

AO/REPORT
AR 87-88



GOVERNMENT OF SIKKIM

REPORT OF THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1987-88





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AND
AUDITOR GENERAL OF INDIA**

FOR THE YEAR 1987-88

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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1987-88 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1987-88.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1987-88 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1987-88 have also been included wherever considered necessary.

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OVERVIEW

2. This Report gives in chapters I and II information about the financial position of the Government of Sikkim for 1987-88 and Government's overall control over expenditure. The remaining 4 chapters include Audit Reviews on development programmes and other activities, apart from the paragraphs containing comments on various irregularities. The more important Audit findings are summarised in the succeeding paragraphs.

2. A part of the grants and loans released by Government of India was not credited to the Consolidated Fund of the State rendering the accounts incomplete in this respect. The amount held back out of grants/loans released during 1987-88 was Rs.5.52 crores.

3. Out of the revenue receipts of Rs.126.40 crores during the year, Rs.97.19 crores were from the Government of India as grants for State Plan Schemes, Centrally Sponsored Schemes, Statutory Non-Plan grants and State's share of Union Excise Duties which constituted 76.89 per cent of the State Revenue Receipts.

4. The revenue surplus came down by Rs.4.28 crores from Rs.32.21 crores in 1986-87 to Rs. 27.93 crores in 1987-88. Against the increase of Rs.10.28 crores in the Central plan grants, the increase in plan revenue expenditure was only Rs.2.98 crores leaving a balance of Rs.7.30 crores which should have been reflected as surplus on revenue account. However, the spurt in non-plan revenue expenditure in 1987-88 by Rs.14.22 crores wiped out the surplus leaving less amount for plan expenditure.

5. The non-plan revenue expenditure during the year increased by Rs.14.22 crores over that of the previous year.

6. The debt liability of Government at the end of 1987-88 was Rs.64.41 crores which comprised internal debt of State Government, loans and advances from Central Government, Small Savings and Provident Funds, etc., and also non-interest bearing deposits and other liabilities.

(Paragraph 1)

7. Overall Position

Against the total provision of Rs.15368.43 lakhs, expenditure was Rs.14768.40 lakhs leaving a net saving of Rs.600.03 lakhs. The Supplementary provision of Rs. 1839.56 lakhs constituted 13.6 per cent of the original provision and proved excessive in view of the overall saving.

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The overall savings of Rs.600.03 lakhs is the result of total saving of Rs.658.11 lakhs occurred in 46 grants/appropriations partly off set by excess of Rs.58.08 lakhs in 12 grants and 2 appropriations. The excess of Rs.58.08 lakhs required regularisation by the State Legislature. (Paragraphs 2.01, 2.03 & 2.05)

8. The excess of Rs.1007.95 lakhs under the various grants/appropriations relating to the years 1979-80 and 1981-82 to 1986-87 were yet to be got regularised from the State Legislature.

(Paragraph 2.11)

9. **Assistance to Small and Marginal Farmers in increasing Agricultural Production**

The scheme was launched in 1983-84 with the objective of increasing the agricultural yields of Small and Marginal farmers in identified areas.

— In 1983-84, Rs.2.29 lakhs out of the total budget provision of Rs. 2.97 lakhs was spent on plantation of fuel and fruit trees, distribution of minikits and land development in 3 districts. No expenditure was incurred on subsidy on wells and pumps.

— The achievements under land development reported in 1983-84 were 128 hectares and 320 beneficiaries whereas actual achievement were 100.4 hectares and 251 beneficiaries.

— Renovation and repairs of old irrigation channels though not provided in the schemes were carried out without obtaining approval from Government of India.

— No water charges were fixed or recovered from the farmers.

— Areas for execution of community irrigation works were selected without considering the approved percentage and number of Small and Marginal farmers.

— The type and land holdings of the farmers and their acknowledgements were not recorded while distributing minikits of seeds and fertilizers.

— Against the actual expenditure of Rs.4.19 lakhs in 1983-84, only Rs.2.29 lakhs were booked under the scheme resulting in loss of revenue of Rs.1.90 lakhs.

— Subsidy of Rs.10.93 lakhs was paid to farmers in excess of the norm fixed by the Government of India. (Paragraph 3.1)

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10. Poultry Development Programme

The programme aimed at providing the triple benefits of better nutrition, additional income and more job opportunities to the farmers in the shortest possible time.

— Due to non-implementation of different schemes under the programme expenditure of Rs.118.51 lakhs was incurred during 1983-84 against the budget provision of Rs.124.61 lakhs.

— The achievement in raising bird strength, production of eggs and chicks fell short of the target fixed in Tadong and Karfector farms.

— There was considerable shortfall in the establishment of Poultry demonstration units at veterinary dispensaries/stockman centres/hospitals.

— Compared to the rates obtained in November 1987, by calling tenders, the department incurred an avoidable expenditure of Rs.4.92 lakhs in 1986-87 and 1987-88 on the purchase of poultry feed at higher rates from local suppliers without calling for tenders.

— Avoidable expenditure of Rs.2.97 lakhs was incurred due to feeding of birds in excess of norms.

— Sale proceeds of birds and eggs valued at Rs.0.60 lakh were not realised.

(Paragraph 3.3)

11. Integrated Child Development Services

The scheme launched in the State in 1975-76 aimed at providing a package of services to children in the age group of 0—6 years and expectant and nursing mothers.

— During the years 1984-88, expenditure of Rs.99.98 lakhs was incurred against the budget provision of Rs.94.00 lakhs.

— No target was fixed for different components of the scheme except for Supplementary Nutrition Programme and Non-formal Pre-primary Education for 1987-88.

— Full course of doses were not administered in case of DPT, Polio and Vitamin-A solution.

— Assistance of Rs.3.16 lakhs received in kind from the Government of India was not accounted for.

(Paragraph 3.8)

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12. National Malaria Eradication Programme

The programme aiming at preventing deaths from malaria and effectively controlling malaria was launched in the State in January 1978.

— Against the budget provision of Rs.169.85 lakhs for the years 1982-83 to 1987-88, expenditure of Rs.140.44 lakhs only was incurred.

— Materials worth Rs.0.78 lakh lying unutilised at the end of 1978-79 were not taken into account while allocating expenditure between Central and State Governments.

— Spraying operations were not thorough and systematic.

— Detection through active surveillance was less than one third of the total malaria cases detected.

— There was over staffing in the posts of laboratory technicians, surveillance inspectors and workers.

(Paragraph 3.9)

13. Integrated Development of Small and Medium Towns

The scheme was introduced in the State in 1982-83 for the development of Small and Medium Towns with a population of 1 lakh up to Sixth Five Year Plan and 3 lakhs from the Seventh Five Year Plan. The objectives of the scheme were to reduce the rate of migration from rural areas to urban areas, to promote even and balanced economic development and population dispersal and to tackle the problems of slums on a more enduring basis etc.

— Central assistance of Rs. 5.50 lakhs was received in 1980-81, but no budget provision was made nor any expenditure incurred on the scheme up to 1981-82.

— One development and construction work costing Rs.4.18 lakhs was awarded without calling for tenders.

(Paragraph 3.11)

14. Development of Roads and Bridges

Due to delay in procurement of materials and lack of proper planning, a number of schemes could not be completed within the scheduled time.

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— Due to delay in execution of scheme by the contractors, materials purchased at higher rates were issued to the contractors at lower rates as specified in the agreement resulting in loss of Rs.17.21 lakhs.

— Value of crops and land damaged during construction amounting to Rs.2.47 lakhs was not recovered from the contractor.

— Infertuous expenditure of Rs.6.63 lakhs was incurred due to change of alignment of a road during the period of execution.

— There was increase of Rs.6.76 lakhs in the cost of project due to undertaking a technically defective project.

— Delay in handing over site of a bridge and non-supply of materials in time resulted in extra payment of Rs.8.42 lakhs on account of price escalation.

(Paragraph 4.1)

15. Irregularities in the procurement of animal feed

The department incurred an avoidable expenditure of Rs.7.16 lakhs on procurement of animal feed at higher rates without calling for tenders during the period 1986-87 and 1987-88.

— Animal feed valuing Rs.0.91 lakh was not accounted for.

— Income tax of Rs.1.16 lakhs was not recovered from the suppliers at source.

(Paragraph 3.4)

16. Payment of salaries to idle staff

Consequent on the closure of 15 fair price shops under the Co-operation Department 17 staff members became surplus out of which 3 persons were absorbed. The department paid Rs.7.41 lakhs during 1985-86 to 1987-88 towards the salary of the idle staff.

