungdung, East District***

The work 'Construction of Government Degree College at Rungdung, East District' at an estimated cost of ₹ 8.13 crore was awarded (February 2009) to the lowest bidder at 10 *per cent* below the estimated cost with stipulation for completion within 24 months i.e., by February 2011. However, till March 2012, only 58 *per cent* of the work was completed at an expenditure of ₹ 5.26 crore. The initial slow progress was due to non-supply of the stock materials. Although the contractor was subsequently allowed (December 2009) self-procurement of stock materials, the HRDD failed to take effective steps to get the works completed within the stipulated time. Due to delay in construction, the Department was forced to run classes in a rented building which lacked basic facilities, resulting in avoidable expenditure of ₹ 3.70 lakh towards payment of building rent from March 2011 to July 2012.

While accepting the Audit contention, the Department stated (October 2012) that it had initiated appropriate action against the contractor as per codal provision.

Wasteful expenditure

In the following cases, infrastructure created out of borrowed funds amounting to ₹ 1.56 crore neither ensured any regular employment nor generated income for the rural people, resulting in wasteful expenditure besides the interest liability on the loan.

➢ ***Construction of MIC at Kagaythang sakyong***

The work 'Construction of Kagaythang MIC at Kagaythang Sakyong' at a cost of ₹ 2.50 lakh for creation of 8 hectare CCA was completed in May 2009. Physical verification revealed that the MIC was constructed at Kabirthang instead of Kagaythang as the agricultural field at Kagaythang was taken over by an agency for construction of a Hydropower Project. The change of location of the MIC was done without approval of the competent authority. The MIC in the new site catered to only one family. Further, the MIC was connected with an earthen channel which was not even connected to the agricultural farm. The MIC was later completely damaged by landslides making it useless rendering the expenditure of ₹ 2.50 lakh unfruitful.

Image 5.3.7

Damaged MIC at Kabirthang

The Department (October 2012) stated that the work was shifted with the approval as demanded by the Panchayat of Yangtey GPU and it catered to several families. The reply was not acceptable as during physical verification, it was noticed that the MIC was not even connected with any agricultural farm and catered to only one family in the new site.

➢ ***Infrastructure facilities at Gyalshing Bazar***

Infrastructure facilities at Gyalshing Bazar was approved (January 2009) by NABARD at a cost of ₹ 1.54 crore and the work completed in November 2011 by the UDHD. The work mainly consisted of beautification of the area by providing square bar railing, laying stone flooring, etc. which did come under the ambit of the RIDF programme. The expenditure of ₹ 1.54 crore thus, did not serve the purpose of either providing rural employment or reducing the loss of income to the rural people. Also, the beautification of bazar area was not covered under the schemes enlisted by NABARD for RIDF.

The Department stated (November 2012) that the infrastructure of Gyalshing Bazar was mainly focused on covering of open jhora flowing through the heart of the town. Since the project was in the bazar area, the covering of jhora by casting slab over it was further enhanced by beautifying the entire space that was earlier being unutilised. Further, the storm water flowing in the jhora was being used in various agricultural fields by the people living downstream, indirectly benefiting the rural people living in the low land areas and further improving their livelihood. Fact remained that the beautification of bazar area was not covered under the schemes under NABARD.

5.3.10.3 Implementation of schemes in urban areas

RIDF schemes valued at ₹ 3.61 crore were sanctioned (January 2009) and implemented in two towns-Rangpo and Melli falling under urban areas where projects under the Jawaharlal Nehru

National Urban Renewal Mission (JNNURM), meant for development of urban areas, were being implemented through the Urban Development and Housing Department since 2006-07. Implementation of RIDF schemes in urban areas from funds meant for rural infrastructure creation deprived the rural people of the intended benefits. The Government had to incur interest payment of ₹ 1.17 crore on the above schemes without rendering any benefit to the rural people. The funds should have been utilised as per the objective of the scheme for completion of ongoing schemes or on new schemes aimed at development of the rural areas.

The UDHD stated (November 2012) that though Rangpoo Bazar falls under the purview of JNNURM cities, the bazaar caters to all the rural areas within the periphery of Sikkim and West Bengal. However, the fact remained that RIDF was meant for the development of rural infrastructure and therefore this was in contravention of the scheme.

5.3.10.4 Diversion of funds

Five implementing departments diverted programme funds amounting to ₹ 71.94 lakh[4] towards expenditure on procurement of vehicles, computers, office stationeries, etc., related to administrative expenditure not permitted under the terms of loan sanctioned by NABARD. This not only increased the liabilities on the State without creating assets but also attracted interest liability of ₹ 23.39 lakh, besides denial of intended benefits to the rural populace due to schemes lying incomplete for want of funds.

The HRDD, WSPHED (October 2012) and UDHD (November 2012) accepted the observations. However, the RBD stated (October 2012) that the expenditure was incurred for the visit of Chief Minister in relation to the monitoring and evaluation of the schemes implemented in various districts which was also a part of the project expenditure and hence, the expenditure cannot be treated as administrative expenditure.

5.3.10.5 Defunct schemes

➢ ***Minor irrigation Cannels***

Out of 12 MICs physically verified, six MICs constructed at ₹ 26.72 lakh catering to 61 hectares of agricultural land were found defunct due to drying up of the sources of water, non-maintenance, damage by landslides, etc. Photographs of some of the defunct MICs obtained from spot verification are given below:

[4] *HRDD- ₹ 21.28 lakh, RMDD-₹ 3.55 lakh, RBD ₹ 34.57 lakh, UDHD ₹ 6.09 lakh and WSPHED ₹ 6.45 lakh*

Image 5.3.8

Dried source of Pharasey MIC at Salghari

Name of Scheme	:	***Construction of Pharasey MIC at Salghari***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**13-03-2009**
Due date of completion	:	**09-05-2005**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Drying up of Source of water**

Image 5.3.9

Dried source of Lower Tokal MIC at Bermiok

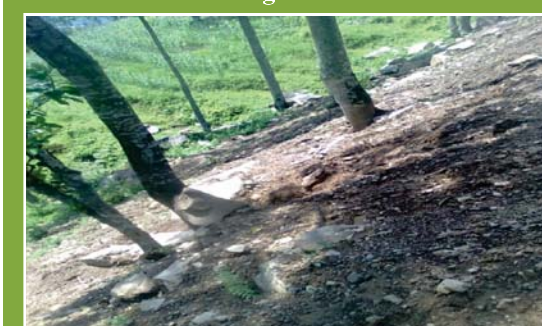
Name of Scheme	:	***Construction of Lower Tokal MIC at Bermiok***
Sanctioned cost	:	**₹ 3.00 lakh**
Date of commencement	:	**26-02-2009**
Due date of completion	:	**09-05-2009**
Total Expenditure incurred	:	**₹ 3.00 lakh**
Reasons for defunct	:	**Drying up of Source of water**

Image 5.3.10

Guay Khola MIC, needs maintenance and repair

Name of Scheme	:	***Guay Khola MIC***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**15-03-2008**
Due date of completion	:	**14-05-2008**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Blocked by debris and vegetation due to non-maintenance**

Image 5.3.11



Dong Khola to Simbalbotey MIC

Name of Scheme	:	***Dong Khola to Simbalbotey MIC***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**02-03-2009**
Due date of completion	:	**01-06-2009**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Completely damaged and buried under debris thrown from new road construction work**

The Department stated (October 2012) that the estimate for the repair of the defunct MICs had already been submitted to the Government but their sanction was awaited.

➢ ***Inoperative Rural Water supply Scheme***

Implementation of rural water supply scheme at Lumray Goan, Tiri Khola was completed at ₹ 9.82 lakh in March 2007. After one and half year of operation, the scheme became inoperative. Spot verification of the work revealed partial dysfunction of the system due to improper source selection and disjointing of pipes. As the scheme failed to supply water, the beneficiaries on their own, fulfilled their needs by drawing water from another source using polythene pipes.

Image 5.3.12

Idle Public Toilet-cum-Shop at Phodung Bazar

While accepting the fact, the Department stated (October 2012) that the general depletion of water sources was due to global warming and other natural phenomenon.

5.3.10.6 Idle assets

Before initiation of any scheme, it was essential that proper feasibility study and survey for selection of appropriate site was conducted to ensure that assets created from public money serve the needs of the people for whom such assets were created. After completion of the schemes, the Departments needed to operationalise the schemes immediately for the benefit of the people. Despite this, infrastructure valued at ₹ 3.43 crore were completed but remained idle for various reasons as elucidated below.

➢ Construction of Public Toilet-cum-Shop at Phodung Bazar was completed in October 2010 at ₹ 14.36 lakh with the objective of providing basic amenities to the public *vis-à-vis* generating income for the poor. As of July 2012 the infrastructure was lying idle as the UDHD had not initiated any action for operationalising the facility. Further, considering the isolated location of the facility, it was doubtful whether the facility would find any users even if the Department initiated steps for its opera tionalisation.

➢ Rural Marketing outlet at Ghurpisy, South Sikkim was completed in August 2008 at a cost of ₹ 1 crore. The objectives were to facilitate selling of their products, by rural people, directly to the consumers. The facility was not put to use by the UDHD even after a lapse of more than three years of its creation without assigning any reasons. The rural people continued selling their products on the road side in poor conditions while the building infrastructure created for resolving their problems was idling in disuse. Illustrative photographs are shown below:

Image 5.3.13

Idle Rural marketing outlet at Ghurpisy

Image 5.3.14

Rural people selling their products on the road side

- The UDHD constructed (March 2010) Haat Sheds at Kulak at ₹ 46.47 lakh in an isolated place with no approach road. The facility could not be put to use even after two years of its completion rendering the expenditure unfruitful.
- Two Pressure filters and one electro chlorinator for Augmentation of Reshi and Darap water supply schemes procured at ₹ 42.54 lakh by the WSPHED in February 2010 was lying unutilised and exposed to the vagaries of nature due to non-completion of Civil works and procurement of the filters in advance.

Image 5.3.15

Idle pressure filters and electro chlorinator of Reshi water supply scheme

Image 5.3.16

Idle pressure filter at Darap water supply scheme

- The UDHD completed (March 2009) construction of seven Pay & Use Toilets-cum-Shops (PUTSs) at various bazaars under South and West Districts under the RIDF at ₹1.68 crore with the objective of creating infrastructure and generating employment for rural people. Out of the seven PUTSs, only one at Jorethang was operational while the rest six constructed at ₹ 1.40 crore were lying idle. Spot verification of four PUTSs revealed the following:

One PUTS planned to be constructed at Kazitaar, Namchi was constructed near District Administration Centre (DAC) instead. The facility valued at ₹ 28.23 lakh was lying idle even after more than three years of completion due to unsuitable site of construction. Further, it was found that the main entrance of the PUTSs was blocked by a godown as can be seen in the photograph.

Image 5.3.17

Main entrance of the Pay & Use Toilets-cum-Shops blocked by a godown

Other three PUTSs at (i) Cho Dzo, Rabongla, (ii) Pelling Road, Gyalzing and (iii) City centre at Namchi constructed (March 2009) at a cost of ₹ 67.82 lakh were also lying idle in dilapidated conditions as shown in the photographs.

Image 5.3.18

Image 5.3.19

Image 5.3.20

Three Pay & Use Toilets-cum-Shops lying idle in dilapidated conditions

Though the reasons for idling of these assets were not recorded, physical verification revealed that these assets were created in isolated areas hardly visited by people. The Department had thus, created the infrastructure without any plan and without giving thought to the suitability of their location for use by the public thereby rendering the assets created from the borrowed funds unusable. Also, the public were denied the use of much needed facilities.

While accepting the audit contention, the UDHD stated (November 2012) that the allotment of the PUTS at Phodung Bazar was under process and that the rural populace were to be given space in the haat sheds to sell their products.

The WSPHED stated (October 2012) that it regretted procuring the equipment in advance and was taking all necessary steps to install it.

5.3.10.7 Irregular utilisation of assets

➢ ***Rural Haat sheds at Sombaria***

Construction of Rural Haat Shed at Sombaria under RIDF was sanctioned with the objective of providing facilities to rural people for selling their rural produce such as vegetables, cash crops and other household goods. The scheme executed by the UDHD was completed in March 2010 at ₹ 33.08 lakh. Physical verification revealed that the facility was actually being used by traders from other towns to sell readymade garments. The village people from the surrounding rural areas for whom the facility was created were seen selling their products at the road side. Illustrative photographs are given below:

Image 5.3.21

Traders from rural areas selling their products in open space at Sombaria Bazaar

Image 5.3.22

Selling of readymade garments at Haat shed at Sombaria

The UDHD stated (November 2012) that the Joint Secretary (South/West) had been directed to ensure proper utilisation of the assets.

➢ ***Excess supply of materials***

The Rorathang Water Supply Scheme under RIDF –XII was completed by the WSPHED at a cost of ₹ 5.20 crore. During spot verification of the work (July 2012) it was seen that pipes and fittings valued at ₹ 9.27 lakh were lying abandoned at the work site. Thus, the projection of an unrealistic estimate while obtaining sanction of funds for the project resulted in avoidable excess expenditure of ₹ 9.27 lakh from the RIDF funds due to purchase of excess pipes and fittings.

While accepting the fact the Department stated (October 2012) that the pipes and fittings would be utilised for repair/augmentation of the same scheme in future.

➢ ***Irregular utilisation of stock materials***

While schemes sanctioned under the RIDF were delayed and stalled due to want of stock materials, the RMDD issued stock (cement) purchased for RIDF schemes to the PMGSY programme which indicated improper utilisation of scheme funds and unplanned execution of works. During April 2010 to June 2010, out of 11,500 bags of cement procured under RIDF for implementation of various ongoing schemes, 10,600 bags (95 *per cent*) of cement were issued to PMGSY works. The stock materials issued to the PMGSY had not been returned to the RIDF projects till the date of audit (July 2012). The irregular utilisation of stock material valued ₹ 33.71 lakh[5] for unauthorised works indicated poor stock management and monitoring of schemes under the RIDF.

While accepting the fact, the Department stated (October 2012) that the stock would be utilised at the earliest.

5.3.10.8 Water supply without water treatment plant

The main objective of a public water supply system was to supply clean and safe drinking water through the installation of water treatment plant. The RMDD was required to install water treatment plant in all the water supply schemes. Scrutiny of records (June-July 2012) revealed that the Department had not installed water treatment plants in four schemes[6] out of ten test checked schemes. The non-installation of the water treatment plant in the schemes exposed beneficiaries of the areas to health hazards.

The Department stated (October 2012) that it had developed an alternative method to purify water and distributed it to the beneficiaries through the Block Administrative Centres. However, Department failed to furnish any documentary evidence in this regard.

5.3.10.9 Non-deduction of overlapped portion of works in Jhora Training

Jhora Training Works (JTW) is undertaken to prevent erosive action of water flowing in the Jhoras and thus preventing landslides. While constructing a Jhora, first a drop wall is constructed and two guide walls are constructed over the two sides of the drop wall. Hence, a portion of the guide walls at the base overlaps with a portion of the drop wall at the point of meeting of the two.

Test-check of estimates of 10 JTWs revealed that in none of the estimates, the overlapping portion was deducted at the time of framing the estimates for earth excavation and cement concrete works of Guide Wall. Further, while making payments to the contractors, the Department did not deduct the excess amount for overlapped portion of the works in any of the 10 JTWs.

While accepting the contention of Audit, the Department stated (October 2012) that it had issued instructions to the field engineers for proper framing of estimates and deduction of such items in future.

5.3.11 Monitoring and Impact assessment

5.3.11.1 Monitoring

Monitoring of schemes by the Nodal Department and the six implementing departments was

[5] *10,600 bags X₹318=₹33.71 lakh*

[6] *i) RWSS at Debrung, Dambudara & Karmrang, South Sikkim, ii) RWSS at Mangalbaria RMC, iii) RWSS at Upper, Middle & Lower Tryang & Sudong, iv) RWS Chalampong & Chalisey*

virtually non-existent. No record regarding year-wise number of works sanctioned, year-wise physical and financial progress, the balance quantities to be executed vis-à-vis the financial liability, scheduled date of completion, actual date of completion, year-wise and scheme-wise payments was maintained by the Departments. No record regarding physical inspection of projects by the higher authorities during construction or post construction period could be shown to Audit. Absence of effective monitoring and inspection by the higher authorities resulted in poor progress of works which in turn resulted in non-delivery of intended benefits from the expenditure incurred on the incomplete schemes. Further, not a single implementing department maintained any asset register mentioning name of schemes, cost and date of completion so that provision for repair and maintenance could be estimated and utilisation of assets monitored.

