

EXECUTIVE SUMMARY

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

This Report contains 28 audit paragraphs (including sixteen general paragraphs) and four Performance Audits. According to the existing arrangements, copies of the draft compliance audit paragraphs and draft performance audits were sent to the Secretary of the Department concerned by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of five paragraphs.

SOCIAL SECTOR

COMPLIANCE AUDIT

Expenditure of ₹ 4.21 crore was rendered infructuous due to improper survey and injudicious selection of site for the construction of 575 bedded hospital.

(Paragraph 1.3)

Violation of guidelines resulted in irregular expenditure of ₹ 6.48 crore due to excess deployment of 648 teachers in schools while other schools faced shortage.

(Paragraph 1.4)

ECONOMIC SECTOR

PERFORMANCE AUDIT

Rajiv Gandhi Grameen Vidyutikaran Yojana

Government of India (GOI) introduced (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana with the objective of providing access to electricity to all Rural Households and improving the rural electricity infrastructure. 90 *per cent* of the overall cost of the projects was to be provided by GOI as capital subsidy. The balance project cost was to be met by the Governments of respective States through loan from Rural Electrification Corporation Limited. Cost of electrification of BPL households was, however, to be subsidised fully by the GOI. Energy and Power Department, Government of Sikkim was the implementing agency of the scheme in the State.

Under the scheme, the State targeted to electrify 25 un-electrified villages and intensive electrification of 413 already electrified villages with free electricity connection to 12,081 BPL households by March 2009. The projects could not be completed even after four and half years of scheduled completion time. As of November 2013 the EPD completed electrification of all 25 un-electrified villages as well as intensive electrification of 383 villages which were already electrified and provided free electricity connection to 9,832 BPL households.

(Paragraph 2.3)

Rashtriya Krishi Vikas Yojana

Concerned with the slow growth in the Agriculture and allied sectors, the National Development Council in its meeting held on 29 May 2007, resolved to launch a special Additional Central Assistance Scheme Rashtriya Krishi Vikas Yojana (RKVY) to incentivise States to draw up plans for their agriculture sector more comprehensively. RKVY aimed at achieving four per cent annual growth in the Agriculture sector during the XI Plan period by ensuring a holistic development of Agriculture and allied sectors. The main objectives of the scheme inter alia were: (i) to incentivise the States so as to increase public investment in Agriculture and allied sectors; (ii) to achieve the goal of reducing the yield gaps in important crops, through focused interventions; (iii) to bring about quantifiable changes in the production and productivity of various components of Agriculture and allied sectors by addressing them in a holistic manner.

In Sikkim, the Agriculture and allied sector had achieved four per cent annual growth rate towards contribution to Gross State Domestic Product during the XI Plan period. However, adequate and envisaged planning process for overall vision for development of the district was absent both in the District Agriculture Plan and State Agriculture Plan and it was coupled with flaws in the preparation of DPRs. Failure on the part of the Nodal Department to furnish the UCs in time also led to the curtailment of funds. In cases of production of major crops (i.e. Cereals, Pulses and Oil seeds), the four *per cent* growth rate was achieved only in two years.

The smooth functioning of the scheme and achievement of its objectives was adversely affected by improper fund management, delays, taking up of unviable projects and lack of monitoring, review, evaluation and field studies from the State Level Selection Committee.

(Paragraph 2.4)

COMPLIANCE AUDIT

Audit of 'Execution of Suspension Foot Bridges (SFBs) under SIDF' by the Rural Management & Development Department through Zilla Panchayats revealed that out of 66 SFBs, 51 were completed and remaining 15 were under construction. Out of the completed SFBs, 21 SFBs were completed recording a delay of more than six months. The results of Audit on implementation of projects indicated defective survey and estimation, irregularity in award of works, execution of works inconsistent with technically sanctioned approved designs and estimates, excess and avoidable expenditure on construction of SFBs with longer span than required, undue favour to contractors, excess issue of material and unauthorised expenditure.

(Paragraph 2.5)

The Department violated the terms of sanction of the Government of India which resulted in unauthorised expenditure of ₹ 92.40 lakh.

(Paragraph 2.6)

Unauthorised expenditure of ₹ 187.08 lakh under Integrated Nutrient Management due to non-adherence to cost norms as stipulated under the guidelines of the scheme.