(Paragraph 3.5)

17. Outstanding advances

Out of the advance of Rs.2036.15 lakhs paid by 4 Departments to the State Trading Corporation of Sikkim during 1983-84 to 1987-88 for procurement of materials required for developmental works, Rs.757.21 lakhs were lying with STCS unadjusted at the end of March 1988.

(Paragraph 3.7)

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18. Irregular grant of Central Investment Subsidy

The Central Investment Subsidy to the tune of Rs.68.23 lakhs was claimed and received from the Government of India in excess of actual amount of subsidy disbursed.

— A commercial unit run departmentally not eligible for Central investment subsidy, was paid subsidy of Rs.18.42 lakhs. The amount was got reimbursed from Government of India.

— Subsidy of Rs.23.05 lakhs on cost of land was paid to four private companies who registered the lands in the names of their Directors.

— Excess payment of subsidy of Rs.8.38 lakhs was paid to 5 units on inadmissible investment.

(Paragraph 3.10)

19. Extra Expenditure

Non-procurement of Steel rounds and Channels at JPC rates resulted in avoidable expenditure of Rs.12.56 lakhs.

(Paragraph 4.2)

20. Avoidable Expenditure

Non-acceptance of the lowest tenders for the execution of the works resulted in avoidable expenditure of Rs.2.34 lakhs.

(Paragraph 4.4)

21. Revenue Receipts

The total revenue receipts of the State Government during 1987-88 amounted to Rs.126.40 crores comprising of Rs.29.21 crores as revenue raised by the State and Rs.97.19 crores as receipts from the Government of India.

(Paragraph 5.1.)

22. In four cases short assessment of sales turnover led to short levy of income tax amounting to Rs.3.28 lakhs.

(Paragraph 5.4)

23. Though provisions exist for the levy of interest and penal interest on delayed payments, department did not levy penal interest and interest amounting to Rs.4.22 lakhs.

(Paragraph 5.5)

(xii)

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24. Omission to include the sales through commission agents in the sales turnover of an assessee led to short levy of tax and penalty amounting to Rs.3.69 lakhs.

(Paragraph 5.6)

25. Due to non-correlation of turnover reflected by two assessees in income tax and sales tax returns and incorrect declaration of turnovers there was a short levy of sales tax amounting to Rs.6.65 lakhs.

(Paragraph 5.7)

26. An assessee assessable under Central Sales Tax on turnover of Rs.41.36 lakhs for the assessment years 1983-84 and 1984-85 was not assessed to tax till the end of assessment year 1987-88. Central Sales Tax amounting to Rs.1.65 lakhs, thus became barred by limitation of time.

(Paragraph 5.8)

27. Collection of cardamom and damthy khazana for the years 1985-86 to 1988-89 was entrusted by the department to a contractor who was to pay Rs.15.01 lakhs annually to the Government. The contractor paid Rs.10.01 lakhs for 1985-86 and Rs.15.00 lakhs for 1986-87. The balance amount of Rs.5.01 lakhs together with the interest of Rs.4.17 lakhs for the defaulted period was not collected from the contractor.

(Paragraph 5.10)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

28. There were five Government companies in the State as on 31st March 1988 with an aggregate paid-up capital of Rs.7.81 crores of which State Government's share was Rs. 5.57 crores. Only one of these companies finalised accounts for 1987-88. Three companies were in arrears in finalisation of accounts for 1987-88, while one company (Sikkim Livestock Development Corporation Limited) had not prepared any accounts right from 1978-79.

(its incorporation in

(Paragraph 6.2)

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29. There were three Statutory corporations in the State as on 31st March 1988. Two of them were yet (September 1989) to finalise the accounts for 1987-88, while one corporation was to finalise its accounts for 1985 (calendar year).

(Paragraph 6.3)

30. In respect of State Trading Corporation of Sikkim, which was entrusted in 1972 by the erstwhile Chogyal of Sikkim with the work relating to procurement of cement, steel, etc. for use by various Government departments, various irregularities, procedural lapses and consequent financial losses were noticed by Audit. Quantities of cement lifted by the transport contractors were not correlated with the allotments/gate passes, the transport contractors were allowed to retain cement in their godowns, transportation charges were paid without verifying receipt of cement at destination; 1.15 lakh bags of cement valued Rs.61.12 lakhs were short received at destinations during April 1986 to August 1987 for which claims were not preferred with the transporters. The Corporation did not recover Rs.5.18 lakhs from a supplier of cement, being the transportation charges paid by it on behalf of the supplier. Whereabouts of 39.635 tonnes of MS Rods and Tor Steel, short received by indenting departments during June-August 1985, were not known to the Corporation. Sale proceeds of gas connections, gas stoves and their spare parts, gas cylinders etc., realised during August 1986 to January 1987 and March 1987 were not accounted for in the cash book.

(Paragraph 6.5)

31. Shortage of petrol and high speed diesel oil valuing Rs.9.54 lakhs occurred in 4 depots.

[Paragraph 6.5.3(i)]

32. Non-acceptance of the lowest tenders for fabrication of bus bodies resulted in loss of Rs.5.09 lakhs.

[Paragraph 6.5.3(ii)]

33. Spurious spare parts of motor vehicles valuing Rs. 1.92 lakhs supplied by a local firm were lying idle in store. Stores worth Rs.0.31 lakh were not entered in the stock ledger.

[Paragraph 6.5.3 (iv)]

34. Transit loss of Rs.20.98 lakhs is lying unrecovered. ;

[Paragraph 6.5.3 (vi)]

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CHAPTER I

CHAP

GENE

1. Summary of accounts

The summarised position of the accounts of the Government of indicated in the statements following.

I—Statement of Financial position of the Government of

As on	Liabilities	As on
31.3.87		31.3.88
10.87	Internal Debt	13.86
	(Market Loans, Loans from Life Insurance Corporation of India and others)	
	Loans and Advances from	
34.17	Central Government	40.50
	Pre 1984-85 loans	14.82
	Non-Plan loans	2.53
	Loans for State Plan Schemes	20.08*
	Loans for Centrally Sponsored Schemes	1.92
	Ways and Means Advances	1.15
4.39	Small Savings, Provident Funds etc.	6.04
3.46	Deposits	3.58
0.43	Reserve Funds Gross	0.89
	Less Investment	0.46
	Contingency Fund	0.43
	Surplus on Government Accounts up to previous year	**
121.43		121.43
	Add Revenue surplus during the year	27.93
<u>174.75</u>		<u>149.36</u>
		<u>213.77</u>

*Rounded to higher side for the purpose of agreement.

**The fund closed with a debit balance of Rs.15,387.

TER I

RAL

Sikkim emerging from the Finance Accounts for the year 1987-88 is

Sikkim as on 31st March 1988.

(In crores of rupees)

As on	Assets	As on
31.3.87		31.3.88
149.05	Gross Capital Outlay on Fixed Assets	185.94
	Investment in shares of Companies, Corporations etc.	8.43
	Other Capital Outlay	177.51
5.51	Loans and Advances	6.06
	Development loans	3.76
	Loans to Government Servants and miscellaneous loans	2.30
0.13	Other Advances	0.13
3.43	Suspense and Miscellaneous Balances	5.56
8.37	Remittance Balances	8.80
8.26	Cash	7.28
	Cash Balance Deposits with other Banks	2.86
	Departmental Cash Balance including Permanent Advance	0.13
	Cash Balance Investment	4.29

174.75

213.77

II. Abstract of Receipts and Disbursements

SECTION A —

RECEIPTS

Revenue Receipts — 126.40

(i)	Tax Revenue	11.20
(ii)	Non-Tax Revenue	18.01
(iii)	State's share of Union Taxes	15.27
(iv)	Non-Plan Grants	16.50
(v)	Grants for State Plan Schemes	57.82
(vi)	Grants for Central and Centrally Sponsored Schemes	7.60

126.40

for the year 1987-88

REVENUE(In crores of rupees)
DISBURSEMENTS

		Non-Plan	Plan	Total
I.	Revenue Expenditure— Sector			
(i)	General Services	17.07	(—) 0.09	16.98
(ii)	Social Services	19.41	18.66	38.07
(iii)	Agriculture and Allied Activities	4.71	10.37	15.08
(iv)	Rural Development	0.15	1.92	2.07
(v)	Irrigation and Flood Control	0.18	2.04	2.22
(vi)	Energy	2.77	0.88	3.65
(vii)	Industry and Minerals	0.59	0.92	1.51
(viii)	Transport	14.94	1.12	16.06
(ix)	Science, Technology and Environment	—	0.14	0.14
(x)	General Economic Services	1.39	1.30	2.69
		<hr/> 61.21	<hr/> 37.26	<hr/> 98.47
II.	Revenue Surplus carried over to Section B			<hr/> 27.93
				<hr/> 126.40