5.3.11.2 Impact assessment

The basic objective of the RIDF was to create durable assets thereby strengthening the livelihood resource base of the rural poor. Investments made under the RIDF were thus, expected to generate employment, enhance purchasing power, raise economic productivity, strengthen rural infrastructure by creation of durable assets and reduce distress migration. There was no effort on the part of the Nodal Department or the six implementing departments to assess the benefits derived from investment under RIDF even though the State Government had been availing loan under RIDF since 1998-99. Effectiveness of the schemes and their impact on the lives of the rural people had not been assessed as of July 2012. Hence, no remedial measures could be planned and adopted. Although the departments calculated per capita water supply, BCR, etc., of the projects while preparing the detailed project reports, evaluation of the schemes was never done at any level after completion of the projects. Thus, the calculation of per capita water supply, BCR, etc., at the inception stage became an exercise in futility.

5.3.12 Conclusion

Finance, Revenue and Expenditure Department, the Nodal Department for implementation of schemes under Rural Infrastructure Development Fund confined its function merely towards forwarding the proposals to NABARD without even taking into consideration the normative allocation declared by the Government of India. As a result, the loans sanctioned by NABARD always exceeded normative allocation except during 2011-12 leading to delay in completion of schemes due to fund constraints.

The scheme implementation was marred by i) absence of long term plan to identify the infrastructural gaps in the rural areas, ii) absence of detailed guidelines, iii) ineffective role of the FRED in fund management, iv) inadequate monitoring of the schemes and v) improper survey and investigation. The resultant effect of these inhibiting factors on the schemes were i) implementation of RIDF schemes in urban areas in violation of the spirit of RIDF, ii) assets remaining idle or irregular utilisation of assets, iii) fund constraints leading to delay in completion of schemes and iv) wasteful expenditure on non-functional assets due to creation of such assets in unsuitable locations and for want of repair and maintenance.

5.3.13 Recommendations

- The State Government should revisit its plan for taking up schemes under the RIDF and restrict sanction of schemes within the normative allocation of funds under RIDF for Sikkim.
- Schemes may be taken up after appropriate planning, proper survey, investigation and feasibility study so that there is no deviation of the technical sanction of the schemes and ensure fruitful utilisation of the assets created from borrowed funds.

The State Government should release its share of funds for implementation of the projects to help ensure expeditious completion and utilisation of the created assets.

FINANCE, REVENUE & EXPENDITURE DEPARTMENT AND FOOD, CIVIL SUPPLIES & CONSUMER AFFAIRS DEPARTMENT

5.4 Short realisation of cess and loss of revenue due to belated revision of rates

There was short realisation of ₹ 6.34 crore from three oil companies due to negligence of the Department to realise cess on time, besides loss of revenue of ₹ 86.18 lakh due to belated revision of petrol and diesel prices.

The State Government promulgated (July 2004) an ordinance 'The Sikkim Transport Infrastructure Development Fund Ordinance, 2004' followed by an Act (October 2004) 'The Sikkim Transport Infrastructure Development Fund (STIDF) Act 2004'. The objective of establishing STIDF was to create, develop, maintain and improve transport infrastructure including roads, bridges, flyover, etc., by levying and collecting cess on sale of motor spirit (petrol) and high speed diesel (diesel). In terms of the Ordinance, cess was to be levied at the rate of ₹ 1 per litre on motor spirit (MS) and high speed diesel (HSD) with effect from August 2004. This rate was enhanced to ₹ 2 per litre for both MS and HSD with effect from 1 April 2006 which was further revised and enhanced to ₹ 3 per litre for MS and ₹ 2.50 per litre for HSD effective from 21 April 2011.

Scrutiny of records of the Commissioner-cum-Secretary, Food and Civil Supplies and Consumer Affairs Department (FCSCAD) revealed (October 2011) that against the total cess of ₹ 18.76 crore due from sale of 93,803 KL MS and HSD during 2009-11[7], the Finance, Revenue and Expenditure Department (FRED) realised only ₹ 12.42 crore from three[8] oil companies based in Sikkim resulting in short realisation of ₹ 6.34 crore and consequent undue favour to the oil companies to that extent.

Scrutiny of records further revealed that though the rates of cess had been enhanced with effect from 21 April 2011, the FCSCAD revised the rates of MS and HSD incorporating the enhanced rates of cess in the pricing structure only from 30 July 2011 resulting in realisation of

[7] *2009-10: 44,972 KL; 2010-11: 48,831 KL*

[8] *Indian Oil Corporation Ltd., Bharat Petroleum Corporation Ltd. and Hindustan Petroleum Corporation Ltd*

cess at the old rates ₹ 2 per litre for MS and HSD instead of ₹ 3 per litre for MS and ₹ 2.50 per litre for HSD for 99 days (21April 2011 to 30 July 2011) resulting in loss of ₹ 86.18 lakh[9].

Information collected from the Roads and Bridges Department revealed that during the years 2008-09 to 2011-12, 67 road works at the approved cost of ₹ 250.17 crore were sanctioned under STIDF, out of which the Government could provide only ₹ 37.25 crore to Roads and Bridges, ₹ 2 crore to RMDD and ₹ 6.41 crore to SNT against the total availability of ₹ 56.89 crore under STIDF. As the main objective of creation of STIDF was to develop, maintain and improve transport infrastructure in the State, the short realisation of cess and the loss of revenue due to belated implementation of revision of rates hampered the progress of road works sanctioned under the STIDF scheme to that extent. The availability of funds (₹ 56.89 crore) constituted only 22.74 *per cent* of the required funds (₹ 250.17 crore). Therefore, 62 road works sanctioned during the period 2008-12 remained incomplete (September 2012) due to non-availability of adequate funds.

The FCSCAD stated (August 2012) that loss of cess of ₹ 86.18 lakh due to belated implementation of enhanced rates of cess in respect of MS and HSD as pointed out by Audit was due to late receipt (30 July 2012) of Notification dated 21 April 2012 from the FRED. Reply of the Department is not convincing as both the departments are under the same Government and within the same locality (Gangtok) and hence belated implementation due to late receipt of Government Notification after more than 97 days from the effective date of Notification cannot be accepted. Reply from the FRED was awaited (November 2012).

[9] *On sale of MS: 3,750 KL and HSD: 9,735 KL by M/s Indian Oil Corporation Ltd. and M/s Bharat Petroleum Corporation Ltd. during 21.04.2011 to 30.07.2011.*

Follow up of Audit Observations

CHAPTER – VI

FOLLOW UP OF AUDIT OBSERVATIONS

6.1 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.

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/reviews included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that, as of November 2012, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/reviews included in the Audit Report pertaining to the year 2010-11.

6.2 Response of the departments to the recommendations of the Public Accounts Committee (PAC)

FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by PAC for their consideration within 15 days of presentation of the PAC Reports to the Legislature. The PAC 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.

As of November 2012, out of 563 recommendations of the PAC, made between 1990-91 and 2007-08, ATNs in respect of all the recommendations had been submitted to the PAC (98^{th} Report) and discussed.

6.3 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 Inspection Reports issued by the Principal Accountant General. It was to hold meetings once in three months and send quarterly action taken report on the issue to the State Audit and Accounts Committee.

As of November 2012, one meeting was held (January 2011), wherein no Inspection Report (IRs)/paragraph could be settled.

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 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.

As of November 2012, no meeting was held by the SAAC.

6.4 Outstanding Inspection Reports

The Principal Accountant General (Audit), Sikkim (PAG) 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 with the 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 PAG within one month form 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 Public Sector Undertakings) audit as of December 2012 is shown below:

Table 6.1

Year	Civil (including works, Forest and autonomous bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2007-08	467	809	88	182	43	143
2008-09	88	271	9	23	11	41
2009-10	89	255	10	20	10	17
2010-11	130	464	15	47	6	24
2001-12	68	274	7	51	13	64
Total	**842**	**2,073**	**129**	**323**	**83**	**289**

This large pendency of IRs is indicative of absence of adequate action to rectify the defects, omissions and irregularities pointed out through IRs by the Heads of offices and Heads of the departments.

6.5 Departmental Audit Committee Meetings

Two Audit Committee Meetings were held during 2011-12, wherein 16 Inspection Reports and 45 paragraphs were discussed out of which one Inspection Report and 12 paragraphs were settled.

Angam Chand

(L. Angam Chand Singh)

Gangtok **Principal Accountant General (Audit),**

The **Sikkim, Gangtok**

Countersigned

New Delhi **(Vinod Rai)**

The **Comptroller and Auditor General of India**

Appendices

Appendix 1.3.1

Statement showing important aspects to be covered by the State Employment Guarantee Schemes vis-à-vis actually incorporated

(Reference: Paragraph 1.3.6.1.1; Page 9)

Sl	Prescription in the Act	Features in the SREGS
1	Specify the implementing Department in the State	Rural Management and Development Department issued SREGS 2006 vide Notification No.2/RM&DD dated 13.06.2006.
2	Specify a senior officer in the State as State Programme Coordinator	Not below the rank of Joint Secretary to be designated by the RMDD.
3	Specify the District Programme Coordinator	District Development Officer of the District.
4	Lay down the mode of recruitment for Programme Officers, supportive staff and other required professional services, and make interim arrangements till regular Programme Officer is appointed.	Block Development Officer designated as Programme Officers.
5	Define the relationship with the Block Development Officer.	Block Development Officer designated as Programme Officers for the implementation of the scheme.
6	Clearly delineate Agency-wise the roles and responsibilities for each task mandated in the Act and elaborated in the Guidelines. Establishment coordination mechanisms among them, fixing clear accountability for each task, since activities under the Act are justiciable and the people and the Implementing Agency should know in whom the legal obligation for getting a task done vest.	As stipulated in the 'Implementation Arrangements' of the SREGS 2006.
7	Delineate the Fund Flow system for the Rural Employment Guarantee Scheme.	As mentioned in the Rule 19 of SREGS 2006.
8	Specify the cheque signing authorities at the District, Block (Programme Officer) and Gram Panchayat levels.	***Not incorporated in SREGS***
9	Specify the procedure for payment of unemployment allowance.	Rule 10 of SREGS 2006.
10	Specify the authorities for administrative and technical approval of works and define their powers.	Rule 13, 14 & 15 of SREGS 2006.
11	Specify the procedure for maintenance of accounts, maintenance of muster rolls, material, unskilled wage and skilled wage content of the works and audit arrangements for internal and Social Audit.	Rule 16, 22 & 23 of SREGS 2006.
12	Specify procedures for making entries in the job cards and for cross-checking them to avoid wrong entries.	Rule 20 of SREGS 2006.
13	Specify systems for measurement of works and rates of payment thereof and methods for making this information transparent.	System of measurement of works not specified.
14	Specify the system of payment of wages. Possibility of payment through accounts in the bank or post office may be considered.	Rule 20 of SREGS 2006.
15	Specify procedures for Social Audit, public accountability and implementation of the Right to Information Act.	Rule 23 of SREGS 2006.
16	Specify grievance redressal mechanisms at the Gram Panchayat, Intermediate Panpchayat, District and State levels.	Rule 26 of SREGS 2006.
17	Specify the terms and conditions of the chairperson and Members of the State Employment Guarantee Council, time, place and procedure of meeting.	Notified NREG (State Council) Rules, 2006 vide Notification 13/RM&DD dated 17.08.2007

Appendix 1.3.2

Statement showing important aspects to be covered by the State Employment Guarantee Rules vis-à-vis actually incorporated

(Reference: Paragraph 1.3.6.1.2; Page 9)

Sl	Prescription in the Act	Features in the SREG Rules
1	The terms and conditions upon which eligibility for unemployment allowance may be determined.	Rule 3 of SREG Rules, 2010.
2	The procedure for payment of unemployment allowance.	Rule 4 of SREG Rules, 2010.
3	Appointment of Chairperson and members of State Council, time, place and procedure of the meeting (including quorum of such meeting)	Separate Notification issued vide No.19/RM&DD dated 29.02.08.
4	Setting up of grievance redressal mechanism at the Block and District level.	Separate Notification issued vide No.710/RM&DD/NREGA dated 14.11.08.
5	Utilisation of State Fund.	***Not mentioned in SREG Rules.***
6	Maintenance of books of account of employment of labourers and the expenditure thereof relating to the Scheme.	Rule 5 of SREG Rules, 2010.
7	Arrangement requirement for proper execution of Schemes.	Rule 6 of SREG Rules, 2010.

Appendix 1.3.3

Statement showing short and delayed release of State Share

(Reference: Paragraph 1.3.6.3.4; Page 16)

(₹ in lakh)

Year	Date of requisition for fund by RMDD	Date of release by State Government	Amount sought in budget proposal	Amount released	Short release with reference to (4)
(1)	(2)	(3)	(4)	(5)	(6)
2007-08	Oct 2006	19 February 2008	105.19	93.00	12.19
2008-09	Oct 2007	02 August 2008	150.30	59.71	90.59
		21 April 2008	99.45	18.58	80.87
		02 August 2008	50.81	34.88	15.93
		16 March 2009	154.67	89.61	65.06
2009-10	Oct 2008	19 August 2009	904.15	171.29	732.86
2010-11	Oct 2009	22 May 2010	494.28	30.00	464.28
2011-12	Oct 2010	30 September 2011	1,119.97	350.00	769.97
Total			**3,078.82**	**847.07**	**2,231.75**

Source: Annual Report (2007-11) & MIS (2011-12) on MGNREGS

Appendix 1.3.4

Statement showing payment of wages through Bank/Post offices

(Reference: Paragraph 1.3.6.5.3; Page 20)

District	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
East	H/H registered	15,206	18,955	21,368	21,983	22,715
	Accounts opened	NA	NA	5,024 (24)	5,066 (23)	5,716 (25)
West	H/H registered	14,444	21,430	26,563	27,278	27,631
	Accounts opened	NA	NA	13,981 (53)	14,369 (53)	14,369 (52)
North	H/H registered	4,913	5,576	6,417	6,567	6,686
	Accounts opened	NA	NA	4,988 (78)	4,712 (72)	5,505 (82)
South	H/H registered	13,542	19,200	21,415	22,076	23,001
	Accounts opened	NA	NA	9,662 (45)	15,450 (70)	15,824 (69)

Source: MIS, Figure in bracket indicate percentage

Appendix 1.8.1

Statement showing Non-Deduction of Void on stone

(Reference: Paragraph 1.8; Page 34)

