

# **Executive Summary**



## EXECUTIVE SUMMARY

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

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

### ECONOMIC SECTOR

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

### PERFORMANCE AUDIT

#### Development of Manufacturing Industries in Sikkim

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

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

*The C&ID also failed to ensure contribution towards Corporate Social Responsibility (CSR) activities by the industrial units and to realise the industrial development fund which could have been used for creation/maintenance of industrial infrastructure. There*

*was short contribution on CSR activities of ₹ 176.51 crore by 15 units and short realisation of industrial development fund of ₹11.10 crore from 40 units.*

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

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

**(Paragraph 1.3)**

## **COMPLIANCE AUDIT**

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

**(Paragraph 1.4)**

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

**(Paragraph 1.5)**

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

**(Paragraph 1.6)**

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

**(Paragraph 1.7)**

Out of ₹ 34.38 crore transferred from the Cess fund to the Health Care, Human Services and Family Welfare Department, the Department utilised only ₹ 1.05 crore for bio-medical waste management system for protection and improvement of environment

while the balance of ₹ 33.33 crore was irregularly utilised for construction of the 1000 bedded hospital at Sichey against the intent of the Sikkim Ecology Fund and Environment Cess Act, 2005.

*(Paragraph 1.8)*

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

*(Paragraph 1.9)*

## **ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)**

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

### **COMPLIANCE AUDIT (PSUs)**

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

*(Paragraph 2.2)*

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

*(Paragraph 2.3)*

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

*(Paragraph 2.4)*

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

*(Paragraph 2.5)*

## **REVENUE SECTOR**

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

## **COMPLIANCE AUDIT**

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

*(Paragraph 3.10)*

## **GENERAL SECTOR**

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

## **PERFORMANCE AUDIT**

### **Utilisation of Thirteenth and Fourteenth Finance Commission Grants**

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

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

*(Paragraph 4.3)*

## COMPLIANCE AUDIT

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

(Paragraph 4.4)

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

(Paragraph 4.5)

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

(Paragraph 4.6)

## FOLLOW UP AUDIT

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

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

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

(Paragraph 5.3)