SECTION B —

III.	Opening Cash Balance including permanent advance and cash balance investment		8.26
IV.	Recoveries of Loans and Advances		0.86
(i)	From Government Servants	0.47	
(ii)	From Others	0.39	
V.	Revenue Surplus brought down		27.93
VI.	Contingency Fund		—
VII.	Public Debt Receipts		11.18
(i)	Internal Debt other than Ways and Means Advances	3.19	
(ii)	Loans and Advances from Central Government	7.99	
VIII.	Public Account Receipts		144.85
(i)	Small Savings and Provident Funds	2.06	
(ii)	Suspense and Miscellaneous	65.28	
(iii)	Remittances	74.46	
(iv)	Deposits and Advances	3.05	

OTHERS

III.	Capital Outlay— Sector		36.89
(i)	General Services	1.94	
(ii)	Social Services	5.41	
(iii)	Agriculture and Allied Activities	1.22	
(iv)	Rural Development	—	
(v)	Irrigation and Flood Control	—	
(vi)	Energy	9.94	
(vii)	Industry and Minerals	1.71	
(viii)	Transport	16.10	
(ix)	General Economic Services	0.57	
IV.	Loans and Advances disbursed		1.42
(i)	To Government Servants	0.30	
(ii)	To Others	1.12	
V.	Contingency Fund		—
VI.	Repayment of Public Debt		1.86
(i)	Internal Debt other than Ways and Means Advances	0.20	
(ii)	Repayment of loans and Advances to Central Government	1.66	
VII.	Public Account Disbursements		145.63
(i)	Small Savings and Provident Funds etc.	0.41	
(ii)	Suspense and Miscellaneous	67.41	
(iii)	Remittances	74.88	
(iv)	Deposits and Advances	2.93	
VIII.	Cash Balance at end		7.28
(i)	Cash Balance Deposits with other Banks	2.86	
(ii)	Departmental cash balance including permanent advance	0.13	
(iii)	Cash Balance Investment	4.29	

193.08

SOURCES AND APPLICATION OF FUNDS FOR 1987-88*(In crores of rupees)***I. Sources:**

1.	Revenue Receipts	126.40
2.	Increase in Public Debt, Small Savings and Deposits	11.09
3.	Decrease in Closing Cash Balance	0.98

Adjustments

Less Increase on Suspense Balance	(—) 2.13
Less effect on Remittance Balances	(—) 0.43
	(—) 2.56

Net Funds available	<u>135.91</u>
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II. Application :

1.	Revenue Expenditure	98.47
2.	Capital Outlay	36.89
3.	Lending for development and other programmes	0.55
		<u>135.91</u>

Notes:

1.01 Government accounts being on cash basis, balances shown in the statement of financial position indicate the position on cash basis, as opposed to accrual basis of commercial accounting.

1.02 The abridged accounts in the foregoing statements have to be read with the comments and explanations in the Finance Accounts. The following points emerge from the accounts given in the foregoing statements.

1.02.1 A part of the grants and loans released by Government of India was not credited to the Consolidated Fund of the State rendering the account incomplete in this respect. The amount held back out of grants/loans released during 1987-88 was Rs.5.52 crores. Similarly Rs.0.27 crore was held back out of grants received during 1986-87. On other hand an amount of Rs.2.67 crores received in 1986-87 was brought to account in 1987-88.

1.02.2 The revenue surplus came down by Rs.4.28 crores from Rs.32.21 crores in 1986-87 to Rs.27.93 crores in 1987-88. Against the increase of Rs.10.28 crores in the Central plan grants, the increase in plan revenue expenditure was only Rs.2.98 crores leaving a balance of Rs.7.30 crores which should have been reflected as surplus on revenue account. However, the spurt in non-plan revenue expenditure in 1987-88 by Rs. 14.22 crores wiped out the surplus leaving less amount for plan expenditure.

1.02.3 The net accretion from Public Debt including decrease in closing cash balance of Rs.0.98 crore (as adjusted by the effect of suspense and remittance balances of Rs.2.56 crores) was Rs.9.51 crores. This together with Revenue Surplus of Rs.27.93 crores was utilised to meet the capital expenditure of Rs.36.89 crores and disbursement of loans of Rs.0.55 crore for development and other programmes.

1.02.4 The non-plan revenue expenditure during the year increased by Rs.14.22 crores over that of the previous year. The increase was mainly under General Services (Rs.3.83 crores), Rural Development and Social Services (Rs.4.61 crores) and Transport (Rs.3.92 crores).

1.02.5 Out of the revenue receipts of Rs.126.40 crores during the year, Rs. 97.19 crores were from the Government of India as grants for State Plan Schemes, Centrally Sponsored Schemes, Statutory Non-Plan grants and State's share of Union Excise Duties which constituted 76.89 per cent of the State Revenue Receipts. The revenue receipts (Rs. 126.40 crores) during the year increased by Rs.12.92 crores over those of 1986-87. The increase was mainly under tax revenue (Rs.1.45 crores), non-tax revenue (Rs.3.41 crores), State's share of Union Taxes (Rs.1.44 crores) and Grants for State Plan Schemes (Rs.10.58 crores).

1.02.6 Information regarding overdue amount of principal and interest towards loans by State Government has not been received (October 1988) from the departmental officers who maintained the detailed accounts of loans and advances.

1.02.7 The debt liability of Government at the end of 1987-88 was Rs.64.41 crores which comprised internal debt of State Government, loans and advances from Central Government, Small Savings and Provident Funds, etc., and also non-interest bearing deposits and other liabilities. The borrowings from Government of India were Rs.40 crores which formed 74.50 per cent of the total public debt.

1.02.8 Government paid interest of Rs.3.98 crores on debt during the year. As against this, Government received only Rs. 0.33 crore as interest on loans and advances. The net burden of interest on State revenue was, thus, Rs.3.65 crores.

1.02.9 During 1987-88, Government invested Rs.1.63 crores in the Sikkim Time Corporation, Government Fruit Preservation Factory and Sikkim Industrial Development and Investment Corporation, the total investments of Government to the end of 1987-88 being Rs.8.43 crores. The dividend received during the year on investment was Rs.0.66 crore, representing 7.83 per cent of investment. Unit-wise details of the amount of dividend have not been received (October 1988).

1.02.10 Guarantees up to a maximum of Rs.10 lakhs each were given by the State Government, in August 1975 and in July 1976 to the State Bank of Sikkim, in respect of advances (overdraft) made by the bank to the Sikkim Mining Corporation and Sikkim Consumers' Co-operative Society respectively. The amount of outstanding overdraft of the Sikkim Consumers' Co-operative Society was Rs.4.79 lakhs as on 31st March 1988. No guarantee was invoked during the year.

No law under Article 293 of the Constitution has been passed by the State Legislature laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.01 General

The summarised position of actual expenditure during 1987-88 against grants/appropriations is as follows:—

	Original grant/ appropriation	Supplemen- tary grant/ appropriation	Total	Actual expenditure	Variation Saving (—) Excess (+)
	(In lakhs of rupees)				
	(1)	(2)	(3)	(4)	(5)
I. Revenue					
Voted	9145.78	1520.16	10665.94	10296.64	(—) 369.30
Charged	451.77	6.75	458.52	455.46	(—) 3.06
II. Capital					
Voted	3611.98	308.65	3920.63	3688.30	(—) 232.33
III. Public Debt					
Charged	176.24	—	176.24	185.75	(+) 9.51
IV. Loans & Advances					
Voted	143.10	4.00	147.10	142.25	(—) 4.85
Total	13528.87	1839.56	15368.43	14768.40	(—) 600.03

2.02 The following points emerge broadly from the appropriation audit :—

2.03 Supplementary provision :— Supplementary provision obtained during the year constituted 13.60 per cent of the original budget provision as against 8.16 per cent in the preceding year.

2.04 Unnecessary/excessive/inadequate supplementary provision:— Supplementary provision of Rs.100.56 lakhs obtained in 11 grants proved unnecessary. In 13 grants, additional funds required were only Rs.561.18 lakhs as against the supplementary grants of Rs.860.70 lakhs obtained, resulting in savings ranging from Rs.2.26 lakhs to Rs.76.06 lakhs in different cases. In 5 grants, supplementary provision of Rs.481.64 lakhs

proved insufficient by more than Rs. 4.59 lakhs to Rs. 12.21 lakhs leaving an aggregate uncovered excess of Rs. 42.79 lakhs.