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
Water Supply & PHED	30/22.12.11	M/s D.K.Enterprises, Tadong	Augmentation of Singtam Water Supply Scheme in East Sikkim	767.04 cum	9,20,448	15	1,38,067
-do-	726/21.12.11	M/s Shreya Traders, Singtam	Replacement of old wooden trust, GCI roof of 1 lakh gallon reservoir at Tinek under Singtam water supply.	2,500 cft	32,500	15	4,875
-do-	14/06.01.11	M/s D.K. Enterprises, Gangtok	Upgradation and modernization of feeder of water treatment plant for Gangtok water supply system	9,805.55 cum	80,03,000	15	12,00,000
-do-	05/07.03.12	M/s Banwarilal Omkarmull, Pakyong	Water supply distribution network for foot track & providing electroclorinator for Indo China trade mark at Sherathang	1,226.54 cum	2,46,731	15	37,009
-do-	16/31.03.12	M/s Sangrilla Traders, Gangtok	Redeployment of existing w/s main line to Ranipool and Industrial growth centre at Marchak Pachey source due to construction of road.	1,308 cum	28,776	15	4,316
UD&HD	99/31.03.10	M/s Manokamna Enterprises, Gangtok	Carpetting work at T.V Tower Chandmari	98.02 cum	56,675	15	8,501
-do-	101/31.03.10	-do-	-do-	98.02 cum	19,718	15	2,958
-do-	19/11.03.11	M/s Anmol Enterprises, Gangtok	Construction of protective work at Munshi Colony, Dev. Area, Gangtok	40 cum	11,200	15	1,680
-do-	33/24.03.11	M/s Sikkim Enterprise, Gangtok	Restoring & Repairing of Crematorium Shed for Gurung Community at Burtuk, Gangtok	25.48 cum	18,000	15	2,700
-do-	42/28.03.11	M/s Sikkim Enterprise, Gangtok	Construction of foot path from NH way to Bhanupath, Gangtok	19.82 cum	14,000	15	2,100
-do-	43/28.03.11	-do-	Repairing of drainage at Dev.area near Housing Colony, Gangtok	16.99 cum	12,000	15	1,800
-do-	51/29.03.11	M/s Kedar Mundra, Gangtok	Construction of Storm water drain at Tibet Road, Gangtok	18.40 cum	13,000	15	1,950
-do-	94/29.03.11	M/s Amber Enterprise, Gangtok	Stone chisel dressing claddengat officer club below Gangtok	11.35 cum	23,835	15	3,575
-do-	106/31.03.11	M/s Suraj Enterprise, Gangtok	Development of inner city road.	84.95 cum	1,01,640	15	15,246

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
UD&HD	159/31.03.11	M/s Manokamana Enterprise, Gangtok	Construction of approach road to Yatayat Bhavan	331 cum	1,91,448	15	28,717
-do-	205/31.03.11	M/s Abhishek Enterprises, Gangtok	Construction of pedestrian over bridge at Deorali, Gangtok	14.15 cum	16,940	15	2,541
-do-	209/31.03.11	M/s Sikkim Enterprise, Gangtok	Drainage system along the approach road to High Court	152.91 cum	78,300	15	11,745
-do-	210/31.03.11	M/s Amber Enterprise, Gangtok	Restoration of retaining wall along Dr.B.R.Ambedhkar Road near PNG School	20 cum	17,164	15	2,575
-do-	248/31.03.11	M/s Praveen Traders, Melli	Devolopment of Melli Bazaar (ACA)	707.92 cum	3,00,000	15	45,000
-do-	250/31.03.11	-do-	-do-	1,359.21 cum	5,76,000	15	86,400
-do-	256/31.03.11	-do-	-do-	448.46 cum	2,07,000	15	31,050
-do-	261/31.03.11	-do-	-do-	563.50 cum	2,38,800	15	35,820
-do-	67/29.03.11	M/s Manokamana Enterprises, Gangtok	Modification of Raj Bhawan Road	1,525.07 cum	8,81,795	15	1,32,269
-do-	52/29.03.11	M/s Cross Roads, Gangtok	Development of inner city road	84.95 cum	1,01,640	15	15,246
-do-	66/29.03.11	M/s Manokamana Enterprises, Gangtok	Development of inner city road and modification of Raj Bhawan Road	1,525.07 cum	9,41,578	15	1,41,236
-do-	101/30.03.11	M/s Sikkim Enterprises Tadong	Improvement & modification of the approach road to Deorali Senior Secondary School.	750 cft	25,410	15	3,812
-do-	228/31.03.11	-do-	Development of inner city road Deorali School, Gangtok	11900 cft	4,03,172	15	60,476
-do-	174/31.03.11	M/s Sikkim Enterprises, Gangtok	Development of inner city road and modification of Church Road to Old Bansal Petrol Pump	19154 cft	6,48,938	15	97,341
-do-	23/25.03.11	M/s Manokamana Enterprises, Gangtok	Construction of RCC wall along JN Road below Mingtogang	287 cum	85,689	15	12,863
-do-	24/25.03.11	-do-	Construction of RCC wall along JN Road below Mingtogang	287 cum	1,65,943	15	24,891
-do-	29/28.03.11	M/s Mainam Hardware	Beautification of Yangyang Bazaar	2,500 cft	42,750	15	6,413
UD&HD	19/24.10.11	-do-	Modification of Yangyang Bazaar	3,200 cft	57,600	15	10,965
-do-	29/25.10.11	-do-	Rehablitation centre at Berfung.	3,450 cft	86,250	15	12,937
-do-	22/17.02.12	M/s Suraj Enterprises, Gangtok	Turning improvement near Titanic park, Gangtok	400 cft	8,000	15	1,200
-do-	32/17.02.12	M/s Rudra Enterprises, Gangtok	Immediate repair of patch works internal road at Rashmi Alley Road, Gangtok	8,300 cft	1,66,000	15	24,900

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	57/27.03.12	M/s Manokamana Enterprises, Gangtok	Maintenance & repair of roads, immediate repair of patch works of internal urban road etc.	42 cum	56,795	15	8,519
-do-	96/31.03.12	M/s Abhishek Enterprises, Gangtok	Mainentance & repair of roads.	450 cft	9,000	15	1,350
-do-	97/31.03.12	M/s Manokamana Enterprises, Gangtok	Patch repair along the Sichey Road.	297.25 cum	59,794	15	8,969
-do-	98/31.03.12	M/s Manokamana Enterprises, Gangtok	Maintenance & repair of roads at Sichey Road	413.88 cum	83,256	15	12,488
-do-	99/31.03.12	M/s Manokamana Enterprises, Gangtok	-do-	57.38 cum	11,543	15	1,731
-do-	44/24.03.12	M/s Galaxy Enterprises, Gangtok	Improvement & modification of Jiwan Thing Marg, Gangtok	750 cft	25,410	15	3,812
-do-	118/31.03.12	M/s Manokamana Enterprises, Gangtok	Improvement works in and around Mintokgang	159.24 cum	98,314	15	14,747
-do-	15/16.03.12	M/s Amar Gupta, Jorethang Bazaar.	Supply of stone	12,518 cft	1,50,216	15	22,532
-do-	63/27.03.12	M/s Manokamana Enterprises, Gangtok	ction of pedestrian footover bridge at Deorali, Gangtok	300 cft	10,164	15	1,525
-do-	93/29.03.12	M/s Paints & Hardware, Namthang	of stone	49,600 cft	10,41,600	15	1,56,240
UD&HD Jorethang	210/31.03.10	M/s Ravi Kumar Agarwal, South Sikkim	Construction of 1.20 m wide track along main pipe line for water supply scheme at Barfung.	396.82 cum	2,52,370	15	37,856
-do-	212/31.03.10	M/s Ravi Kumar Agarwal, South Sikkim	Construction of site office at village training centre Bakhim	32.25 cum	14,247	15	2,137
-do-	240/31.03.10	M/s Noranglal Raj Kumar, Jorethang	Construction of park, installation of fountain, landscaping and allied works, Jorethang	425 cum	32,453	15	4,868
UD&HD Jorethang	243/31.03.10	M/s GCL Enterprises, Tadong	Construction of park, installation of fountain, landscaping and allied works, Jorethang	3080 cft	1,69,400	15	25,410
Roads & Bridges, Gangtok	59/13.10.10	M/S Rudra Enterprises	ad to Rehabilitation Centre< Nimtar	344.57 cum	69,313	15	10,397
-do-	39/24.03.11	M/s Sikkim Enterprises	& sunk down portion	139.37 cum	28,036	15	4,205
-do-	50/26.03.11	M/s Dinesh Enterprises	Restoration of sunk down formation on Chujachen Rolep Road	189.82 cum	38,184	15	5,728
-do-	05/IR/02.08.11	M/s Hari Shanker Chandak	Slip clearance & surface improvisation along Chakung	17500 cft	2,62,500	15	39,375

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	316/31.03.12	M/s Neptune Entgerprises, Gangtok	Supply of stone on account of providing protective works at Lower Samdong.	230.26 cum	46,319	15	6,948
Roads & Bridges, Namchi	179/31.03.11	M/s Ravi Kr Agarwal	Patch repair work along Rabongla-Legship Road	222.56 cum	2,51,199	15	37,679
Roads & Bridges, Ravangla	04/24.03.11	M/s Tulsi Pandey	Restoration of irrigation channel, slip clearance & slope along Lingee to Payong Road	237.84 cum	93,086	15	13,963
-do-	35/06.08.11	M/s Ravi Kr Agarwal	Restoration of Drainage system at Neha	156.54 cum	56,844	15	8,527
-do-	39/06.08.11	-do-	Restoration of SP/W at soil slip of Lingmoo Lingee	226.98 cum	95,870	15	14,381
-do-	41/06.08.11	-do-	Restoration work at Mangzing Slide	283 cum	1,02,766	15	15,415
Roads & Bridges, Namchi	75/31.03.11	M/s Madan Lal Periwal	Protective work	75.42 cum	31,855	15	4,778
-do-	77/31.03.11	-do-	-do-	241.19 cum	48,515	15	7,277
-do-	80/31.03.11	M/s Pradeep Enterprises	Temp. restoration work	284.39 cum	1,50,727	15	22,609
-do-	36/29.03.12	M/s Ashok Agarwal, Namchi	Patch repair work along Jorethang Namchi Road.	449.834 cum	2,43,360	15	36,504
-do-	47/30.03.12	M/s Roshan Agarwal, Namchi	Resurfacing work on Namchi- Dhong Road	284 cum	57,129	15	8,569
Roads & Bridges, Gyalshing	19/25.03.11	M/s Sanjay Agarwal, Gyalshing	Permanent restoration of road by clearance of debris and providing stone pitching.	212.96 cum	50,211	15	7,532
Roads & Bridges, Gyalshing	05/01.10.11	M/s. Hari Shankar Chandak	Replacement of suspension bridge of Regyang.	500 cum	1,00,000	15	15,000
-do-	07/01.10.11	M/s. Hari Shankar Chandak	Replacement of suspension bridge of Regyang.	500 cum	1,14,000	15	17,100
-do-	10/01.10.11	M/s Gupta Brothers	Patch repair work along Yuksom, Tashiding Road	1,524.95 cum	8,81,727	15	1,32,259
-do-	11/20.10.11	M/s Sanjay Agarwal, Gyalshing	Patch repair work along Yuksom, Ta shiding Road	212.76 cum	3,24,448	15	48,667
-do-	15/20.10.11	M/s F.S.Enterprises, Gangtok	Upgradation of Lamichaney Rs. At 6^{th} Mile Tadong	226 cum	1,30,673	15	19,600
-do-	42/31.03.12	M/s Traders, Jorethang	Mix carpeting along Dentam Utteray Road.	1463 cum	2,94,297	15	44,144
-do-	589/nil	M/s Gupta Brothers, Gyalshing	Slip clearance & protective work etc.	116.37 cum	23,409	15	3,511
-do-	140/24.03.12	M/s Sanjay Agarwal, Gyalshing	Immediate temporary restoration work	695.31 cum	1,39,869	15	20,980

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	148/24.03.12	-do-	Immediate restoration work	149.21 cum	30,015	15	4,502
-do-	174/24.03.12	-do-	Immediate traffic clearance and restoration work	352.28 cum	70,865	15	10,630
-do-	143/24.03.12	-do-	Immediate restoration work	85.59 cum	18,022	15	2,703
-do-	179/24.03.12	M/s Sanjay Agarwal, Gyalshing	Immediate traffic clearance and restoration work	819.92 cum	1,64,935	15	24,740
Roads & Bridges, Gyalshing	113/24.03.12	M/s Sanjay Agarwal, Gyalshing	Restoration of work on various stretches	1597.70 cum	3,21,393	15	48,209
-do-	116/24.03.12	-do-	Slip clearance & restoration work.	260.66 cum	52,434	15	7,865
-do-	179/24.03.12	-do-	Immediate traffic clearance and restoration work	819.92 cum	1,64,935	15	27,740
-do-	Nil/24.03.12	-do-	Immediate restoration work	318.76 cum	64,122	15	9,618
-do-	182/24.03.12	-do-	Immediate traffic clearance and restoration work	448.06 cum	90,132	15	13,520
Roads & Bridges, Gyalshing	184/24.03.12	-do-	Immediate traffic clearance and restoration work	421.40 cum	84,768	15	12,715
-do-	187/24.03.12	M/s Gupta Brothers, Gyalshing	Immediate temporary restoration work	144.99 cum	59,620	15	8,943
-do-	189/24.03.12	-do-	Immediate temporary restoration work	144.99 cum	29,166	15	4,375
-do-	194/24.03.12	M/s Sanjay Agarwal, Gyalshing	Immediate traffic clearance and restoration work	337 cum	67,791	15	10,167
-do-	196/24.03.12	-do-	Slip clearance & restoration work	85.34 cum	18,878	15	2,832
Roads & Bridges, Mangan	22/31.03.12	M/s Shreenath Prasad, Mangan	Surface improvement & Patch repair of road to Chodey Golai to Old Mangan.	319.45cum	1,34,926	15	20,239
-do-	30/31.03.12	-do-	Patch repair, restoration of plant & repair of drain along Rinzing Namgyal Marg, Mangan	375.30cum	2,03,176	15	30,476
-do-	37/31.03.12	-do-	Restoration of protective works & repair of drain of approach road to the Gyanthang School , North Sikkim	362.71 cum	1,53,270	15	22,991
Forest Deptt., East	113/25.03.11	M/s Vikky Enterprises	Nil	800 cft	22,400	15	3,360
-do-	205/31.03.11	M/s Abhishek Enterprises	Pedestrian over bridge at Deorali, Gangtok	500 cft	16,940	15	2,541
-do-	210/31.03.11	M/s Amber Enterprises	Retaining wall along B.R. Ambedkar Road	20 cum	17,164	15	2,575
-do-	250/31.03.11	M/s Praveen Enterprises	Site development at Melli Bazaar	48,000 cft	5,76,000	15	86,400
-do-	261/31.03.11	M/s Reaveen Enterprises	Nil	19,900 cft	2,38,800	15	35,820

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	66/29.03.11	M/s Manokamana Enterprises	Imp.& Modification of Raj Bhawan Road	1,525.07 cum	9,41,578	15	1,41,237
-do-	67/29.03.11	-do-	Imp.& Modification of Raj Bhawan Road	1,525.07 cum	8,81,795	15	1,32,269
-do-	88/31.03.11	M/s Anu Enterprises	Development of Sadar th ana road.	1,700 cft	34,000	15	5,100
-do-	96/31.03.11	M/s Bajrangabali Enterprises	Development of various road in and around Gangtok	5,600 cft	1,12,000	15	16,800
Forest Deptt., East	129/31.03.11	M/s Gupta Brothers	Patch repair work along Legship Road	398.01 cum	84,680	15	12,702
-do-	136/31.03.11	M/s Sanjay Agarwal	Patch repair work at Pelling Rimbi Road	1,392 cum	2,96,175	15	44,426
-do-	138/31.03.11	-do-	Patch repair work at Pelling Rimbi Road	1,203.49 cum	3,37,832	15	50,678
-do-	139/31.03.11	-do-	Patch repair work at Legship Tashiding Road	459 cum	97,657	15	14,649
-do-	140/31.03.11	-do-	Patch repair work along Tashiding Road	459.06 cum	1,56,177	15	23,427
-do-	142/31.03.11	-do-	Patch repair work at from Pelling to Pemayangtse Road	128 cum	27,283	15	4,092
-do-	144/31.03.11	M/s Gupta Brothers	Patch work along Legship Reshi Road.	398.01 cum	1,35,406	15	20,310
-do-	145/31.03.11	-do-	Patch work along Yuksu Tashiding	279.70 cum	1,58,832	15	23,825
-do-	146/31.03.11	-do-	Patch repair work along Yuksu Tashiding.	260.21 cum	76,638	15	11,496
-do-	173/31.03.11	M/s Pokharmal Shivnarayan	Patch repair work at Soreng Chakung Road.	150 cft	30,174	15	4,526
-do-	466/31.03.11	M/s Gupta Brothers, West Sikkim	Construction of drainage from DPCA gate to DFO Qrts.	4,900 cft	98,000	15	14,700
-do-	653/31.03.12	M/s Praveen Traders,Melli	Carpeting works at Melli	489.56 cum	2,10,511	15	31,576
-do-	700/31.03.12	M/s Anum Yang Comp. Pvt Ltd., Mangan	Construction of protection wall for muck dumping site besides Mangan Hospital.	7358 cft	73,580	15	11,037
-do-							
Forest Env. & W/L Mangt. Deptt, North Division	11/31.03.12	M/s Sonam Enterprises, Gangtok	Supply of stone on account of Development of Singbu, North Sikkim	250 cum	50,290	15	7,544
-do-	13/31.03.12	-do-	-do-	248.55 cum	49,998	15	7,499
Building & Housing, Gangtok	10/11.08.11	M/s Biswakarma Traders, Gangtok	Renovation & furnishing of CI –I	600 cft	12,000	15	1,800
-do-	07/13.12.11	-do-	Repair of Slum rehabilitation centre at Lingdong	300 cft	6,000	15	900