(Paragraph 2.7)

Contractors were paid ₹ 1.97 crore for carriage of stones which was in excess of requirement as stipulated in the AOR and in violation of the SPW Manual

(Paragraph 2.8)

Rejection of the highest offer for sale of power (30 MW) by the Energy and Power Department without valid reason resulted in loss of ₹ 2.55 crore besides loss of interest of ₹ 1.01 crore against unrecovered sale proceeds of ₹ 7.14 crore.

(Paragraph 2.9)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

COMPLIANCE AUDIT

Due to failure in insisting upon the Bank for honouring the Bank Guarantee in full, the Company could not recover ₹ 1.28 crore causing interest loss of ₹ 51 lakh.

(Paragraph 3.2)

Levying of interest beyond the permissible limit by the Company resulted in extra financial burden of ₹ 38.64 lakh on the beneficiaries.

(Paragraph 3.3)

REVENUE SECTOR

COMPLIANCE AUDIT

Delay in assessment of tax for the period 2006-07 to 2010-11 on sales turnover of ₹ 142.80 crore benefitted a company as it retained tax collected from the consumers amounting to ₹ 28.56 crore over a period exceeding two to seven years.

(Paragraph 4.5)

Irregular utilisation of Way Bills resulted in evasion of SVAT amounting to ₹ 1.09 crore.

(Paragraph 4.6)

Systemic lacunae in the Commercial Taxes Division to ensure realisation of taxes from works contractors executing works of registered dealers resulted in loss of revenue of ₹ 38.21 lakh.

(Paragraph 4.7)

GENERAL SECTOR

PERFORMANCE AUDIT

Disaster Management

The Audit on Disaster Management indicated that the State, despite being located in a seismically active zone and being a victim of recurrent natural disasters, was yet to adequately recognise these disasters as threats which thwarted its developmental plans and mission to transform itself into a model State within a targeted time frame. The Disaster Management Act 2005 and other guidelines issued by the GOI from time to time covering all issues of Disaster Management (DM) had not been implemented fully. The institutional mechanism to address DM issues had not been firmly established and the DM policy 2007 not fully implemented. Further, the State DM plans require strengthening and the Departmental DM plans were not made till the date of audit (September 2013). There had been diversion from funds provided by GOI for immediate relief and long-term reconstruction of damaged infrastructure.

The lack of urgency to address the issue of disasters is underscored by the fact that even after more than seven years of enactment of the DM Act 2005 by the GOI, the State had not laid down a proper institutional framework with appropriate manpower having designated roles and responsibilities to address DM in the State. The apex body, State DM Authority (SDMA) met only once during the five year period 2008-13, that too, only to discuss relief activities after the earthquake of 18 September 2011. DM had not been incorporated in the development planning process of the State. No financial resources had been earmarked in the State's Plan towards DM. The State entirely depended on Central support both for immediate relief activities as well as permanent reconstruction of damaged infrastructure.

However, after the earthquake of 18 September 2011, the Government has initiated various policy resolutions and capacity building measures which were expected to strengthen DM in the State.

(Paragraph 5.3)

Roads & Bridges projects funded under NLCPR and NEC

Sikkim became part of North East Region in April 1998 and availed the benefit of funding from NLCPR and NEC. A number of infrastructural projects were constructed out of these funds in various sectors such as Roads & Bridges, Irrigation & Flood Control, Energy & Power, Human Resource Development Department, etc. The overall responsibility of managing NLCPR and NEC funds is primarily vested with the Development Planning, Economic Reforms and North Eastern Council Affairs Department. The projects relating to Roads & Bridges are implemented by Roads & Bridges Department.

The Audit of Roads & Bridges projects funded under NLCPR and NEC for the period 2008-13 was carried out during July-August 2013. The results of audit disclosed that out

of a total of 44 projects, only 18 (41 *per cent*) were completed. None of the projects were completed within the scheduled dates. The physical progress of incomplete projects ranged between 11 and 98 *per cent* as of March 2013. The completed projects (18) also recorded a delay in completion ranging between one and 12 years beyond the scheduled date of completion. This was partly due to delayed initiation of tender procedure, defective preparation of DPRs, frequent change in scope of works, cost revision, short release of matching share by State Government, etc. Similarly, out of total funds of ₹ 246.91 crore released during 2008-13, ₹ 218.03 crore was incurred during 2008-13. Out of ₹ 218.03 crore spent, irregular and excess expenditure of ₹ 19.27 crore were noticed in Audit. The unspent funds coupled with irregular excess expenditure and slow pace of implementation of projects indicated that the speedy development of infrastructure projects was not achieved to the desired extent.

(Paragraph 5.4)