2.05 The overall saving was Rs. 658.11 lakhs in 46 grants/appropriations. The overall excess (Appendix 2.1) on the other hand was Rs. 58.08 lakhs in 12 grants and 2 appropriations requiring regularisation under Article 205 of the Constitution.

2.06 Unutilised provision :— In the following grants, the expenditure fell short by more than 10 lakhs in each case and also by more than 10 per cent of the total provision.

Sl. No.	Description of the Grant	Amount of saving (In lakhs of rupees) (percentage of provision in brackets)	Reasons for saving
(1)	(2)	(3)	(4)
Revenue - Voted			
1.	19- Pension and other Retirement benefits	36.14 (39)	The saving was due to making provision for pensions payable to pensioners of the Defence Department and other Central Government pensioners in the State Budget.
2.	27- Social Security and Welfare	18.95 (11)	The reasons for saving have not been intimated (November 1988).
3.	42- Rural Development	38.94 (16)	Rs. 34.42 lakhs representing 88.39 per cent of the total saving occurred under plan scheme, of which Rs. 19.47 lakhs sanctioned for setting up of training Centre for Rural Development (100 per cent C S S) could not be utilised due to change of site. Reasons for the remaining savings have not been intimated (December 1989).

(1)	(2)	(3)	(4)
4.	43- Irrigation and Flood Control	41.87 (13)	The reasons for saving have not been intimated (November 1988).
	Capital-Voted		
5.	24- Water Supply and Sanitation	17.29 (11)	The saving occurred due to non-implementation of Namchi Water Supply Scheme.

2.07 Trend of recoveries and credits:— Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure; the anticipated recoveries and credits are shown separately below the budget estimates. During 1987-88, such recoveries and credits were anticipated at Rs.10.08 crores (Revenue). Actual recoveries and credits during the year, however, were Rs.9.05 crores (Revenue).

Significant shortfall occurred under grant No.44-Power (Rs.60.80 lakhs) and grant No.43-Irrigation and Flood Control (Rs.10.96 lakhs).

Against the anticipated recoveries of Rs.48.00 lakhs, Rs.25.00 lakhs and Rs.15.00 lakhs under grant No.14-Police, 19-Pension and Other Retirement Benefits and 21-Education respectively, no recovery was at all effected in 1987-88. In the case of grant No.44-Power, the actual recovery fell short of expectation by more than 20 per cent.

2.08 Injudicious/irregular/inadequate re-appropriation:— Re-appropriation is transfer of funds within a grant, from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Rule 85 of the Sikkim Financial Rules enjoins that re-appropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount. Scrutiny of re-appropriation orders revealed non-observance of these requirements resulting in incorrect re-appropriations. Some important instances involving injudicious/irregular/inadequate re-appropriations are given in Appendix 2.2.

2.09 Non-receipt of explanation for savings/excesses:— After the close of the accounts for the financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent by the Accountant General to the controlling officers requiring them to explain the significant variations. In regard to Appropriation Accounts for the year 1987-88, explanations were not received (November 1988) in case of 9 grants out of 53 grants/appropriations.

2.10 Delay in regularisation of excesses of earlier years:— The excesses under the various grants/charged appropriations during 1979-80 (Rs.0.34 lakh), 1981-82 (Rs.1.25 lakhs), 1982-83 (Rs. 153.17 lakhs), 1983-84 (Rs.441.53 lakhs), 1984-85 (Rs.65.06 lakhs), 1985-86 (Rs. 313.97 lakhs) and 1986-87 (Rs.32.63 lakhs) mentioned in the Reports of the Comptroller and Auditor General of India for these years have not yet been regularised (November 1988).

2.11 Contingency Fund:— A Contingency Fund of Rs. 50 lakhs has been placed at the disposal of the Government to enable it to make advances for meeting unforeseen expenditure pending authorisation by the Legislature.

The Contingency Fund was closed with a debit balance of Rs.0.15 lakh in 1986-87 and a similar position was noticed at the end of 1987-88 as well. This indicates that amount was drawn from the Contingency Fund in excess of the authorised limit.

2.12 Review of grants:— A review of excess/saving under 4 grants viz. Public Works (Buildings), Public Works (Roads & Bridges), Power and Education for three years from 1985-86 to 1987-88 revealed the following:—

(i) Large savings/excesses have been a regular feature under the following grants:—

Sl. No.	Grant	Saving (—) / Excess (+)					
		1985-86		1986-87		1987-88	
		(In lakhs of rupees)					
1.	17-Public Works (Buildings)						
	Revenue-Voted	(—)	259.37	(—)	508.83	(—)	35.70
	Capital-Voted	(—)	166.48	(—)	138.53	(—)	70.54
2.	49/47-Public Works (Roads & Bridges)						
	Revenue-Voted	(+)	68.37	(—)	52.38	(+)	6.95
	Capital-Voted	(—)	181.70	(—)	158.81	(—)	125.44
3.	48/44-Power						
	Revenue-Voted	(+)	31.82	(—)	61.34	(—)	59.45
	Capital-Voted	(—)	190.37	(—)	17.93	(+)	0.28
4.	24/21-Education						
	Revenue-Voted	(+)	3.00	(—)	70.65	(—)	76.06

Savings under grant 48/44-Power as a whole were attributed by the department (October 1988) to non-receipt of bills from the suppliers and contractors. But audit scrutiny revealed that the savings during 1985-86 was due to non-implementation of schemes and excessive provision, in stock suspense in the years 1986-87 and 1987-88, made with unrealistic assessment of actual requirements.

Reasons for savings/excesses in other grants were not furnished to audit (October 1988).

(ii) It was also noticed that savings occurred persistently under the above 4 grants in Revenue Section under grants Public Works (Buildings) and Capital Section under Public Works both Buildings and Roads and Bridges (Appendix 2.3).

(iii) Recurring excesses/savings over the years pointed to the need for more accurate budgeting and better control over expenditure. Savings/excesses could have been avoided had a realistic view been taken while framing the budget proposals on the basis of the trend of expenditure during the past years and while submitting proposals for supplementary grants.

(iv) During the years 1985-86 to 1987-88, rush of expenditure in the month of March was noticed in respect of two grants as detailed below :—

Grant No.	Year	Total Provi- sion	Total expendi- ture	Expendi- ture in March	Percentage of expenditure during March to	
					Total Provi- sion	Total Expendi- ture
(In lakhs of rupees)						
17-Public Works (Buildings)	1985-86	1218.94	793.09	265.19	22	33
	1986-87	1438.79	791.43	212.18	15	27
	1987-88	1612.65	1505.06	322.93	20	21
24/21- Education	1985-86	1121.92	1124.92	186.36	17	17
	1986-87	1361.58	1290.93	206.16	15	16
	1987-88	1618.65	1542.59	261.79	16	17

2.13 Reconciliation of expenditure:— Note below sub-rule (I) of rule 83 of the Sikkim Financial Rules, 1979, provides that the Administrative Department controlling a grant or appropriation should reconcile the departmental figures with those booked by the Accountant General every month. Stress was also laid by the several Public Accounts Committees for periodical reconciliation. However, out of the 53 grants, accounts of only 46 grants were reconciled by the concerned departments. Accounts of two other grants were reconciled partially.

The expenditure incurred under remaining 5 grants amounting to Rs.2185.96 lakhs remained unreconciled. The details are given below:—

<i>Major Head</i>	<i>Name of the grant</i>	<i>Grant No.</i>	<i>No. of Controlling Officers involved</i>	<i>Amount of expenditure not reconciled</i>
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(In lakhs of rupees)

1	2	3	4	5
2210	Medical & Public Health	27	1	510.95
2204	Education	21	1	1542.59
2205	Art & Culture	22	1	71.74
2071	Pension & Other Retirement Benefits	19	1	55.66
3475	Secretariat Economic Services	50	1	5.02
				<hr/> 2185.96 <hr/>

CHAPTER III**CIVIL DEPARTMENTS
AGRICULTURE DEPARTMENT****3.1 Assistance to Small and Marginal Farmers in increasing Agricultural Production****3.1.1 Introduction**

The Centrally sponsored scheme of Assistance to Small and Marginal Farmers having land holding of 2 hectares or less and 1 hectare respectively for increasing Agricultural Production was launched in Sikkim in 1983-84. The scheme aimed at increasing the agricultural yield of small and marginal farmers in identified areas. The above objective was sought to be achieved through the following activities :-

- (i) Minor irrigation.
- (ii) Distribution of minikits of seeds and fertilizers for oilseeds, pulses and coarse grains.
- (iii) Land deveopment works like moisture conservation, construction of contour key line, interception bunds, dead furrow formation across the slope, putting up small check dams, etc.
- (iv) Fuel and Fruit tree plantation on the fields.