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	17/24.05.11	M/s Rahul Enterprises, Gangtok	Construction of CRSM wall in front of Class IV (2 unit qrt.)at Development Area, Gangtok	900cft	18,000	15	2,700
-do-	23/25.03.11	M/s Pradeep Enterprises, Ravangla	Restoration of Pheguay Monestary, upper Linzgee	35 cum	24,000	15	3,675
-do-	68/25.03.11	M/s Dinesh Entepises, Ranipool	Restoration/Reconstruction of Pabyuik Monastery, East	4657 cft	69,855	15	10,478
-do-	03/9.01.12	M/s Bajrangbali Enterprises, Tadong, Gangtok	Construction of Raj Bhawan Ext./Int. painting work and allied work of Class IV ‘D’ block.	800 cft	12,000	15	1,800
-do-	04/9.01.12	-do-	-do-	600 cft	9,000	15	1,350
-do-	05/9.01.12	M/s Biswakarma Traders, Gangtok	-do-	800 cft	12,000	15	1,800
-do-	06/9.01.12	-do-	Construction of Raj Bhawan Ext/Int. painting work and allied work of Doctor’s qrtrs..	200 cft	3,000	15	450
Building & Housing, North East	68/31.03.11	M/s Dinesh Enterprises, Ranipool	Restoration of Pubyuik Monastery, East Sikkim	41,657 cft	69,855	15	10,478
-do-, Mangan	03/WS/10.05.11	M/s Sikkim Enterprise, Gangtok	Construction of approach road to S.P. Quarter at Pentok, Mangan	6,800 cft	1,22,400	15	18,360
Irrigation & FC	139/31.03.10	M/s Anu Enterprises, Gangtok	Repair & restoration of P/wall adjoining, Palzor Stadium	111 cum	29,970	15	4,496
-do-	194/31.03.10	M/s Mundra Enterprises	Construction of Godown at Tadong Store Complex	1,450 cft	21,750	15	3,263
-do-	29/26.05.10	M/s Sonam Topgay Bhutia	Shifting of HRDD Store at Tadong	5,500 cft	82,500	15	12,375
-do-	01/01.08.11	M/s Denzong Enterplrise, Pakyong	Restoration of work at Basnet Jhora near welcome gate Namcheybong	2,500 cft	36,400	15	5,640
-do-	48/09.08.11	-do-	J.T.W near the h/o B.B. Thapa at L/Aho, Yangtam	2,000 cft	30,000	15	4,500
Irrigation & FC	50/09.08.11	M/s Krishna Enterprises, Gangtok	P/W near the H/o Prem Bdr. Chettri at Luing, Ranka	1,555 cft	23,325	15	3,499
-do-	63/11.08.11	-do-	J.T.W. along Pachu Khola Barbing above Kanchenjunga Tourist Villa, Ranka	6,400 cft	96,000	15	14,400
-do-	97/19.03.12	M/s Mundra Enterprises, Gangtok	Repairing/Restoration of SNT Jhora near T.R. Poudyals house, Gangtok	470 cft	7,050	15	1,058
-do-	105/19.03.12	M/s Krishna Enterprises, Gangtok	Restoration work at Pani House	592 cft	88,860	15	13,329

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
HRDD (East)	24/IR/07.10.10	M/s Praveen Trade, South Sikkim	Immediate restoration work to Kateng JHS (South)	9,300 cft	1,86,000	15	27,900
-do-	41/30.03.11	M/s Gitanjali Enterprises	Jhora training work at GDC Tadong	40,000 cft	7,20,000	15	1,08,000
-do-	43/30.03.11	M/s S. Enterprises	Jhora training work at GDC, Tadong	24,000 cft	4,32,000	15	64,800
-do-	44/IR/12.10.10	M/s Manokamna Enterprises, Gangtok	Restoration of Pry. School	8,000 cft	1,20,000	15	18,000
-do-	45/IR/12.10.10	-do-	Construction of G/R/S/B at Lower Nandok Pr. School	7,000 cft	1,05,000	15	15,750
-do-	48/IR/12.10.10	-do-	Construction of G/R/S/B at Mercury Pr. School	9,000 cft	1,35,000	15	20,250
-do-	50/IR/12.10.10	-do-	Construction of G/R/S/B at Mahavir Pr. School	3,000 cft	52,500	15	7,875
-do-	59/31.03.11	M/s Nine Star Associate	Various work at Palzor Stadium	400 cft	8,000	15	1,200
-do-	60/31.03.11	-do-	-do-	850 cft	17,000	15	2,550
-do-	61/31.03.11	-do-	Various work at Palzor Stadium, Hill Side Gallery	2,000 cft	40,000	15	6,000
-do-	64/31.03.11	-do-	Various work at Palzor Stadium, Southern Gallery	8,350 cft	1,67,000	15	25,050
-do-	65/31.03.11	-do-	Various work at Palzor Stadium, Eastern side Gallery	98,000 cft	1,96,000	15	29,400
-do-	10/31.01.11	M/s Ravi Kr Agarwal, South Sikkim	Restoration of Lingzoo P.S.	28,250 cft	5,65,000	15	84,750
HRDD/South West	78/31.03.11	M/s Ashok Agrawal, Namchi	Restoration and repair work at GDC, Namchi (Kamrang)	3,200 cft	64,000	15	9,600
Energy & Power, Gangtok	134/31.03.11	Beekay Hardware Stores	Levelling & Protective works I/C footpath & drainage system	3,900 cft	81,900	15	12,285
-do-	135/31.03.11	-do-	-do-	3,150 cft	66,150	15	9,923
-do-	136/31.03.11	-do-	-do-	2,650 cft	55,650	15	8,348
-do-	137/31.03.11	-do-	Construction of Parent shed for ICAR at Tadong	3,000 cft	63,000	15	9,450
RM&DD, Gangtok	91/22.12.11	M/s Dinesh Enterprises	Repair & facelifting of store complex at Tadong	1,963 cft	45,149	15	6,772
Zilla Panchayat, Mangan	56/22.02.11	M/s Shreenath Prasad, Mangan	SFB over Dambchu Khola	1,300 cft	19,500	15	2,925
-do-	57/22.02.11	-do-	Construction of temp. log bridge and access footpath at proposed SFB over Leena chu, Lachung Block	1,200 cft	18,000	15	2,700
Zilla Panchayat, Mangan	58/22.02.11	M/s Shreenath Prasad, Mangan	Construction of temp. log bridge and access footpath at proposed SFB over Nimphu Khola, Lachung Block	1,200 cft	18,000	15	2,700

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	59/22.02.11	-do-	Construction of temp. log bridge and access footpath at proposed SFB over Sebuchu, Lachung Block	2,500 cft	37,500	15	5,625
-do-	60/22.02.11	-do-	Construction of access footpath and temporary store at SFB over Teesta chu, Lachen Block	2,200 cft	33,000	15	4,950
Zilla Panchayat, Namchi	03/26.05.11	M/s Jaiswal Enterprises, Namchi	Immediate restoration work along Legship, Gyalshing	70.75 cum	19,810	15	2,972
Health & Family Welfare	50/31.03.11	M/s Sikkim Enterprises, Tadong	Clearance of debris at Barapathing, East Sikkim	91.20 cum	18,345	15	2,752
-do-	51/31.03.11	-do-	Footpath to newly constructed PHSC at Rumtek	75.92 cum	1,52,722	15	22,908
-do-	54/31.03.11	-do-	Providing CC footpath and yard development at Khanshbong	49.57 cum	9,971	15	1,496
-do-	55/31.03.11	-do-	-do-	74.46 cum	14,978	15	2,247
Roads & Bridges, Pakyong.	219/24.11.10	M/s Dinesh Ent. Ranipool.	Restoration work at Pakyong Dikling Road.	86.66 cum	46915	15	7037
-do-	221/-do-	-do-	-do-	72.05 cum	47580	15	7137
-do-	224/-do-	-do-	Restoration of Traffic at Ronglee Road.	125.17 cum	67,763	15	10164
-do-	228/-do-	-do-	Restoration of Road Pakyong-Karthok	304.20 cum	1,64,684	15	24,703
-do-	230/do-	-do-	Temp. restoration work Nop Gaon to Barpipal.	229.24 cum	1,51,383	15	22,707
-do-	233/-do-	-do-	Culvert at dungel dara at Pakyong Road.	61.86 cum	33,490	15	5,024
Roads & Bridges, Pakyong.	234/24.11.10	M/s Dinesh Ent., Ranipool.	Restoration work at Dalopchand Road, Ratey Khola.	155.55 cum	1,02,720	15	15,408
-do-	235/do	-do-	Restoration at Ranipool Lall Turning, Pakyong.	270.04 cum	1,78,326	15	26,749
-do-	236/-do-	-do-	Restoration at Bhasmey turning Km 16th.	93.66 cum	50,705	15	7,606
-do-	238/-do-	-do-	Restoration work at Sirana Khola Road, Pakyong.	263.13 cum	1,73,761	15	26,064
-do-	240/-do-	-do-	Restoration of Traffic at Gurmy Khola, Pakyong.	76.66 cum	46,662	15	6,999
-do-	243/-do-	-do-	Restoration of Maney Khola Road at Rorathang.	60.36 cum	32,787	15	4,918
-do-	244/-do-	-do-	Restoration of Ronglee Rorathng.	108.63 cum	71,738	15	10,761
Roads & Bridges, Gtk.	09/20.08.10	M/s Bishnu Ent., Gtk.	Const. of Helipad at Tshangu.	489 cum	98,367	15	14,755
-do- Sombarey, West Sikkim.	45/12.03.10	M/s Shankhar Chandak, Sombarey.	Temp. Restoration of Approach Road.	470 cum	99,997	15	14,999
-do-	46/10.03.10	-do-	Temp. Restoration of Road at Salangdang, West	536 cum	1,14,039	15	17,106
-do-	47/do	-do-	Temp. Restoration at Bojeck Slip.	479 cum	1,01,912	15	15,287
-do-	48/do	-do-	Temp Retoration of Road at Singtam, West Sikkim.	549 cum	1,16,805	15	17,521

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do- Gtk.	77/do	M/s Mahesh Kr. Mundra, Gtk.	Restoration work at Penlong Lingdok Road.	70 cum	37,100	15	5,565
-do- Pakyong.	236/30.03.10	Banwarilall Om Kharnal, Pakyong.	Temp. Restoration Chuba Pakyong.	86.15 cum	56,891	15	8,534
Roads & Bridges,West	115/31.03.12	M/s Neptune Enterprises, Gangtok.	Patch repair works along NDP Road.	570 cum	1,14,000	15	17,100
-do-	144/do	M/s P.K. Agarwal, Namchi	Strengthening drainage carpeting of Chakung Khaniser Bung Road in West Sikkim.	1,929.43 cum	15,78,244	15	2,36,286
-do-	100/do	M/s Sushil Kr. Agarwal, Jorethang	Carpeting drainage & protective work along approach road to Rinchenpong Guumpa.	844.72 cum	1,69,924	15	25,488
-do- East	310/31.03.12	M/s Neputne Enterprises, Gtk.	Restoration works along Raghu-Duga Pandam Road, East Sikkim.	77.70 cum	15,630	15	2,345
-do-	318/do	-do-	Protective work at Lower Samdong.	364.89 cum	73,401	15	11,010
Roads & Bridges. East.	326/31.03.12	M/s Sikkim Ent., Tadong, Gtk.	Prrovidinfd Hume Pipe Construction along Raley, Samdong.	16.65 cum	3,349	15	502
-do- East	157/do	M/s Binod Agarwal, Singtam	Shifting of meats stall at Singtam	30.07 cum	6,049	15	907
-do-	159/do	-do-	-do-	30 cum	6,035	15	905
-do-	162/do	-do-	-do-	52 cum	10,460	15	1,569
-do-	164/-do-	-do-	-do-	67.84 cum	13,647	15	2,047
-do-	167/do	-do-	-do-	24.82 cum	4,993	15	749
Roads & Bridges, East.	201/do	M/s Sikkim Ent. Tadong, Gtk.	Upgradation pf pavement & improvement of Drainage system along approach road to Govoernors Resident at Rangpoo.	486 cum	97,764	15	14,665
UD & HD, Jorethang.	04/18.03.10	M/s Golyn Ent., Jorethang.	Water Supply Const. for ID SMT Supermarket.	500 cft	7,500	15	1,125
UD & HD, Gtk.	58/30.03.10	M/s P.K. Ent., Gtk.	Temp. Restoration at Tamang Gumpa Sichey.	30,100cft	5,26750	15	79,013
-do- Namchi	73/31.03.10	M/s Basunbishnu Ent, Namchi.	Const. of Landscape Park in Namchi.	2,000cft	44,000	15	6,600
-do-	78/31.03.10	M/s R.K.Agarwal, Namchi.	Carpetting i/c clearance of Spoils at Namchi.	2,000cft	44,000	15	6,600
-do- Gtk.	12/4.11.10	M/s Manokamana Ent., Gtk.	Repairing of Drainage System at Dev. Area.	1,200 cft	24,000	15	3,600
-do-	16/do	-do-	Repairing of Foot trail. P/ work at Burtuk (Lower).	20.50 cum	5,740	15	861

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	09/do	M/s Dipty Ent.. Nam Nang, Gtk.	Providing Traditional Railing.	355.30 cum	1,06,082	15	15,912
-do- Gtk.	52/29.03.11	M/s Cross Road, Dev Area.	-	3,000cft	1,01,640	15	15,246
UD & HD, Gtk.	33/20.10.11	M/s. Sikkim Ent. Gtk.	External Sanitation Work at BSNL Complex, Baluwakhani.	3,100 cft	62,000	15	9,300
-do-	34/20.10.11	-do-	-do-	1,750 cft	35,000	15	5,250
-do-	35/20.10.11	-do-	-do-	450 cft	9,000	15	1,350
-do-	38/27.10.10	-do-	Const. of CC footpath at Tathungchen, Gtk.	1300 cft	26,000	15	3,900
UD & HD, Gtk.	131/31.03.11	M/s Sikkim Ent., Tadong, Gtk.	Const. of RCC Drain along Star Hall at Namnang.	2,000 cft	30,000	15	4,500
UD & HD, Jorethang.	30/31.03.12	M/s Gurung Traders, Jorethang.	Immediate cleraence of Drainage & Minor Repair of Path over Rabong.	2,400 cft.	38,400	15	5,760
-do- Gtk.	405/31.03.12	M/s Manokamana Ent., Gtk	Jhora Training & Soil Conservation.	59.26 cum	24,804	15	3,721
Irrigation & Flood Control Department, Gtk.	01/02.03.11	M/s Umesh Kr. Mundra, Gtk.	Plantation at Burtuk at Rani Khola.	7166 cft	1,07,490	15	16,124
-do-	28/22.03.11	M/s Punit Ent. Gtk.	Jhora Training work at Tthathangchen Chandmari.	158.41 cum	30,890	15	4,633
Irrigation & Flood Control Department, Gtk.	13/31.03.11	M/s Mundra Ent., Gtk.	Restoration of Padong Barimik at Pachak.	1400 cft	21,000	15	3,150
-do-	221/31.03.11	-do-	Fitting of soil & stone at Pakyong, Rongpa Khola.	327 cum	88,290	15	13,244
-do-	18/26.03.12	-do-	Slip clearance of MIC around Berbing.	1,400 cft	21,000	15	3,150
-do-	19/do	-do-	Slip clearance of MIC at Ranka.	1,600 cft	24,000	15	3,600
Irrigation & Flood Control Department, Gtk.	20/26.03.12	-do-	Slip clearance of MIC at Rowtey Rumtek.	940 cft	14,100	15	2,115
-do-	21/do	-do-	Immediate slip clearenec in & Nazitam.	950 cft	14,250	15	2,138
-do-	50/27.03.12	M/s Akash Ent., Ranipool.	Diversion of water at source & Temp. footpath for MIC from Samchi Khang Kho;a to left Bank Martem Khet.	1,080 cft	16,200	15	2,430
-do-	51/do	-do-	Diversion of water at source & Temp. footpath for MIC from Simana Khola to Dokchem Khet.	865 cft	12,975	15	1,946
-do-	52/do	-do-	Diversion of water at source & Temp. footpath for MIC from Gurung Khola to Khebi Khet Khola.	780 cft	11,700	15	1,755

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	53/do	-do-	Diversion of water at source & Temp. footpath for MIC from Sajbotey to Kazi Khet Rowtey Rumtek..	780 cft	11,700	15	1,755
Irrigation & Flood Control Department, Gtk.	54/27.03.12	M/s Akash Ent. Gtk.	Diversion of water at source & Temp. footpath for MIC from Akchu Khola to Jhakri Dara Khet Kayathang Rumtek.	800 cft	12,000	15	1,800
-do-	55/do	-do-	Diversion of water at source & Temp. footpath for MIC from Thong Dhongay Khola to Samdeep Khet Sajong Rumtek.	785 cft	11,775	15	1,755
-do-	56/do	-do-	Diversion of water at source & Temp. footpath for const. of MIC from Lapsibotey Khola to Arithang Khet.	780 cft	11,700	15	1,755
-do-	57/do	-do-	Diversion of water at source & Temp. footpath for const. of MIC from Nambotey Khola to right bank Rey Khet.	1080 cft	16,200	15	2,430
-do-	58/do	-do-	Diversion of water at source & Temp. footpath for const. of MIC from Subedar Khola to Zingla mandir.	800 cft	12,000	15	1,800
-do-	59/do	-do-	Diversion of water at source & Temp. footpath for const. of MIC from Durang Khola to Gangkha dara Khet.	1,080 cft	16,200	15	2,430
Irrigation & Flood Control Department, Gtk.	60/27.03.12	M/s Akash Ent., Gtk.	Diversion of water at source & Temp. footpath for const. of MIC from Kali Khola Chunggzom, U/L Tanek Khet.	900 cft	13,500	15	2,025
Building & Housing, North, Mangan.	19/30.1.10	M/s Malling Ent., Mangan.	Const. of Eklabya Tribal Residential School, Soyan, North Sikkim.	23500 cft	4,23,000	15	63,450
Building & Housing Department, Namchi.	04/19.03.10	M/s Ravi Kr. Agarwal, Rabongla.	Const. of RCC Gallery at Ravangla.	270.68 cum	1,89,476	15	28,421
-do-	05/do	Surajmal Manoharlall, Namchi	Const. of RCC Gallery at Manidara Complex, Ravangla.	54.67	38,272	15	5,741
-do-	07/14.05.10	M/s Uma Ent., Sichey, Gtk.	Clearence of Septic Tank at various Building at Mangan.	800 cft	14,400	15	2,160
-do-	01/22.11.10	M/s Uma Ent., Sichey, Gtk.	Repair of Labrang Monastry, Phudung.	8,000 cft	1,44,000	15	21,600
Building & Housing Department, Gtk.	62/29.03.11	M/s Shyamlall Agarwal, Ranipool, Gtk.	-	6,800 cft	1,77,480	15	26,622

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
-do-	64/do	-do-	-	4,900 cft	1,28,331	15	19,250
-do- 66/30.03.11		M/s Bajrangbali Ent., Tadong, Gtk.	-	2,100 cft	31,500	15	4,725
-do-	73/do	M/s Somani Ent., Gtk.	-	150 cft	3,000	15	450
Human Resource &Development Department, West.	01/10.03.10	M/s Gupta Brothers, Gyalshing.	Temp. Repair of damaged Pry. School at Chumbung JHS in West.	800 cft	12,000	15	1,800
HRDD, East	100/31.03.12	M/s Arvind Traders, Gtk.	Maintenance work at Tadong Sr. S ec. School, Gtk.	200 cft	1,140	15	171
-do-	42/do	M/s Surajmal Manoharlall, Namchi.	Diversion of CC Footpath/ shifting of water supply line to VCGL SSS.	1,000 cft	20,000	15	3,000
-do-	43/-do-	-do-	Diversion of CC Footpath for Namchi Boys Sr. Sec. School.	2,000 cft	40,000	15	6,000
-do-	44/do	-do-	Const. of RCC Reservoir Tank for Namchi SSS.	1,000 cft	20,000	15	3,000
-do-	45/do	-do-	-do-	700 cft	14,000	15	2,100
-do-	46/do	-do-	Const. of Infrastructure Dev. Work for Namchi.	1,000 cft	20,000	15	3,000
-do-	49/do	-do-	Const. of site office for infrastructure Dev. at VCGL SSS.	1,000 cft	20,000	15	3,000
HRDD, East.	64/31.03.12	M/s Sunil Kr. Agrawal, Jorethang.	Const. of 4 RSB at Ben Namphrik P.S. South.	6,900 cft	1,38,000	15	20,700
Forest Environment & Wild Life Management Department, Land Use Gtk.	201/31.03.12	M/s Shiva Kr. Agarwal, Singtam	Protective work at Pangthang Semi Hitech Nursery.	4,977 cft	99,540	15	14,931
-do-	232/do	M/s Purna Bdr. Chettri.	Work in Himalayan Park, Bululey.	88.66 cum	17,835	15	2,675
-do-	236/do	M/s Bikash Ent., Nmachi.	Protective work U Box Drain at Jawaharlall Nehru Botanical Garden of Rumtek.	2,800 cft	56,000	15	8,400
-do-	280/do	M/s Shiva Kr. Agarwal,Singtam	Const. of Forest Checkpost at Rhenock.	2,000 cft	48,000	15	7,200
-do-	149/do	M/s Gupta Brothers,Gyalshing.	Const. of Box Drain & Culvert at Tkzuk.	2852 cft	57,040	15	8,556

Name of the Department	Vr. No/ Date	Name of Supplier	Particular of works	Qty of stone Supplied (cft/cum)	Amount paid (Rs.)/Rate	% required to be deducted towards void	Excess payment (Rs.)
Forest Environment & Wild Life Management Department , Land Use Gtk	175/31.03.12	M/s Anup Yeng Company, Pvt. Ltd., Mangan.	Const. of protective work for dumping site besides Mangan Hospital.	8,789 cft	87,890	15	13,184
-do-Wild Life, Mangan North.	13/7.01.11	P&P Ent., Tadong.	Const. of Entrance Gate at Butterfly Park, Rangrang.	3,048 cft	18,288	15	2,743
-Do- Land Use, mangan, North.	1199/31.03.10	M/s T. Lhamu Bhutia	Dry Wall at Tikling under Lachung.	314 cum	50,859	15	7,628
Forest Environment & Wild Life Management Department ,	77/17.03.12	M/s Shankar Chettri, Rongay	Const. of Dry Wall at Rongey.	368.34 cum	74,098	15	11,115
Forest Environment & Wild Life Management Department, Land Use, East.	573/31.03.12	M/s Karma Nedup Bhutia, Kewzing.	Const. of Brick Footpath from Damthang to Tendong Peak.	298.77 cum	5,70,035	15	85,505
TOTAL				**59,450.32 cum + 725756 cft = 93,55,224 cft**			**58,59,406**

Appendix 2.3.1
Statement showing the outstanding Net Present Value
(Reference: Paragraph 2.3.9.2; Page 45)

(₹ in lakh)

Year	Name of Project	Date of approval	Total area (in hectare)	Name of User Agency	Net Present Value(NPR)
1992-93	Diversion of forest land for Defense purpose in North Sikkim.	24.04.1992 (Stage I)	57.292	Army	316.10
2003-04	Diversion of Forest land for construction of road from Lingi to Paiyong JHS in South Sikkim	14.07.2003	0.360	SPWD(R&B)	2.62
	Total		**57.652**		**318.72**

Appendix 2.3.2
Delay in release of funds by Government of India
(Reference: Paragraph 2.3.9.3, Page 46)

East (T)

Year	APO	Released by NAEB to FDA	Date of release	Delay (in days)
	(₹ in lakh)			
2007-08	188.51	125.00	11.9.07	133
2008-09	158.92	125.00	31.7.08	91
2009-10	132.68	90.00	18.9.09	140
2010-11	NAEB released fund to SFDA directly.			
2011-12				

West (T)

Year	APO	Released by NAEB to FDA	Date of release	Delay (in days)
	(₹ in lakh)			
2007-08	126.51	106.00	31.8.07	122
2008-09	116.27	85.00	31.7.08	91
2009-10	96.63	77.00	1.1.10	245
2010-11	NAEB released fund to SFDA directly.			
2011-12				

East (W)

Year	APO	Released by NAEB to FDA	Date of release	Delay (in days)
	(₹ in lakh)			
2007-08	151.00	151.00	6.8.07	97
2008-09	167.26	125.00	30.6.08	60
2009-10	176.97	140.61	27.7.09	87
2010-11	NAEB released fund to SFDA directly.			
2011-12				

West (W)

Year	APO	Released by NAEB to FDA	Date of release	Delay (in days)
	(₹ in lakh)			
2007-08	120.04	89.00	16.8.07	107
2008-09	144.87	110.00	29.7.08	89
2009-10	156.91	110.00	25.6.09	55
2010-11	NAEB released fund to SFDA directly.			
2011-12				

APO = Annual Plan of Operation

Appendix 2.3.3

Delay in release of funds by SFDA to FDAs

(Reference: Paragraph 2.3.9.3, Page 46)

East (T)

Year	Approved Cost	Released by SFDA		Due date of release	Delay in release
		Amount	Date		
	(₹ in lakh)				
2010-11	197.53	80.90 85.18	11.10.10 29.3.11	29.9.10 24.3.11	10 days 5 days
2011-12	162.89	80.32 85.18	22.10.11 29.3.12	29.9.11	22 days

West (T)

Year	Approved Cost	Released by SFDA		Due date of release	Delay in release
		Amount	Date		
	(₹ in lakh)				
2010-11	128.80	45.36 60.07	11.10.10 29.3.11	29.9.10	10 days
2011-12	114.57	56.47 57.04	22.10.11 29.3.12	29.9.11	22 days

East (W)

Year	Approved Cost	Released by SFDA		Due date of release	Delay in release
		Amount	Date		
	(₹ in lakh)				
2010-11	152.12	66.84	3.12.10	29.9.10	64 days
2011-12	122.97	50.84	22.10.11	29.9.11	22 days

KNP

Year	Approved Cost	Released by SFDA		Due date of release	Delay in release
		Amount	Date		
	(₹ in lakh)				
2010-11	231.76	63.80	3.12.10	29.9.10	64 days
2011-12	155.48	46.65	22.10.11	29.9.11	22 days

West (W)

Year	Approved Cost	Released by SFDA		Due date of release	Delay in release
		Amount	Date		
	(₹ in lakh)				
2010-11	130.58	57.33	11.10.10	29.9.10	10 days
2011-12	107.95	17.16	12.12.11	29.9.11	73 days

Appendix 2.3.4

Release of funds to JFMC

(Reference: Paragraph 2.3.9.3, Page 46)

East (T)

Year	Approved Cost	Fund received by FDA	Released by FDA		Release date		Delay in Release	Short release
			Amount	Date	Due	Actual		
	(₹ in lakh)							(₹ in lakh)
2007-08	188.51	125.00	125.00	16.10.07	11.9.07	16.10.07	34 days	Nil
2008-09	158.92	125.00	125.00	22.9.08	31.7.08	22.9.08	52 days	Nil
2009-10	132.68	90.00	90.00	25.9.09	18.9.09	25.9.09	7 days	Nil
2010-11	197.53	45.36	45.36	3.12.10	7.10.10	3.12.10	55 days	Nil
2011-12	162.89	56.47	56.47	24.11.11	7.10.11	24.11.11	46 days	Nil

West (T)

Year	Approved Cost	Fund received by FDA	Released by FDA		Release date		Delay in Release	Short release
			Amount	Date	Due	Actual		
	(₹ in lakh)							(₹ in lakh)
2007-08	126.51	106.00	21.65 106.00	22.6.07 12.10.07	15.4.07 15.9.07	22.6.07 12.10.07	34 days 26 days	Nil Nil
2008-09	116.27	85.00	53.73	5.8.08	31.7.08	5.8.08	5days	31.27
2009-10	96.63	77.00	57.37	22.3.10	1.1.10	22.3.10	52 days	19.63
2010-11	128.80	45.36	22.56	15.12.10	7.10.10	15.12.10	67 days	22.80
2011-12	114.57	60.07	30.50	24.11.11	7.10.11	24.11.11	46 days	29.57

East (W)

Year	Approved Cost	Fund received by FDA	Released by FDA		Release		Delay in Release	Short release
			Amount	Date	Due	Actual		
	(₹ in lakh)							(₹ in lakh)
2007-08	151.00	151.00	62.07	12.10.07	21.8.07	12.10.07	50 days	88.93
2008-09	167.26	167.26	82.75	5.8.08	15.7.08	5.8.08	19 days	84.51
2009-10	176.97	176.97	77.87	22.3.10	1.1.10	22.3.10	52days	99.10
2010-11	231.76	66.84	46.75	15.12.10	7.10.10	15.12.10	67 days	20.09
2011-12	155.48	83.95	54.96	24.11.11	7.10.11	24.11.11	46 days	28.99

West (W)

Year	Approved Cost	Fund received by FDA	Released by FDA		Release		Delay in Release	Short release
			Amount	Date	Due	Actual		
	(₹ in lakh)							(₹ in lakh)
2007-08	120.04	89.00	48.65	10.10.07	31.8.07	10.10.07	39 days	40.35
2008-09	144.87	110.00	50.04	29.8.08	14.8.08	29.8.08	15 days	59.96
2009-10	156.91	110.00	61.45	30.7.09	10.7.09	30.7.09	20 days	48.55
2010-11	231.76	63.80	32.49	3.1.11	7.10.10	3.1.11	86 days	31.31
2011-12	155.48	79.49	57.42	25.11.11	7.10.11	25.11.11	47 days	22.07

KNP

Year	Approved Cost	Fund received by FDA	Released by FDA		Release		Delay in Release	Short release
			Amount	Date	Due	Actual		
	(₹ in lakh)							(₹ in lakh)
2007-08	160.71	127.00	45.89	26.2.08	25.9.07	26.2.08	153 days	81.11
2008-09	147.82	112.00	112.00	8.12.08	31.7.08	8.12.08	129 days	Nil
2009-10	170.51	135.00	135.00	9.3.10	18.8.09	9.3.10	201 days	Nil
2010-11	130.58	57.33	57.33	18.5.11	26.10.10	18.5.11	203 days	Nil
2011-12	107.95	17.16	17.16	30.3.12	27.11.11	30.3.12	122 days	Nil

Appendix 2.3.5

Statement showing survival rate of plantation

(Reference: Paragraph 2.3.10.2; Page 53)

Districts	Range selected	Year of plantation	Survival rate (*per cent*)
North	Mangan	2006-07	44
		2007-08	37
	Lachen	2006-07	40
West	Geyzing	2006-07	65
	Yuksom	2006-07	70
		2007-08	57
		2008-09	58
South	Rabongla	2007-08	66
		2008-09	63
	Namchi	2009-10	55
East	Ranipool	2006-07	51
		2007-08	53
		2008-09	63
	Kyongnosla	2006-07	Damaged due to road widening work by BRO

Appendix 2.3.6

Statement showing non-utilisation of funds

(Reference: Paragraph 2.3.10.4; Page 56)