3.1.2 Organisational set up

The scheme was mainly implemented by the Agriculture Department headed by the Director-cum-Secretary assisted by four Deputy Directors of Agriculture (one in each District). The irrigation works were executed by the Irrigation Department and the fuel and fruit plantation works were executed partly by the Agriculture Department and partly by the Forest Department.

The Agriculture Department was declared as the Nodal department in April 1986.

3.1.3 Audit coverage

A review of the programme covering the period from 1983-84 to 1987-88 was taken up during the period from May to July 1988 with reference to the records available in the Head Offices of the departments of Agriculture, Irrigation and Forest and in the 4 District Offices of the Agriculture Department. The results of the review are brought out in the succeeding paragraphs.

3.1.4 Highlights

(i) The expenditure on the scheme during 1983-88 was Rs.63.89 lakhs against the budget provision of Rs.64.77 lakhs. Central assistance was Rs.31.95 lakhs. Bulk of expenditure in each year was incurred in the last quarter of the year. In 1983-84 the entire expenditure of Rs.2.29 lakhs was incurred in the last quarter.

[Paragraph 3.1.6]

(ii) In 1983-84, Rs.2.29 lakhs out of the total budget provision of Rs.2.97 lakhs was spent on plantation of fuel and fruit trees, distribution of minikits and land development in 3 districts. No expenditure was incurred on subsidy on wells and pumps.

[Paragraph 3.1.6 (ii)]

(iii) The achievements under land development reported in 1983-84 were 128 hectares for 320 beneficiaries whereas actuals were 100.4 hectares for 251 beneficiaries.

[Paragraph 3.1.7 (i)]

(iv) Renovation and repairs of old irrigation channels not provided for in the scheme were carried out without obtaining approval from Government of India.

[Paragraph 3.1.8 (i)]

(v) No water charges were fixed or recovered from the farmers.

[Paragraph 3.1.8 (iv)]

(vi) Areas for execution of community irrigation works were selected without considering the approved percentage and number of Small and Marginal farmers.

[Paragraph 3.1.8 (v)]

(vii) The type and land holdings of the farmers and their acknowledgements were not recorded while distributing minikits of seeds and fertilizers.

[Paragraph 3.1.9]

(viii) Against the actual expenditure of Rs.4.19 lakhs in 1983-84, only Rs.2.29 lakhs was booked under the scheme resulting in loss of revenue of Rs.1.90 lakhs.

[Paragraph 3.1.12]

(ix) Subsidy of Rs.10.93 lakhs was paid to farmers in excess of the norm fixed by the Government of India.

[Paragraph 3.1.12 (iii) (a)]

3.1.5 Planning

The scheme envisaged an annual outlay of Rs.5 lakhs in each block with the following break up :—

From 1983-84 to 1984-85		
1.	Subsidy on wells and pump sets	Rs.3.50 lakhs
2.	Plantation of fuel and fruit trees	Rs.0.50 lakh
3.	Free distribution of minikits of seeds and fertilizers for oil seeds and pulses and land development.	Rs.1.00 lakh
Total:		<u>Rs.5.00 lakhs</u>

From 1985-86 onwards

1.	Minor irrigation works	Rs.3.50 lakhs
2.	Distribution of minikits of seeds for oil seeds, pulses and coarse grains	Rs.0.50 lakh
3.	Land Development	Rs.1.00 lakh
Total:		<u>Rs.5.00 lakhs</u>

In Sikkim, each District was treated as a block for the purpose of implementation of the scheme.

The mini water sheds where the scheme was to be implemented were identified by the Agriculture Department but areas for sheds of irrigation works were selected by the Irrigation Department at the request of the beneficiaries. All the mini water sheds selected by the Agriculture Department fell in the dry land farming areas identified under the 20 point programme.

3.1.6 Financial outlay

The expenditure on the scheme was to be shared by the Government of India and the State Government on 50 : 50 basis and the outlay under the scheme was mainly to be spent as subsidy towards loans to be taken by the beneficiaries from the financial institutions.

The Central assistance, budget provision and the actual expenditure for the various years are given below:—

Year	Central assistance	Budget provision	Expenditure	Excess (+) Saving (—)
(In lakhs of rupees)				
1983-84	5.52	2.97	2.29	(—) 0.68
1984-85	5.83	20.00	19.38	(—) 0.62
1985-86	10.00	19.80	19.45	(—) 0.35
1986-87	4.68	9.00	10.28	(+) 1.28
1987-88	5.92	13.00	12.49	(—) 0.51
	<u>31.95</u>	<u>64.77</u>	<u>63.89</u>	<u>(—) 0.88</u>

(i) As per the guidelines of the Government of India, the subsidy payable to beneficiaries was to be adjusted at the time of disbursement of loan by the banks. It was, however, noticed that from 1983-84 to 1987-88, subsidy amounting to Rs.14.85 lakhs was paid for land development to 3034 beneficiaries in cash as no cultivator took any loan from the financial institutions.

(ii) According to the guidelines of the Government of India, in each year, out of the total annual outlay of Rs.5.00 lakhs on each block, Rs.3.50 lakhs were to be spent on subsidy on wells and pump sets to small and marginal farmers. But no expenditure was incurred on this account in 1983-84. Instead, the entire amount of Rs.2.29 lakhs out of the budget provision of Rs.2.97 lakhs was spent in the 3 Districts on plantation of fuel and fruit trees, distribution of minikits and land development.

The East District could not utilise any amount out of the allotment of Rs.1.50 lakhs for 1983-84.

(iii) The table given below indicates the position of expenditure incurred during the years and that incurred in the last quarter of the years in general and in the month of March in particular.

Year	Total expenditure	Expenditure in the last quarter	Expenditure in March	Percentage of expenditure	
				In the last quarter	In March
(In lakhs of rupees)					
1983-84	2.29	2.29	1.42	100	62
1984-85	19.38	15.45	8.46	80	44
1985-86	19.45	10.75	5.89	55	30
1986-87	10.28	5.99	3.29	58	32
1987-88	12.49	5.42	1.72	43	14
Total	63.89	39.90	20.78	62	33

There was thus a rush of expenditure during the last quarter and in March of each year, the percentage of expenditure being 43 to 100 and 14 to 62 in the last quarter and in March respectively.

3.1.7 Physical Progress

The targets and achievements during 1983-88 under various components were as follows:—

<i>Name of the component</i>	<i>T a r g e t</i>		<i>A c h i e v e m e n t</i>	
	<i>Area in hectares</i>	<i>Number of beneficiaries</i>	<i>Area in hectares</i>	<i>Number of beneficiaries</i>
Land Development	1216	3040	1216	3040
Distribution of minikits	2560	8400	1992	8180
Plantation of fuel and fruit trees	240	600	308.2	647
Minor Irrigation	560	560	280	307

(N.B : For minor irrigation no target was fixed for 1983-84 to 1985-86. Hence, target and achievement for the remaining two years have been shown.)

The year-wise and component-wise position of the targets and the achievements as reported to the Government of India is indicated in Appendix 3.1.

(i) A test-check of the records conducted by Audit revealed that as against the reported achievement of 128 hectares and 320 beneficiaries under land development claimed for 1983-84, the actual achievement was only 100.4 hectares and 251 beneficiaries.

(ii) The scheme provided for distribution of oil seeds, pulses, coarse grains and fertilizers in the form of minikits in uniform quantity to the beneficiaries. But it was noticed that the seeds and fertilizers were distributed in loose quantities. In the absense of the information like area covered in most of the cases, it could not be verified whether the supply was as per norms.

3.1.8 Minor Irrigation

The achievement as reported to the Government of India is indicated below:—

Year	Number of works taken up	Number of works com- pleted	Area in hectares	Total number of beneficiaries
1984-85	27	24	640	415
1985-86	6	5	74	150
1986-87	4	4	160	147
1987-88	4	4	120	160
(Not reported)				
	41	37	994	872

(i) The expenditure on irrigation works was mainly incurred on renovation and repairs of old irrigation channels which was not covered under the scheme. No approval for the deviation was obtained from the Government of India.