(₹ in lakh)

Year	Sanctioned amounts	Type of infrastructure	Budget provision	Expenditure incurred	Fund not utilized
2007-08	167.59	Forest fire control and management	35.13	19.26	15.87
		Working plan, survey & demarcation	73.66	12.65	61.01
		Strengthening of infrastructure for forest protection	58.80	32.33	26.47
		Total	**167.59**	**64.24**	**103.35**

Appendix 2.3.7

Statement showing the construction of quarters for front line forester

(Reference: Paragraph 2.3.10.4; Page 56)

(₹ in lakh)

Year	Items	GOI sanctioned		UC shown	
2007-08	R.O office-cum-quarter	2	30.82	1	19.78
	Check post cum F.G. quarter	3	15.56	3	15.61
2008-09	R.O office-cum-quarter	1	15.32	1	13.81
	Forest guard quarter	3	16.47	3	14.88
2009-10	DFO quarter	1	20.82	1	20.82
	ACF quarter	2	33.31	2	33.31
	R.O office-cum-quarter	1	15.32	1	15.32
	B.O quarter –cum- office	2	21.30	2	21.30
	Forest guard quarter	3	16.49	3	16.49
	Check post cum F.G. quarter	3	26.64	3	26.64
2010-11	R.O office-cum-quarter	2	45.00	1	22.98
	B.O quarter –cum- office	2	36.00	1	18.43
	Forest guard quarter	2	18.00	1	9.26
	Check post cum F.G. quarter	2	30.00	1	15.31
	Forest guard quarter (New item)	1	9.00	1	9.00
2011-12	R.O office –cum-quarter	3	30.00	3	29.35
	B.O office –cum-quarter	3	27.00	2	19.17
	F.G Quarter	6	30.00	4	20.00
	Forest check post –cum-Forest Guard quarter	1	10.00	0	00.00
Total		**43**	**447.05**	**34**	**341.46**

Appendix 2.3.8

Statement showing the diversion of funds

(Reference: Paragraph 2.3.10.6; Page 59)

Year	Items	Executing Division	Amount (₹ in lakh)
2009-10	Strengthening of Range/Div'n Office at Kyongnosla, Golitar, Fambongla.	WL/E	1.14
	Procurement and distribution of prayer flag	LU/N	0.30
	Cleaning of jhoras at Rai cottage & Arithang	LU/E	2.50
	Const'n of footpath for shiv mandir, Lagyap, 1 km		1.50
2010-11	Beautification of gumpa, Uttaray	LU/W	0.50
	CRSM wall at Rinchenpong gumpa, 150 cum		5.69
	Wire mesh fencing i/c const'n of iron gate at Hydrology monitoring station	LU/S	0.40
Total			**12.03**

Appendix 2.3.9
Statement showing the non-completion of afforestation
(Reference: Paragraph 2.3.10.7; Page 60)

Name of District	Clearance under FC Act 1980		Compensatory afforestation		
	Forest land diverted (in ha)	No of proposals	Stipulated	Achieved	Balance
East	988.33	127	1,561.410	674.95	886.46
West	123.63	49	425.332	359.87	65.462
North	779.92	70	2,086.616	1,152.616	934.00
South	415.07	96	658.07	551.80	106.27
Total	**2,306.95**	**342**	**4,731.428**	**2,739.236**	**1,992.192**

Appendix 2.3.10
Statement showing extra expenditure on CAT plan
(Reference: Paragraph 2.3.10.7; Page 61)

SI No	Total area diverted	Purpose	Year of sanction	Scheduled time of completion	Actual execution	Delayed by	Cost escalations
1	Diversion of 7.4598 ha of forest land	Construction of 99 MW Chuzachen Hydro Electric Project at Chuzachen, Rongli, by Gati Infrastructure Ltd	January 2006	Three years i.e. by 2008-09	1st phase (2006-07) was started only during 2009-10	Three years	₹ 5.40 lakh detailed at **Annexure 1**
2	Diversion of 32.0506 ha of forest land	Construction of 96 MW Jorethang Loop Hydro Electric Project in South and West Sikkim	May 2008	Five years i.e. by 2012-13	1st phase (2008-09) was started only during 2009-10	One year	₹ 10.93lakh detailed at **Annexure 2**
3	Diversion of 24.7523 a of forest land	Construction of 120 MW(3X40MW) Rangit-IV Hydro Electric Project at West/South District by Jal Power Corporation Limited (JPCL)	December 2007	Three years i.e, by 2010-11	1st phase (2008-09) was started only during 2010-11	Two years	₹ 21.48 lakh detailed at **Annexure 3**
4	Diversion of 83.0405 hectares of forest land	Construction of 1200 MW Teesta Stage –III Hydro Electric Project by M/s Teesta Urja Limited (TUL) in North District	November 2007	Four years i.e, by 2011-12	1st phase (2008-09) was started only during 2010-11	Two years	₹ 22.11 lakh detailed at **Annexure 4**
5	Diversion of 89.4266 hectares of forest land	Construction of 500 MW Teesta Stage –VI Hydro Electric Project by LEPL, Majitar in East & South Districts	May 2008	Four years i.e, by 2012-13.	1st phase (2009-10) was started only during 2010-11	One year	₹ 129.54 lakh detailed at **Annexure 5**
Total	**236.7298 hectares**						**₹ 189.46 lakh**

Annexure 1

99 MW Chuzachen Hydro Electric Project at Chuzachen, Rongli, by Gati Infrastructure Ltd.

(Reference: Appendix 2.3.10 Page 257)

Sl. No.	Items	Target (As per M.P)			Achievement			Difference in rate (₹)	Extra expenditure (₹ in lakh)
		Unit rate (₹)	Physical	Fin (₹ in lakh)	Unit rate (₹)	Phy	Fin (₹ in lakh)		
	1st Year (2009-10)								
1	Brushwood	1,375 per no	25	0.34	1,714	35	0.60	339	0.12
2	DRSM	14,400 per cum	75	10.80	15,500	10	1.55	1,100	0.11
3	Bench terracing	7500 per ha	30	2.25	14,003	44.49	6.23	6,503	2.89
	2nd Year (2010-11)								
1	Brushwood	1,375 per no	25	0.34	1,771	35	0.62	396	0.14
2	Bench terracing	7,500 per ha	20	1.50	15,273	27.50	4.20	7,773	2.14
Total									**5.40**

Annexure 2

96 MW Jorethang Loop Hydro Electric Project in South and West Sikkim

(Reference: Appendix 2.3.10; Page 257)

Sl. No.	Item	Target (As per M.P)			Executed (As per UC)			Difference in rate	Extra expenditure ₹ in lakh
		Unit rate (in ₹)	Phy	Fin (₹ in lakh)	Unit rate (in ₹)	Phy	Fin (₹ in lakh)	₹ in lakh	
	1st Year (2009-10)								
1.	Brushwood	1,375 per no	39	0.54	1,700	150	2.55	325	0.49
2.	Bench terracing	7,500 per ha	12	0.90	13,340	50	6.67	5,840	2.92
3.	Treatment of landslides (i)Catch Water drain	1,750 per Rmt	431	7.54	3,308	250	8.27	1558	3.90
	2nd Year (2010-11)								
1.	Brushwood	1,375 per no	14	0.19	1,730	100	1.73	355	0.36
2.	Bench terracing	7,500 per ha	5	0.38	14,020	50	7.01	6,520	3.26
Total									**10.93**

Annexure 3

120 MW(3X40MW) Rangit-IV Hydro Electric Project at West/South District by Jal Power Corporation Limited (JPCL)

(Reference: Appendix 2.3.10; Page 257)

Item	Target (As per M.P)			Executed (As per UC)			Difference in rate	Extra expenditure (₹ in lakh)
1st Year 2010-11	Unit rate (₹) (including maintenance cost)	Phy	Fin (₹ in lakh)	Unit rate (₹)	Phy	Fin (₹ in lakh)		
Afforestation (Gap plantation)	16,000/ha	150	24.00	24,067	135	32.49	8,067	10.89
Barbed wire fencing	3,00,000/km	5	15.00	4,98,800	5	24.94	1,98,800	9.94
1:2:4 Stone masonry	1,770/m3	30	0.53	3160	25	0.79	1,390	0.35
Contour bonding	20,000/ha	30	6.00	22,000	15	3.30	2,000	0.30
Total								**21.48**

Annexure 4

1200 MW Teesta Stage –III Hydro Electric Project by M/s Teesta Urja Limited (TUL) in North District

(Reference: Appendix 2.3.10; Page 257)

Item	Target (As per M.P)			Executed (As per UC)			Difference in rate	Extra expenditure (₹ in lakh)
1st Year 2010-11	Unit rate (₹) (including maintenance cost)	Phy	Fin (₹ in lakh)	Unit rate (₹)	Phy	Fin (₹ in lakh)		
Afforestation (natural/artificial regeneration)	31,200/ha	263	82.06	37,365	63	23.54	6,165	3.88
Pasture development	15,000/ha	188	28.20	16,122	188	30.31	1,122	2.11
Fuel wood and fodder grass	10,000/ha	56	5.60	13,714	56	7.68	3,714	2.08
Nursery development	3,00,000/no.	4	12.00	5,18,500	6	31.11	2,18,500	13.11
1:2:4 Stone masonry	1,770/m3	25	0.44	5,480	25	1.37	3,710	0.93
Total								**22.11**

Annexure 5

500 MW Teesta Stage –VI Hydro Electric Project by LEPL, Majitar in East & South Districts

(Reference: Appendix 2.3.10, Page257)

Item	Target (As per M.P)			Executed (As per UC)			Difference in rate	Extra expenditure (₹ in lakh)
	Unit rate (₹) (including maintenance cost)	Phy	Financial (₹ in lakh)	Unit rate (₹)	Phy	Fin (₹ in lakh)		
1st Year (2010-11)								
Medicinal plantation (LA)	28,400/Ha	50	14.20	34,800	50	17.40	6,400	3.20
Barbed wire fencing	1,51,000/Km	5	7.55	4,96,800	5	24.84	3,45,800	17.29
Vegetative fencing with Jatrofa	31,400/Km	15	4.71	39,533	15	5.93	8,133	1.22
Jhora training with sausage wall with drops	1,548/M3	1,000	15.48	2,057	1,000	20.57	509	5.09
Dry stone wall	768/M3	1,200	9.22	1,450	1,200	17.40	682	8.18
Catch water drains	1,188/M	1,400	16.63	2,756	700	19.29	1,568	10.98
Bally benching	18,100/Ha	40	7.24	28,824	17	4.90	10,724	1.82
Jhora training with sausage wall with drops	1,548/Ha	1,400	21.67	2,871	1,400	40.20	1,323	18.52
Dry stone wall	768/M3	1,400	10.75	1,594	1,400	22.32	826	11.56
Catch water drains	1,188/M	1,400	16.32	3,307	1,400	46.30	2,119	29.67
Bally benching	18,100/Ha	40	7.24	24,016	60	14.41	5,916	3.55
2nd Year (2011-12)								
Aided natural regeneration	8,300/ha	350	29.05	12,585	334	41.80	4,285	14.31
Bamboo pareng plantation	14,500/ha	30	4.35	22,078	40	8.76	7,578	3.03
Vegetative fencing with Jatrofal	31,400/km	10	3.14	41,177 46,012	7 3	2.88 1.21	9,777 14,612	0.68 0.44
Total								**129.54**

Appendix 2.3.11

Target and achievement in respect of National Afforestation Programme of four FDAs for the period 2007-12

(Reference: Paragraph 2.3.10.8; Page 64)

Low altitude		(₹ in lakh)		(Phy in ha)		High altitude	(₹ in lakh)	(Phy in ha)	
Sl. No	**Item**	**Fin target**	**Fin achievement**	**Phy target**	**Phy achievement**	**Fin target**	**Fin achievement**	**Phy target**	**Phy achievement**
1	Aided Natural Regeneration	185.65	191.00	1,347	1347	64.11	63.05	264	264
2	Artificial Regeneration	312.84	332.58	1,449	1449	126.28	123.58	305	305
3	Silvi Pasture Development	137.74	143.20	955	955	63.70	62.97	232	232
4	Bamboo Plantation	76.24	81.73	523	523	19.62	18.94	77	77
5	Mixed Plantation of trees having medicinal values	191.48	202.42	843	843	119.97	117.87	303	303
6	Cane Plantation	15.94	15.94	148	148	-	-	-	-
7	Regeneration of perennial herbs and shrubs	-	-	-	-	149.08	148.25	249	249
8	Seabuck Plantation	-	-	-	-	138.52	138.52	310	310
Total		**919.89**	**966.87**	**5,265**	**5,265**	**681.28**	**673.18**	**1,740**	**1,740**

Appendix 2.3.12

Training and capacity building

(Reference: Paragraph 2.3.10.8; Page 64)

Item	Broad contents	Work done
Significance of sustainable natural resource management	Linkages between sustainable natural resources management, biodiversity, living conditions of the rural communities and their income levels. ii)Linkage between food security and degradation of natural resource.	No such linkage was made for sustainable natural resource management.
Presentation of two success stories through audio-visuals		
Analysis of success stories	(i) Involvement of people, (ii). Attitudinal changes in the style of functioning of forest departments, (iii). Building rapport with people to win their trust and confidence, (iv). Setting up and functioning of Village Level Institutions (JFMCs), (v). Benefit sharing: short term and long term.	Analysis of success was not done to assess attitudinal changes in the style of functioning of forest departments, building rapport with people to win their trust and confidence and benefit sharing: short term and long term.
Identification of problems in implementing JFM in their own respective domains by the participants	The participants should be encouraged to identify individually and through discussions in groups of two or three the problem areas perceived by them in implementing JFM.	The participants were not directed to identify individually and through discussions in groups of two or three the problem areas perceived by them in implementing JFM.
Problem solutions by Group	Divide the group in four-five parts and assign one set of perceived problems to each group for discussion and suggesting solutions. Consolidate and present the set of emerging solutions.	No group was formed to discuss for providing suggestions and solutions.
Traditional rights and obligations of local communities, and conflict resolution.	(i)Discussion on traditional right that the local communities may continue to enjoy in the JFM Context, (ii).Other conflicting scenarios that may emerge before JFM approach is adopted (the topic should focus on village dynamics, and, therefore, its content and conduct would vary considerable depending on the local socio economic condition and processes), (iii). Conflict resolution to arrive on consensual base for promoting JFM.	Work on Traditional rights and obligations of local communities, and conflict resolution was not done.
Understanding communities and community institutions	Differentiated need, access, power and control.	No effort was made to understand communities and community institutions for differential need, access, power and control.
Participatory Rural Appraisal and Planning with People (for developing effective JFMCs and participatory micro-planning)	1. Why is it important to involve people in the planning process? (Villagers have intimate knowledge and understanding of the local resources (e.g. forest, water, tree species etc) Respect and use people's knowledge in planning). 2. PRA is a methodology for obtaining people's knowledge in planning. 3. PRA is a methodology for obtaining people's input and views for the planning process. 4. Involve different cross-section of village communities as they may have different perceptions of village resources. 5. How to prepare maps of the village and its resources.	No records of Rural Appraisal and Planning with People were furnished to audit.

Item	Broad contents	Work done
	6. Seasonal calendar of activities. 7. Labour calendar. 8. Developing a species check list/matrix and its use. 9. Divide the participants into groups and assign villages and activities to be carried out during practical session on PRA.	
Field Visit to conduct PRA		
Presentation after PRA practical	1. Ask each group and sub-group to put together information gathered during PRA e.g. village data (demographic). 2. Forest data: extent, state of forest land, species in use, soil type etc. 3. Specific problem of the village. 4. Possible solutions. 5. Each group should present the above information with the help of maps prepared, labour calendar, species matrix, charts, tables, etc. 6. Issues highlighted during PRA and their possible solutions. 7. Dependency of people on forests. 8. Identifying potential leaders/ facilitators. 9. Consolidation of the major recommendation. 10. Usefulness of PRA as an information gathering tool for planning purpose. 11. Outline of an effective JFMC for the village(s) covered by PRA.	No records of Rural Appraisal and Planning with People were furnished to audit.
Conclusion	1. Summarising the issues discussed/taken up during the training programme including legal issues, implementing of joint responsibility, etc. 2. Taking feedback from the participants for future courses.	Summary of the issues discussed/taken up during the training programme including legal issues, implementing of joint responsibility was not drawn.

Appendix 2.3.13

Statement showing the boundary pillars in running kilometers

(Reference: Paragraph 2.3.10.9; Page 67)

Sl No	Name of Sanctuaries	Total number of boundary pillars erected	Expenditure (₹ in lakh)
1	Fambung Lho sanctuary	43.70 km	22.27
2	Phangulakha sanctuary	26.50 km	14.70
3	Kyongnosla Alpine sanctuary	17.50 km	7.21
4	Shingba rhododendron sanctuary	20 km	12.20
5	Moinam sanctuary	5 km	2.42
6	Kitam sanctuary	12 km	6.00
7	Barsey sanctuary	20 km	14.82
8	Kanchanjunga National Park	43.70 km	24.74
	Total	**188.40**	**104.36**

Appendix 3.1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations

(Reference: Paragraph 3.1.5, Page 138)

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital				Loans* outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.03.2012)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Sikkim Poultry Development Corporation Limited (SPDCL)	AH & VS	Mar-91	0	0	0	0**	0	0	0	0	-	3
2	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug-94	0.44***	0	0.02	0.46	0	0	0	0	-	8
Sector wise total				**0.44**	**0**	**0.02**	**0.46**	**0**	**0**	**0**	**0**	**-**	**11**
FINANCE													
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	WELFARE	Apr-96	7.51	3.51	0	11.02	0	0	34.93	34.93	3.17:1(3.26:1)	23
Sector wise total				**7.51**	**3.51**	**0**	**11.02**	**0**	**0**	**34.93**	**34.93**	**-**	**23**
INFRASTRUCTURE													
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	INDUSTRIES	Mar-77	10.77	0	6.37	17.14	2.03	0	129.03	131.06	7.65:1(12.42:1)	36
Sector wise total				**10.77**	**0**	**6.37**	**17.14**	**2.03**	**0**	**129.03**	**131.06**	**-**	**36**
POWER													
5	Sikkim Power Development Corporation Limited (SPDCL)	POWER	Dec-98	10.35	0	9.94	**20.29**	0	0	94.76	94.76	4.67:1(43.22:1)	72
Sector wise total				**10.35**	**0**	**9.94**	**20.29**	**0**	**0**	**94.76**	**94.76**	**-**	**72**
SERVICE													
6	Sikkim Tourism Development Corporation (STDC)	TOURISM	Feb-98	6.46	0	0	6.46	0	0	0.17	0.17	0.03:1(0.03:1)	50
Sector wise total				**6.46**	**0**	**0**	**6.46**	**0**	**0**	**0.17**	**0.17**	**-**	**50**
Total A (All sector wise working Government Companies)				**35.53**	**3.51**	**16.33**	**55.37**	**2.03**	**0.00**	**258.89**	**260.92**	**-**	**192**
B. Working Statutory Corporations													
FINANCE													
7	State Bank of Sikkim (SBS)	FINANCE	Jun-68	0.53	0	0.05	0.58	0	0	0	0	-	330
	Sector wise total			**0.53**	**0**	**0.05**	**0.58**	**0**	**0**	**0**	**0**	**-**	**330**
	SERVICE												
8	State Trading Corporation of Sikkim (STCS)	FINANCE	Mar-72	1.61	0	0	1.61	0	0	0	0	-	82
	Sector wise total			**1.61**	**0**	**0**	**1.61**	**0**	**0**	**0**	**0**	**-**	**82**
	Total B (All sector wise working Statutory Corporations)	**2.14**	**0**	**0.05**	**2.19**	**0**	**0**	**0**	**0**	**-**	**412**		
	Grand Total (A + B)			**37.67**	**3.51**	**16.38**	**57.56**	**2.03**	**0**	**258.89**	**260.92**	**-**	**604**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital				Loans* outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.03.2012)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
	C. Non working Government Companies												
	AGRICULTURE & ALLIED												
9	Sikkim Livestock Processing and Development Corporation Limited (SLPDC)	AH & VS	Apr-88	0.35	0.34	0	0.69	0	0	0.01	0.01	0.01:1(0.01:1)	2
10	Sikkim Flour Mills Limited (SFML)	INDUSTRIES	Jul-76	2.44	0	0	2.44	0	0	0	0.00	-	0
	Sector wise total			**2.79**	**0.34**	**0**	**3.13**	**0**	**0**	**0.01**	**0.01**	**-**	**2**
	SERVICES												
11	Chandmari Workshop and Automobiles Limited (CWAL)	TRANSPORT	Apr-88	0.30	0	0	0.30	0	0	0	0	-	0
	Sector wise total			**0.30**	**0**	**0**	**0.30**	**0**	**0**	**0**	**0**	**-**	**0**
	MANUFACTURING												
12	Sikkim Jewels Limited (SJL)	INDUSTRIES	Jul-76	13.76	0	0	13.76	0	0	0	0	-	3
13	Sikkim Time Corporation Limited (SITCO)	INDUSTRIES	Oct-76	22.33	0	0	22.33	0	0	0	0	-	4
14	Sikkim Precision Industries Limited (SPIL)	INDUSTRIES	Feb-99	4.39	0	0	4.39	0	0	0	0	-	3
	Sector wise total			**40.48**	**0**	**0**	**40.48**	**0**	**0**	**0**	**0**	**-**	**10**
	Total C (All sector wise non working Government Companies)			**43.57**	**0.34**	**0.00**	**43.91**	**0.00**	**0.00**	**0.01**	**0.01**	**-**	**12**
	D. Non working Statutory Corporations												
	MANUFACTURING												
15	Sikkim Mining Corporation (SMC)	MINES & GEO	Feb-60	6.11	6.39	0	12.50	0	0	0	0	-	0
	Sector wise total			**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**	**-**	**0**
	Total D (All sector wise non working Statutory Corporations)			**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**	**-**	**0**
	Grand Total (A + B + C + D)			**87.35**	**10.24**	**16.38**	**113.97**	**2.03**	**0.00**	**258.90**	**260.93**	**-**	**616**

** Loans outstanding at the close of 2011-12 represent long-term loans only.*
***Share capital is yet to be subscribed by State Government*
****Subscription money received from SPDCL by the company.*
Source: As furnished by the PSUs

Appendix 3.1.2

Summarised financial results of Government companies and Statutory Corporations for the latest year for which accounts were finalised*

(Reference: Paragraph 3.1.15, Page 141)

(Figures in column 5 (a) to (6) and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn-over	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	Sikkim Poultry Development Corporation Limited (SPDCL)	2008-09	2009-10	-0.07	0	0.01	-0.08	0	0	0	-0.73	0.14	-0.08	-
2	Sikkim Hatcheries Limited (SHL)	2008-09	2009-10	-0.10	0	0.04	-0.14	0.98	0	0.46	-1.67	0.34	-0.14	-
Sector wise total				**-0.17**	**0**	**0.05**	**-0.22**	**0.98**	**0**	**0.46**	**-2.40**	**0.48**	**-0.22**	**-**
FINANCE														
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	2009-10	2011-12	0.06	1.12	0.03	-1.09	1.46	-0.06	12.55	-6.47	42.36	0.03	0.07
Sector wise total				**0.06**	**1.12**	**0.03**	**-1.09**	**1.46**	**-0.06**	**12.55**	**-6.47**	**42.36**	**0.03**	**0.07**
INFRASTRUCTURE														
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	2010-11	2011-12	28.34	27.15	0.06	1.13	28.11	0	17.14	-0.47	267.06	28.28	10.59
Sector wise total				**28.34**	**27.15**	**0.06**	**1.13**	**28.11**	**0**	**17.14**	**-0.47**	**267.06**	**28.28**	**10.59**
POWER														
5	Sikkim Power Development Corporation Limited (SPDCL)	2010-11	2011-12	4.71	12.12	8.19	-15.60	3.93	-0.45	3.40	-17.02	205.08	-3.48	-
Sector wise total				**4.71**	**12.12**	**8.19**	**-15.60**	**3.93**	**-0.45**	**3.40**	**-17.02**	**205.08**	**-3.48**	**-**
SERVICE														
6	Sikkim Tourism Development Corporation (STDC)	2009-10	2011-12	0.41	0	0.33	0.08	1.35	-0.63	6.46	-1.82	4.87	0.08	1.64
Sector wise total				**0.41**	**0**	**0.33**	**0.08**	**1.35**	**-0.63**	**6.46**	**-1.82**	**4.87**	**0.08**	**1.64**
Total A (All sector wise working Government Companies)				**33.35**	**40.39**	**8.66**	**-15.70**	**35.83**	**-1.14**	**40.01**	**-28.18**	**519.85**	**24.70**	
B. Working Statutory Corporations														
FINANCE														
7	State Bank of Sikkim (SBS)	2007-08	2012-13	36.44	24.44	0.16	11.84	39.53	-1.95	0.58	-15.51	564.28	36.28	6.43
Sector wise total				**36.44**	**24.44**	**0.16**	**11.84**	**39.53**	**-1.95**	**0.58**	**-15.51**	**564.28**	**36.28**	**6.43**
SERVICE														
8	State Trading Corporation of Sikkim (STCS)	2007-08	2008-09	0.68	0	0.06	0.62	11.07	-0.54	1.11	7.80	8.86	0.62	7.00
Sector wise total				**0.68**	**0**	**0.06**	**0.62**	**11.07**	**-0.54**	**1.11**	**7.80**	**8.86**	**0.62**	**7.00**
Total B (All sector wise working Statutory Corporations)				**37.12**	**24.44**	**0.22**	**12.46**	**50.60**	**-2.49**	**1.69**	**-7.71**	**573.14**	**36.90**	**6.44**
Grand Total (A + B)				**70.47**	**64.83**	**8.88**	**-3.24**	**86.43**	**-3.63**	**41.70**	**-35.89**	**1092.99**	**61.59**	**5.64**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn-over	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprec i-ation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. Non working Government Companies														
AGRICULTURE & ALLIED														
9	Sikkim Livestock Processing and Development Corporation Limited (SLPDC)	2007-08	2008-09	-0.02	0	0.04	-0.06	0.01	0	0.69	-0.95	1.12	-0.06	-
10	Sikkim Flour Mills Limited (SFML)	1994-95	1995-96	0	0	0	0	0	0	0.60	-0.13	0.85	0	-
Sector wise total				**-0.02**	**0**	**0.04**	**-0.06**	**0.01**	**0**	**1.29**	**-1.08**	**1.97**	**-0.06**	
SERVICES														
11	Chandmari Workshop and Automobiles Limited (CWAL)	1994-95	1996-97	-0.10	0	0.04	-0.14	0	0	0	-0.02	0.69	-0.14	0
Sector wise total				**-0.10**	**0**	**0.04**	**-0.14**	**0**	**0**	**0**	**-0.02**	**0.69**	**-0.14**	**0**
MANUFACTURING														
12	Sikkim Jewels Limited (SJL)	2010-11	2011-12	-1.62	0.06	0.07	-1.75	1.15	-8.12	13.76	-14.39	0.60	-1.69	
13	Sikkim Time Corporation Limited (SITCO)	2010-11	2011-12	-1.23	0.01	0.14	-1.38	1.40	0	22.33	-19.21	3.80	-1.37	
14	Sikkim Precision Industries Limited (SPIL)	2008-09	2012-13	-0.22	0	0.24	-0.46	0.39	0	3.94	-1.10	2.81	-0.46	
Sector wise total				**-3.07**	**0.07**	**0.45**	**-3.59**	**2.94**	**-8.12**	**40.03**	**-34.70**	**7.21**	**-3.52**	
Total C (All sector wise non working Government Companies)				**-3.19**	**0.07**	**0.53**	**-3.79**	**2.95**	**-8.12**	**41.32**	**-35.80**	**9.87**	**-3.72**	
D. Non working Statutory Corporations														
MANUFACTURING														
15	Sikkim Mining Corporation (SMC)**	2010-11	2012-13	0	0.00	0	0	0	0	12.50	-11.88	1.06	0	0
Sector wise total				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**1.06**	**0**	**0**
Total D (All sector wise non working Statutory Corporations)				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**1.06**	**0**	
Grand Total (A + B + C + D)				**67.28**	**64.90**	**9.41**	**-7.03**	**89.38**	**-11.75**	**95.52**	**-83.57**	**1103.92**	**57.88**	**5.24**

 # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

** Audited accounts by Pr. Accountant General office*

***The mining operations of the statutory Corporation at Sl. No. D-15 have been discontinued since Janaury 2007, thereafter the financial statements have been prepared under the principles of "Discontinuing operations".*

Appendix 3.1.3

Statement showing grants and subsidy received /receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Reference: Paragraph 3.1.9, Page 140)

(Figures in column 3(a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Sikkim Poultry Development Corporation Limited (SPDCL)	0	0	0	0	0	0	0	0	0	0	0	0
2	Sikkim Hatcheries Limited (SHL)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
FINANCE													
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	0	0	0	0	0	0	4.08	34.93	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**4.08**	**34.93**	**0**	**0**	**0**	**0**
INFRASTURCTURE													
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	0	0	0	0	0	0	0	128.79	0	0	0.43	0.43
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**128.79**	**0**	**0**	**0.43**	**0.43**
POWER													
5	Sikkim Power Development Corporation Limited (SPDCL)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
6	Sikkim Tourism Development Corporation (STDC)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total A (All sector wise working Government Companies)		**0**	**0**	**0**	**0**	**0**	**0**	**4.08**	**163.72**	**0**	**0**	**0.43**	**0.43**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory Corporations													
FINANCE													
7	State Bank of Sikkim (SBS)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
8	State Trading Corporation of Sikkim (STCS)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total B (All sector wise working Statutory Corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B)		**0**	**0**	**0**	**0**	**0**	**0**	**4.08**	**163.72**	**0**	**0**	**0.43**	**0.43**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
9	Sikkim Livestock Processing and Development Corporation Ltd (SLPDC)	0	0	0	0	0	0	0	0	0	0	0	0
10	Sikkim Flour Mills Limited (SFML)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICES													
11	Chandmari Workshop and Automobiles Limited (CWAL)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
MANUFACTURING													
12	Sikkim Jewels Limited (SJL)	0	0	0	0	0	0	0	0	0	0	0	0
13	Sikkim Time Corporation Limited (SITCO)	0	0	0	0	0	0	0	0	0	0	0	0
14	Sikkim Precision Industries Limited (SPIL)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government Companies)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
D. Non working Statutory Corporations													
MANUFACTURING													
15	Sikkim Mining Corporation (SMC)	0	0	0	2.31	0	2.31	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**2.31**	**0**	**2.31**	**0**	**0**	**0**	**0**	**0**	**0**
Total D (All sector wise non working Statutory Corporations)		**0**	**0**	**0**	**2.31**	**0**	**2.31**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B + C + D)		**0**	**0**	**0**	**2.31**	**0**	**2.31**	**4.08**	**163.72**	**0**	**0**	**0.43**	**0.43**

@ *Figures indicate total guarantees outstanding at the end of the year.*

Appendix 3.1.4

Statement showing the investments made by the State Government in working PSUs whose accounts is in arrears

(Reference: Paragraph 3.1.25, Page 145)

(₹ in crore)

Sl. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Other be specified
1	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	2009-10	12.55	2010-11	0.26	Nil	1.79	Nil
2	Sikkim Poultry Development Corporation Limited (SPDCL)	2008-09	0.00*	2009-10	Nil	Nil	2.25	Nil
		Total	**12.55**		**0.26**	**0**	**4.04**	**0**

**State Government yet to subscribe its share capital.*
Source: As per the information furnished by the Government Companies and Statutory Corporations.