(ii) As per the approved programme, in 1984-85 Rs.14.00 lakhs were to be spent on irrigation works at the rate of Rs.3.50 lakhs in each district. The Irrigation Department, however, spent Rs.9.97 lakhs (i.e 71 per cent) in the East District alone. No reason for the imbalance in the utilisation of fund was on record.

(iii) In 1986-87, the expenditure was only Rs.4.28 lakhs against the contemplated amount of Rs.14.00 lakhs, as the Government of India did not accord administrative approval for minor irrigation works for want of report of actual utilisation of funds released earlier.

(iv) Recovery of charges for water from community irrigation work was to be effected at concessional rate from the small and marginal farmers and at the prescribed rate from big farmers. The department, however, neither fixed any water rate nor recovered any water charges from the farmers.

(v) Community irrigation works were to be taken up where more than 50 per cent of the land holders were small and marginal and they owned not less than 25 per cent of the land.

A scrutiny of records of 13 minor irrigation works out of 41 works taken up revealed that in none of the cases population of the small and marginal farmers was more than 50 per cent and in 2 cases their land holdings were also less than 25 per cent. The non-observance of the instructions regarding selection of areas for minor irrigation works defeated the very aim of the scheme to increase the agricultural production of small and marginal farmers.

(vi) The total number of beneficiaries to be covered under the community irrigation works should have been not less than ten. In the case of six community irrigation works taken up in 1984-85, the number of beneficiaries ranged from one to seven.

Also the percentage of uncovered area was the highest in North district (76) and the lowest in West districts (54).

3.1.9 Distribution of minikits of seeds, pulses and coarse grains

A programme implementation committee for identification of the varieties of oil seeds, pulses and coarse grains for minikits was to be constituted at the district/State level. No such committees were formed. Identification of suitable varieties of seeds was made by the Regional Project Officers.

A register indicating the land holdings of the farmers, the type of identified farmers and acknowledgement for receipt of minikits was to be maintained. The registers produced to audit did not contain the above basic particulars.

Recovery of nominal charges for minikits distributed after 1985-86 were to be made, but such nominal charges were neither fixed nor recovered from the beneficiaries by the department.

3.1.10 Fertilizer minikits

During the years 1983-84 to 1985-86, 78,109 kgs. of fertilizers valuing Rs.1.18 lakhs were distributed among 2125 beneficiaries.

In the distribution register of fertilizers, minikits, the land holdings, type of identified farmers and their acknowledgements etc. were not recorded. As such the actual distribution of fertilizers could not be verified.

3.1.11 Distribution of seedlings for fuel and fruit trees

The achievements as reported (August 1986) to the Government of India are given below:—

Year	Target		Achievement	
	Area (In hectares)	Amount (In lakhs of rupees)	Area (In hectares)	Amount (In lakhs of rupees)
1983-84	160	2.00	160	2.00
1984-85	80	2.00	148.2	1.94

This part of the scheme was discontinued from 1985-86.

(i) From the vouchers it was, however, seen that Rs.1.48 lakhs and Rs.2.13 lakhs were spent on fuel and fruit ~~tree~~ plantation in 1983-84 and 1984-85 respectively. In 1984-85, the achievement by Forest Department was shown as 68.2 hectares, but from the Forest Department records it was ascertained that the achievement was only 49.28 hectares.

The achievements reported to the Government of India were therefore not correct.

3.1.12 Other interesting points

(i) Short booking of expenditure under the scheme and loss of revenue thereof

The department supplied seeds, fertilizers and plants to the beneficiaries from its general store and nurseries. The cost of these articles was to be booked under this scheme by contra credit to the State revenue. It was, however, seen that against the total expenditure of Rs.4.19 lakhs incurred by the department in 1983-84, a sum of Rs.2.29 lakhs only was drawn and booked under the scheme. The balance amount of Rs.1.90 lakhs representing cost of seeds, fertilizers and plants was not drawn and adjusted as revenue resulting in short booking of Rs.1.90 lakhs under the scheme and consequential loss of revenue to that extent to the State.

(ii) During the period from 1983-84 to 1987-88, the department drew Rs.8.08 lakhs in fully vouched contingent bills for disbursement of subsidy to the beneficiaries and payment to the suppliers of seeds and plants. A further sum of Rs.2.42 lakhs representing cost of seeds, fertilizers supplied from departmental stores and nurseries was also drawn in cash.

The entire amount of Rs.10.50 lakhs was shown as handed over to different officials for the disbursement to the payees or remittance into Government account and the amount was recorded as final payment in the respective cash books. No proof of disbursement like acknowledgements/receipts of the beneficiaries/suppliers for Rs.5.43 lakhs and bank receipts for Rs.2.42 lakhs could be made available to audit. Thus, the actual disbursement of Rs.5.43 lakhs and remittance of Rs.2.42 lakhs could not be verified in Audit.

(iii) (a) Excess payment of subsidy on land development

According to the guidelines of the Government of India, the rate of subsidy to be paid to farmers for land development was to be at 25 per cent of the capital cost for small farmers, 33 1/3 per cent for marginal farmers and 50 per cent for the Scheduled Tribe farmers. The average unit cost of land terracing bunding etc. with or without land smoothening was fixed by the Government of India as Rs. 400 to Rs. 800 per hectare. On the basis of the maximum amount of Rs. 800, the rate of subsidy per hectare worked out to Rs. 200; Rs. 266.64 and Rs. 400 for the small, marginal and Scheduled Tribe farmers.

The department, however, paid subsidy to all the farmers at the flat rate of Rs. 1250 per hectare which was approved by the Hon'ble Minister of Agriculture of the State in February 1986. Approval of the Ministry of Agriculture (Central) for making payment of subsidy at higher rate was not obtained by the department. As a result, subsidy of Rs. 9.86 lakhs was paid in excess of the norm fixed by the Government of India.

As per guidelines the Land Development programme included putting up simple erosion control live structures. In case, substantial water harvesting and reuse system including recharging and renovating dug-wells, ponds, etc. are taken up along with moisture conservation and erosion control measures, the overall unit cost was to be between Rs. 600 and 1000 per hectare.

Based on the maximum rate of Rs. 1000 per hectare, subsidy payable to Scheduled Tribe, marginal and small farmers worked out to Rs. 500, Rs. 333.30 and Rs. 250 per hectare. The department fixed (April 1986) the rate of subsidy at Rs. 1250 per hectare for land shaping, terracing, land smoothening, bunding, moisture conservation etc.

However, in 1986-87 and 1987-88, a sum of Rs. 1.50 lakhs was spent by the South District only on supply of live structure to 300 beneficiaries for 120 hectares of land, though the actual amount payable worked out to Rs. 0.43 lakh only.

Thus an excess payment of Rs. 1.07 lakhs was made.

(b) Subsidy in all cases were paid without ascertaining either the volume of work done or the actual expenditure incurred on land development by the beneficiaries.

(iv) Excess booking in irrigation works

Under para 248 of Sikkim Public Works Code, surplus materials at site of works which are either completed or abandoned should be transferred to works-in-progress or stock account. It was, however, seen that the department purchased 9784 running feet of pipe and booked the cost of Rs. 2.26 lakhs (April 1985 Rs. 0.89 lakh, January 1987 Rs. 0.48 lakh and March 1987 Rs. 0.89 lakh) to four minor irrigation works taken up in West, North and South districts, on community basis. Only 6861 running feet of pipe costing Rs. 1.50 lakhs were utilised in the works and the balance 2923 running feet valuing Rs. 0.76 lakh were reportedly retained at work site for utilisation for maintenance as and when required though the works were completed nearly 3 1/2 years back. As per guideline of the Government of India, Panchayat/Co-operative Society or Corporation was to maintain the community irrigation works. Thus due to failure to transfer the materials to stock or other works, the expenditure under minor irrigation remained inflated by Rs. 0.76 lakh leading to excess claim of grant from Government of India.

(v) Irregular expenditure on repairs and maintenance of irrigation works

The Community Irrigation works were to be maintained by the Co-operative Societies/Panchayats. A test-check of the records revealed that maintenance expenditure of Rs. 1.10 lakhs on 3 completed irrigation projects viz. Renovation of Surung chuk and Nimthang minor irrigation channel in East district and temporary irrigation at Fazothang in North district, was incurred by the department out of the non-plan budget provision. This amount was neither got reimbursed from the Co-operative/Panchayats nor claimed. No reasons for incurring the expenditure by the State Government were furnished.

3.1.13 Non-production of records

The Forest Department spent Rs. 0.98 lakh in 1984-85 on fuel and fruit tree plantation. The vouchers, list of beneficiaries showing, inter-alia their land holdings and area covered were not made available to audit.