Appendix 3.1.5

Statement showing financial position of working Statutory Corporations

(Reference: Paragraph 3.1.15, Page 141)

(₹ in crore)

1. State Bank of Sikkim			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid up Capital	0.58	0.58	0.58
Reserves and surplus	0.11	0.11	0.11
Deposits	382.56	432.94	725.34
Borrowings: Reserve Bank of India	0.00	0.00	0.00
Other Banks	3.14	0.00	0.14
Other Institutions and Agencies	0.00	0.00	0.00
Other liabilities and provisions	31.45	32.37	36.18
TOTAL – A	**417.84**	**466.00**	**762.35**
B. Assets			
Cash and Bank Balances	273.36	260.52	521.43
Investments	15.79	34.14	34.62
Loans and Advances	74.21	124.15	167.12
Net fixed assets	1.22	1.28	1.41
Other assets	19.85	18.56	22.26
Accumulated loss	33.41	27.36	15.51
Miscellaneous expenditure	0.00	0.00	0.00
TOTAL – B	**417.84**	**466.01**	**762.35**
C. Capital Employed*	**350.76**	**382.54**	**564.28**
2. State Trading Corporation of Sikkim			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid up Capital	1.11	1.11	1.11
Reserve and surplus	6.89	7.17	7.80
Current Liabilities and Provisions	31.90	41.12	45.73
TOTAL – A	**39.90**	**49.40**	**54.64**
B. Assets			
Net fixed asset	0.56	0.62	0.57
Current assets, loans and advances	39.34	48.72	54.02
Inter branch transaction	0.00	0.06	0.05
TOTAL – B	**39.90**	**49.40**	**54.64**
C. Capital Employed**	8.00	8.22	8.86

Source: As per the approved accounts of the PSUs

** Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.*

*** Capital employed represents net fixed assets (including capital Work-in-progress) plus working capital.*

Appendix 3.1.6

Statement showing working results of working Statutory Corporations

(Reference: Paragraph 3.1.15, Page141)

1. State Bank of Sikkim				
	Particulars	**2005-06**	**2006-07**	**2007-08**
	Income			
1	a) Interest on loan	20.69	23.37	39.53
	b) Other income	3.51	3.85	3.85
	Total – 1	24.20	27.22	43.38
2	Expenses			
	a) Interest expended	17.40	15.13	24.44
	b) Operating expenses, Provisions and Contingencies	5.73	6.04	7.10
	c) Other expenses	-	-	-
	Total – 2	23.13	21.17	31.54
3	Profit (+)/Loss (-) before tax (1-2)	1.07	6.05	11.84
4	Prior period adjustments	0.23	-	-
5	Provision for tax	-	-	-
6	Profit (+)/Loss (-) after tax	1.30	6.05	11.84
7	Other appropriation	-	-	-
8	Amount available for dividend	1.30	6.05	11.84
9	Dividend paid/payable	-	-	-
10	Total return on Capital employed	18.70	21.18	36.28
11	Percentage of return on Capital employed	5.33	5.54	6.43
2. State Trading Corporation of Sikkim				
	Particulars	**2005-06**	**2006-07**	**2007-08**
1	Income			
	a) Sale of trading goods	14.04	8.83	9.13
	b) Commission	1.39	1.77	1.94
	c) Other income	0.06	0.09	0.15
	d) Increase (+)/Decrease (-) in stock	0.23	-0.14	0.31
	Total – 1	15.72	10.55	11.53
2	Expenses			
	a) Purchase of Trading Goods	12.26	7.85	8.44
	b) Trade Expenses	0.56	0.39	0.24
	c) Establishment Expenses	1.38	1.36	1.60
	d) Other Expenses	0.56	0.56	0.52
	Total – 2	14.76	10.16	10.80
3	Profit (+)/Loss (-) before tax (1-2)	0.96	0.39	0.73
4	Provision for tax	0.15	0.11	0.11
5	Prior period adjustments	-	-	-
6	Other appropriation	-	-	-
7	Amount available for dividend	0.81	0.28	0.62
8	Dividend for the year	-	-	-
9	Total return on Capital employed	0.81	0.28	0.62
10	Percentage of return on Capital employed	10.13	3.41	7.00

Source: As per the accounts of the PSUs,
***negative figures*

Appendix 3.2.1

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years up to 2011-12

(Reference: Paragraph 3.2.10, Page 157)

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
132 KV Sub-Stations (Numbers)						
1	At the beginning of the year	1	1	1	1	1
2	Additions Planned for the year	1	1	0	0	0
3	Actual Additions during the year	0	0	0	0	1
4	At the end of the year **(1+3)**	1	1	1	1	2
5	Shortfall in Additions **(2-3)**	1	1	0	0	0
132 KV Transformers Capacity (MVA)						
1	At the beginning of the year	100	100	100	100	100
2	Additions/ augmentation Planned for the year	20	20	0	0	0
3	Actual Additions during the year	0	0	0	0	20
4	Capacity at the end of the year **(1+3)**	100	100	100	100	120
5	Shortfall in Additions/ Augmentation **(2-3)**	20	20	0	0	(-)20
132 KV Lines (CKM)						
1	At the beginning of the year	32.50	32.50	32.50	43.50	55.50
2	Additions Planned for the year	25	25	0	0	0
3	Actual Additions during the year	0	0	11	12	0
4	At the end of the year **(1+3)**	32.50	32.50	43.50	55.50	55.50
5	Shortfall in Additions **(2-3)**	25	25	(-)11	(-)12	0
66 KV Sub-Stations (Numbers)						
1	At the beginning of the year	12	13	14	14	16
2	Additions Planned for the year	5	4	2	4	3
3	Actual Additions during the year	1	1	0	2	1
4	At the end of the year **(1+3)**	13	14	14	16	17
5	Shortfall in Additions **(2-3)**	4	3	2	2	2
66 KV Transformers Capacity (MVA)						
1	At the beginning of the year	97.50	107.50	132.50	142.50	160
2	Additions/ augmentation Planned for the year	47	40	35	72.50	67.50
3	Actual Additions during the year	10	25	10	17.50	17.50
4	Capacity at the end of the year **(1+3)**	107.50	132.50	142.50	160	177.50
5	Shortfall in Additions/ Augmentation **(2-3)**	37	15	25	55	50
66 KV Lines (CKM)						
1	At the beginning of the year	259.16	277.16	289.97	289.97	305.97
2	Additions Planned for the year	56	56	58	58	60
3	Actual Additions during the year	18	12.81	0	16	0
4	At the end of the year **(1+3)**	277.16	289.97	289.97	305.97	305.97
5	Shortfall in Additions **(2-3)**	38	43.19	58	42	60

Appendix 3.2.2

Details of dues outstanding from Mittal Processor Private Limited

(Reference: Paragraph 3.2.45, Page 180)

(₹ in lakh)

Period	Bill date	Dues	Interest	No.of days(*)	Interest
June 2011	7-Jul-11	21.00	15%	268	2.31
July 2011	7-Aug-11	1,041.60	15%	237	101.45
August 2011(I)	7-Sep-11	572.90	15%	206	48.50
August 2011(II)	7-Sep-11	1,488.00	15%	206	125.97
September 2011	7-Oct-11	1,008.00	15%	176	72.91
October 2011	7-Nov-11	744.00	15%	145	44.33
		4,875.50			**395.47**

(*) from bill date to 31 March 2012

Appendix 3.2.3

Non levy of Transmission charges

(Reference: Paragraph 3.2.46, Page 180)

Sl. No	Name of HEP	Date of commissioning	Installed capacity	Rate of Transmission Charges	Total potential revenue (₹ in lakh)
1	Mangley HEP	June 2008	2MW	₹ 80/MWh	59.90(*)
2	Lachung HEP	January 2009	3MW	₹ 80/MWh	77.76(**)
	Total				**137.66**

(*)2 MW X 24 hrs x ₹ 80/MW x 30 days x 52 months
(**)3 MW X 24 hrs x ₹ 80/MWh x 30 days x 45 months

Appendix 3.6.1

Details of Defaulters in Construction Loans as on 31 March 2012 in State Bank of Sikkim

(Reference: Paragraph 3.6, Page 192)

Sl. No	Account no	Name	Loan amt (₹ in lakh)	Date of disbursement	EMI (in ₹)	No. of installment till March 2012	EMI dues upto March 2012 (in ₹)	EMI paid upto March 2012 (in ₹)	Balance dues as on March 2012 (in ₹)	Remarks
1	3000435	Mrs. Manita Thapa	20	04-11-09	33,800	28	9,46,400	nil	9,46,400	
2	3000441	Pempa Tshering Bhutia	49	12-11-09	84,700	28	23,71,600	nil	23,71,600	No Payment made from the date of sanction of loan
3	3000289	Sherab Bhuitia	30	22-07-08	50,820	44	22,36,080	nil	22,36,080	
4	3000201	Hom Bdr Chettri	9	20-11-07	15,246	52	7,92,792	nil	7,92,792	
5	3000474	Phuchung Lepcha	8	23-03-10	13,552	24	3,25,248	nil	3,25,248	
6	201533	Bikash Rai	5	18-07-05	8,172	80	6,53,760	nil	6,53,760	
7	3000377	Sonam G Bhutia	25	16-09-09	42,350	30	12,70,500	1,02,290	11,68,210	Paid ₹ 1,02,290 till 18.09.2009. No further payments
8	3000254	Karma Tamang	25	24-04-08	35,867	47	16,85,749	1,58,000	15,27,749	Paid ₹ 1,58,000 till 07.01.2011.
9	3000250	Basanti Rasaily	35	28-03-08	59,290	48	28,45,920	3,70,240	24,75,680	Paid ₹ 3,70,240 till 20.04.2010.
10	3000242	Rabjar Lachenpa	18	15-02-08	33,880	49	16,60,120	30,000	16,30,120	Paid only one instalment of ₹ 30,000 in May 2008 to release final instalment of loan
11	3000061	Kumar Rai	15	07-08-06	21,520	67	14,41,840	2,86,080	11,55,760	Paid ₹ 2,86,080 till 24.07.2009.
12	3000033	Chabillal Gurung	10	09-05-06	17,000	70	11,90,000	90,000	11,00,000	Paid ₹ 90,000 till 15.11.2010.
13	3000057	Tashi D Bhutia	11	05-08-06	18,634	67	12,48,478	2,00,000	10,48,478	Single payment of ₹ 2 lac on 12.05.2010
14	3000267	Karama Gyamtso	400	13-06-08	8,47,000	45	3,81,15,000	80,00,000	3,01,15,000	Paid only two payments ₹ 10 lakh on 08.12.2009 and ₹ 70 lakh on 31.03.2010.
15	3000312	Bharat Singh Tamang	76	17-09-08	1,35,520	42	56,91,840	60,000	56,31,840	Single payment of ₹ 60,000 on 13.11.08 to release final instalment of loan
16	3000348	Roshan Rai	100	12-02-09	1,69,400	37	62,67,800	9,57,801	53,09,999	Paid ₹ 95,7801 till 03.03.2010.
17	3000436	TT Lepcha	70	11-11-09	1,18,580	28	33,20,240	1,00,000	32,20,240	Single payment of ₹ 1 lakh on 21.01.2010.
Total							**7,20,63,367**	**1,03,54,411**	**6,17,08,956**	

Appendix 4.5.1

Statement showing lists of cancelled dealers during 2009-11

(Reference: Paragraph 4.5; Page 205)

(in ₹)

Sl. No	Name of the dealer/Tin No.	Nature of business	Import Value	Export Value	VAT @ 12.5%	VAT @ 4%	2% CST	1% CESS on Import Value
1	2	3	4	5	6	7	8	9
1	Bimmy Enterprise, Tin 11011342128	Food Grains & Products, Toiletries and Cosmetics	5,39,686	0	67,460.75	0	0	5,396.86
2	Leo Enterprise, Tin 11010425187	Medicine & Medical Equipments	99,886	0	0	3,995.44	0	998.86
3	Oberoi's, Tin 11010185112	Food, Ice, Ready made clothes	85,53,983	0	10,69,247.88	0	0	85,539.83
4	Sikkim Medical, Tin 11020153123	Medicine & Medical Equipments	1,64,660	0	0	6,586.40	0	1,646.60
5	Baby Thapa, Tin 11020138185	Food, Handicrafts, readymade clothes, toiletries & cosmetic, stationeries	5,47,150	0	68,393.75	0	0	5,471.50
6	Anil Enterprise, Tin 11010390170	Motor parts, carpets etc	10,603	0	1,325.38	0	0	106.03
7	Liddle Manufacturing, Tin 11020418127	Chemical elements doped for use in precious stones	0	18,77,58,366	0	0	37,55,167.32	0
8	Royal Demazong, Tin 11011647193	Hotel	14,04,269	0	1,75,533.62	0	0	14,042.69
9	ABCL Infrastructures, Tin 11020275440	Abrasive, Bitumen, Cement, Sand	0	6,00,63,485	0	0	12,01,269.70	0
Total			**1,13,20, 237**	**24,78,21,851**	**13,81,961.38**	**10,581.84**	**4956437.02**	**1,13,202.37**

Grand Total (Columns 6+7+8+9) : ₹ 64,62,182.61

Appendix 5.3.1

Statement showing funds allocation, budget provision and expenditure

(Reference: Paragraph 5.3.9.1; Page 215)

(₹ in crore)

Year		HRDD	IFCD	WS PHED	RBD	RMDD	UDHD	Total	Annual allocation of the Planning Commission
OB (balance to be reimbursed by NABARD)		2.13	1.16	5.86	2.8	1.42	4. 06	17.43	
2007-08									
	Budget Provision	4	3	4	3	1.5	4	19.5	20
	Budget Provision (state share)	0	0	0	0	0	0.1	0.1	
	Expenditure	2.56	1.16	3.92	3	2	1.94	14.58	
	Expenditure (State share)	0	0	0	0	0	0.1	0.1	
	Loan Released by NABARD	2.58	1.04	4	3	2	1.92	14.54	
2008-09									
	Budget Provision	7.5	4	6.5	8.5	7	5.85	39.35	40
	Budget Provision (state share)	0.83	0.2	0.72	0	0	0.72	2.47	
	Expenditure	6.43	3.87	6.59	8.5	7	5.7	37.32	
	Expenditure (State share)	0.77	0.19	0.37	0	0	0.15	1.48	
	Loan Released by NABARD	5.89	4	8.11	9.3	7	5.7	40.00	
2009-10									
	Budget Provision	7.5	9.4	6.5	8.5	7	6.5	45.4	40
	Budget Provision (state share)	0	0.2	2.24	0	0	0.54	2.98	
	Expenditure	7.48	2.72	9.42	9.4	7	6.5	42.52	
	Expenditure (State share)	0	0.22	1.02	0	0	0.54	1.78	
	Loan Released by NABARD	7.5	2.77	6.5	8.5	7	6.5	38.77	
2010-11									
	Budget Provision	3	3	3.5	20	6.5	4	40	40
	Budget Provision (state share)	0	0.51	0	0	0	0	0.51	
	Expenditure	3	2.93	3.55	20.13	6.45	4	40.06	
	Expenditure (State share)	0	0.18	0	0	0	0	0.18	
	Loan Released by NABARD	3	3	3.5	20	6.5	4	40	
2011-12									
	Budget Provision	0	0.5	1	25	2.5	2.55	31.55	30
	Budget Provision (state share)	0	0	0	27	0	0	27	
	Expenditure	0	0.5	1	25	2.5	2.55	31.55	
	Expenditure (State share)	0	0	0	2.54	0	0	2.54	
	Loan Released by NABARD	0	0.5	1	25	3	0.5	30	
TOTAL									
	Budget Provision	22	19.9	21.5	65	24.5	23.55	176.45	170
	Budget Provision (state share)	0.83	0.91	2.96	27	0	1.36	33.06	
	Expenditure	18.7	11.18	24.5	66.03	24.95	20.69	166.03	
	Expenditure (State share)	0.77	0.59	1.39	2.54	0	0.79	6.08	
	Loan Released by NABARD	18.97	11.31	23.1	65.8	25.5	18.62	163.31	
	State share to be released	6.78	1.15	5.16	35.38	9.48	2.79	60.74	
	State Share actually released	0.77	0.59	1.39	2.54	0	0.79	6.08	
	Short release by State Govt.	6.01	0.56	3.77	32.84	9.48	2.00	54.66	