3.1.14 Reports and returns

Monthly/quarterly/six monthly progress reports were not submitted by the District authorities to the State Government. One District authority submitted progress report for 1985-86 and 3 District authorities submitted the reports for 1986-87. The State Government,

Audit Report 1987-88

Further comments

Para 3.1 Assistance to Small and Marginal Farmers ⁱⁿ increasing Agriculture production :

(Pages : 17 to 27)

(1) 3.1.1 to 3.1.5 : Introductory and ^ggeneral

No comments

ii) a) 3.1.6 Financial outlay

b) 3.1.7 Physical Progress

c) 3.1.8 Minor Irrigation

Department may furnish replies to the comments included in the above sub-para.

iii) 3.1.9 No comments

iv) 3.1.10 The records maintained by the VLWs may be shown to the Committee for information.

v) 3.1.11 What was the actual achievement by the Forest Department and What was the figures reported to the Central Government? What were the reasons for the discrepancy and why correct figures were not reported ?

vi) a) 3.1.12(i) Latest position may be intimated to the Committee.

b) 3.1.12(ii) Acknowledgements or Bank receipts, in respect of Rs. 10.50 lakhs may be produced before the Committee for scrutiny

c) 3.1.12(iii) (a) & (b) : Has the Department taken the approval of the Government of India for payment of subsidies at higher rates ?

In how many cases the subsidies were paid and in how many cases, the department ascertained the fact of actual utilisation of the subsidies by the beneficiaries ?

Why such a scrutiny was not conducted earlier ?

d) 3.1.12(iv) (v) and Sub Paras 3.1.13 & 3.1.14:-

Replies to the above sub-paras may be furnished.

e) 3.1.15 What were the reasons for not undertaking evaluation of the scheme? In the absence of evaluation how could the department ascertain whether the proposed benefits have been achieved or not ?

AR-1987-88

Further comments

Para 3.2 Loss on procurement and sale of cabbage (page -27)

i) Is it a fact that the department incurred a loss of Rs. 2.91 lakhs during 1989-90.

What were the losses, if any incurred during other years on the above account ?

ii) What were the correct ^{ive} measures taken by the department to arrest the trend of losses ?

iii) Was, at any time any market survey conducted by the department to explore the possibilities of marketing the produce locally ?

Is it not ^{true} ~~true~~ that huge quantities of cabbage are imported ~~xxxxxxx~~ regularly from outside the State (viz. Siliguri) and sold in the local market at Gangtok at ^{high} ~~high~~ prices?

iv) How much of the Lachung produce marketed locally against the total consumption in the State ?

v) When it becomes necessary to import the produce to meet the local demand, what is the justification in exporting the local produce and thus create inflation.

Did not ~~obvious~~ the department think it ^{is} ~~just~~ marketing the produce locally would drastically reduce the losses, if not altogether eliminate; and at the same time benefit the local consumer in getting the vegetable at a cheaper rate.

The entire transaction speaks of the ^{lack} ~~fact~~ of inadequate management and control by the Department.

however, submitted to the Government of India 2 monthly reports for distribution of minikits and oilseeds in 1983-84, all the quarterly reports for 1986-87 and 1987-88 and the annual reports from 1983-84 to 1986-87. In the absence of periodical reports from the District levels, the authenticity of the reports to the Government of India could not be verified.

3.1.15 **Monitoring and evaluation**

Monitoring and evaluation cell at District/State level was not constituted. It was, however, stated by the Joint Director, Agricultural Census, Government of Sikkim (June 1988) that the Programme Implementation Committee for this scheme consisting of the Development Commissioner as Chairman, Director and Deputy Director of Agriculture as members was also functioning as monitoring cell at the State level.

No evaluation of the scheme was undertaken.

3.1.16 The matter was reported to Government in August 1988; reply has not been received (December 1989).

3.2 **Loss on procurement and sale of cabbage**

The Department entered (June 1986) into an agreement with the public of Lachung (North Sikkim) for marketing of their cabbage during the year 1986-87. Accordingly 3195.66 quintals of cabbage were procured for Rs.5.43 lakhs at the rate of Rs.170 per quintal. The Department transported, through a private contractor, the entire quantity to Gangtok, out of which 1556.27 quintals were transported to Siliguri for sale. The Department incurred an expenditure of Rs.3.21 lakhs towards transportation charges against Rs.1.44 lakhs calculated at the approved rate of Sikkim Nationalised Transport. Further, an expenditure of Rs.0.29 lakh was also incurred by the Department towards the cost of packing materials. Against this total expenditure of Rs.8.93 lakhs on the procurement and transportation of 3195.66 quintals of cabbage, the Department realised Rs.4.23 lakhs on sale of 2723.73 quintals. The balance 471.93 quintals valuing Rs.0.91 lakh (including cost of transportation) were found to be rotten and spoiled.

Thus, the Department incurred a loss of Rs.4.70 lakhs in this entire transaction.

The matter was reported to Government (August 1988); reply has not been received (December 1989).

ANIMAL HUSBANDRY DEPARTMENT**3.3 Poultry Development Programme****3.3.1 Introduction**

Animal Husbandry forms an integral part of the economy of Sikkim. A large percentage of the rural population is engaged in it in one form or the other. The poultry development programme aims at providing the triple benefits of better nutrition, additional income and more job opportunities to the farmers in the shortest possible time. To increase the production of eggs and poultry meat, emphasis is given on (i) increasing the size of poultry farms to maintain their economic viability, (ii) encouraging private entrepreneurs to take up poultry keeping along commercial lines, (iii) encouraging and popularising range system of poultry keeping, (iv) providing loans and subsidies to farmers and (v) on developing a marketing infrastructure.

3.3.2 Organisational set up

The responsibility for the implementation of the programme is vested in the Animal Husbandry Department headed by a Director who is assisted by Deputy Directors in the 4 District Headquarters of the State.

3.3.3 Audit coverage

The review of the programme covering the period from 1983-84 to 1987-88 was conducted during May to July 1988 with reference to the records of the Directorate at Gangtok and of the 4 Deputy Directors located at Gangtok, Namchi, Geyzing and Mangan. The results of review are summarised in the succeeding paragraphs.

3.3.4 Highlights

Against the provision of Rs.124.61 lakhs during 1983-88, the expenditure was Rs.118.51 lakhs. Due to non-implementation of different schemes under the programme, there was a saving of Rs.6.10 lakhs during 1983-84 to 1987-88.

(Paragraph 3.3.5)

— In Tadong and Karfectar farms the achievements in raising the birds strength; production of eggs and chicks were less than the targets fixed.

(Paragraph 3.3.6.(i)

— There was a considerable shortfall in the establishment of poultry demonstration units at veterinary dispensaries/Stockman centres/hospitals and at farmers level. [Paragraph 3.3.6 (ii)]

— Under the special livestock production scheme, only 29 beneficiaries belonging to progressive farmers were covered during 1985-86 to 1987-88 against the target of 150. [Paragraph 3.3.6 (v)]

— In the "Broiler project" at Tadong against the expected production of 7.23 lakhs of eggs as per norms, 4.41 lakhs were produced during 1983-88. [Paragraph 3.3.7 (b)]

— The department incurred an avoidable expenditure of Rs. 4.92 lakhs on purchase of poultry feed at higher rates during 1986-87 and 1987-88 by not inviting open tenders. [Paragraph 3.3.9 (i)]

— An avoidable expenditure of Rs. 2.97 lakhs was incurred due to excess feeding of 90,594 kgs. of feed than that permissible as per the norms at the Broiler project, Tadong. [Paragraph 3.3.9 (ii)]

— Poultry feed valuing Rs. 0.90 lakh issued from Tadong farm to other farms and centres during 1986-87 and 1987-88, remained unaccounted for. Feed valuing Rs. 1.08 lakhs purchased during 1985-86 to 1987-88 were not accounted for in Tadong and Karfectar farms and also in the Broiler project at Tadong. [Paragraph 3.3.9 (iii)]

— Sale proceeds of birds and eggs valued at Rs. 0.60 lakh were not realised from a State Government Company. [Paragraph 3.3.9 (iv)]

— There was no monitoring and evaluation cell of the programme. [Paragraph 3.3.10]

3.3.5 Budget provision and actuals

Budget provisions and the actuals during the period from 1983-84 to 1987-88 were as follows :—

Year	Provision	Actuals	(+) Excess (-) Saving
(In lakhs of rupees)			
1983-84	18.18	16.29	(-) 1.89
1984-85	24.18	23.67	(-) 0.51
1985-86	24.72	22.80	(-) 1.92
1986-87	25.50	24.82	(-) 0.68
1987-88	32.03	30.93	(-) 1.10
	<u>124.61</u>	<u>118.51</u>	<u>(-) 6.10</u>

The savings, as ascertained in audit were due to non-implementation of different schemes under the programme, like the strengthening of poultry farms-cum-hatching and setting up of intensive egg and poultry production-cum-marketing centre.

3.3.6 Implementation

(i) Central Poultry Farms at Tadong and Karfectar

There are two main poultry farms in the State; one located at Tadong in East Sikkim and the other at Karfectar in South Sikkim. To meet the demand of eggs and chicks, one hatchery of 13,500 eggs capacity has been installed in each of these farms. The chicks hatched in these hatcheries are distributed to the farmers and also sold.

The performance of these farms was as follows :—

(a) Raising of stock

The target fixed and the actual (average) strength of birds in both the farms from 1985-86 to 1987-88 were as follows:—

Name of farm	1985-86		1986-87		1987-88	
	Targets	Actuals	Targets	Actuals	Targets	Actuals
Tadong	3000	2230	4000	3135	4000	2265
Karfectar	3000	2065	4000	1713	4000	496

The reason for non-raising of stock to the targeted strength was not on record.

(b) Chick production

Against the target of 3.25 lakhs chicks during the period from 1985-86 to 1987-88, only 1.11 lakh chicks could be produced. The failure to achieve the target was attributed (July 1988) by the department to the non-availability of required facilities in the farms.

(c) Production of eggs

Against the prescribed norm of 150 eggs/year/hen, the egg production in both the farms during 1985-86 to 1987-88 was as follows:—

Year	Number of hens	Expected production as per norms	Actual production	Average performance per hen per year (egg)
1985-86	1174	1,76,100	1,40,560	120
1986-87	1032	1,54,800	1,12,010	109
1987-88	475	71,250	28,177	59
	2681	4,02,150	2,80,747	

Against the expected production of 4.02 lakh eggs, 2.81 lakh eggs were produced during 1985-88. Production of eggs prior to 1985-86 could not be ascertained due to the non-maintenance of relevant records in Tadong farm. The average performance per hen decreased from 120 eggs in 1985-86 to 60 eggs in 1987-88. The decline was attributed (July 1988) by the management mainly due to deterioration in the genetic potency of the birds in the farms and partly to the existing faulty housing facilities provided to the birds. The department, however, has not taken any steps to eliminate the factors responsible for the low production.

(d) **Incubation and hatchability**

The number of eggs set for incubation; fertile eggs; infertile eggs and the chicks hatched during 1985-86 to 1987-88 were as given below:—

Year	Number of eggs set for incubation	Number of fertile eggs	Number of infertile eggs	Chicks hatched Good Deformed	Percentage of hatching to eggs set
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(In numbers)

1985-86	45,581	39,832	7,749	34,062 142	72
1986-87	49,040	41,454	7,586	32,966 227	67
1987-88	68,212	59,462	8,750	42,184 944	62

During 1986-87 and 1987-88, the hatchability was lower than the norm of 70 per cent set for incubation.

(ii) **Establishment of poultry demonstration units at veterinary dispensaries and hospitals**

In order to popularise poultry farming, the department introduced a scheme to establish from 1985-86, small demonstration units with 50 birds each at all dispensaries/stockman centres. From these units, fertile eggs to the extent of 1 lakh per annum were to be distributed to the farmers for hatching and the remaining were to be hatched in the two departmental hatcheries. As on 31st March 1988, there were 25 dispensaries and 35 stockman centres in the State. The physical and financial targets and achievements in setting up of demonstration units during 1985-86 to 1987-88 were as follows:—

Year	Targets and achievements				
	Physical			Financial	
	(Number of demonstration units)			(In lakhs of rupees)	
	Targets	Achievements	Percentage of achievements	Budget provision	Actual Percentage of achievements
1985-86	21	8	38	1.85	1.85 100
1986-87	17	nil	nil	2.39	2.27 95
1987-88	12	nil	nil	nil	nil —

Out of the 8 units established so far, there was one unit in West district that had no bird at all. Though no units were established during 1986-87, a sum of Rs.2.27 lakhs had been spent on this scheme. The details of expenditure were not made available to audit.

Apart from the dispensaries and stockman centres, demonstration farms at 6 out of the 8 hospitals in the State were also established, each having a strength of 500 birds, for distributing fertile eggs to the farmers for hatching. Against the target of distributing 1 lakh fertile eggs per annum from the demonstration units of dispensaries, stockman centres and hospitals, only 44,429 eggs were produced in all the units during 1985-86 (17,245); 1986-87 (12,136) and 1987-88 (15,048).

(iii) Establishment of poultry farms at farmers level

For economic upliftment of farmers, a scheme to establish small poultry farms at poor farmers level was introduced from 1984-85. Under this scheme, farmers living in the village located on the main road or 1-2 km. away from the road were to be selected and provided with 30 birds, each free of cost. Including the costs of birds, a total subsidy of Rs. Rs.2090 was to be provided and the farmer in turn was to invest Rs.1560 for each small farm. The annual income expected from each farm was estimated at Rs.3465. The eggs produced in these farms and culled birds were to be sold to the department or the private traders on cash basis through the department which was also to maintain a detailed account of the transactions. The physical targets and achievements of establishing these farms was as under :—

Year	Targets		Achievements	
	Number of units to be set up	Birds to be distributed as per scheme	Units set up	Birds distributed
1984-85	200	6000	48	1440
1985-86	300	9000	493	7729
1986-87	170	5100	13	479
1987-88	300	6000	52	1542

The reason for shortfall in achievements was the non-availability of birds. The department did not maintain any records of the production and sale of eggs by these farms.

(iv) **Accelerated programme for the development of Scheduled Castes and Scheduled Tribes**

The Scheduled Castes and Scheduled Tribes constitute about 29 per cent of the total population of this State (3.16 lakhs) as per the 1981 census. For their upliftment, a scheme to provide 30 birds to selected 10 families from each village located up to the altitude of 5000 ft. was started (1980-81) from the Sixth Plan period. Besides the birds, 100 per cent subsidy on housing and 50 per cent subsidy on feed was also to be given. The families provided with birds were required to maintain detailed account of egg production for weekly/fortnightly verification by departmental officers. The physical targets and achievements of the coverage of families during the Sixth Plan (1980-85) period and first three years of Seventh Plan (1985-88) were as under :—

Periods	Targets	Achievements
(1980-85) Sixth Plan	2352	1047
1985-86	938	302
1986-87	516	45
1987-88	875	40

The department did not maintain any records regarding verification of these units and as such the total eggs produced from these units could not be ascertained.

(v) **Special Livestock production scheme**

Under the scheme launched in 1985-86 the selected farmers were to be provided with various inputs such as birds, feed and other assistance. During 1985-86 to 1987-88, the department fixed a target to cover 150 beneficiaries of 15 progressive farmer's units, against which only 29 beneficiaries were covered during 1987-88 in one districts (East). The scheme has not been implemented in the other 3 districts of the State. The reason for non-implementation of the scheme in the 3 districts was not on record.

3.3.7 All India Co-ordinated Research Project on Poultry breeding

To help the State start its research programme in the field of poultry development, the Indian Council of Agricultural Research (ICAR) launched (1976) scheme named the "All India Co-ordinated Research Project on Poultry breeding" to provide technical guidance to the State. Under this scheme, a broiler project suitable for the local conditions was developed at Tadong by the ICAR and the State Government. The objective of this project was to develop a commercial broiler weighing at least 1.2 kg. at 6 weeks or 1.5 kg. at 8 weeks of age. The expenditure on this scheme was to be shared between the Central and State Government on 75 : 25 basis up to 1983-84 and on 50 : 50 basis thereafter.

Though the State Government spent Rs. 22.64 lakhs from 1983-84 to 1987-88 as against a provision of Rs. 22.44 lakhs, no matching grant has been received from the Government of India.

This project is maintaining on an average 12000 birds annually for production of broiler birds and eggs. In addition, two departmental central farms and the Sikkim Livestock Development Corporation (SLDC) are also sending eggs to this project for hatching. The project did not record the weight of birds and as such it could not be ascertained whether the required weight of 1.2 kg. or 1.5 kg. was achieved by the birds of 6 weeks or 8 weeks of age.

The performance of the project in hatching and production of eggs was as follows:—

(a) Hatching

The number of eggs set for incubation; fertile eggs; and the chicks hatched during 1985-86 to 1987-88 was as follows:—

Year	Number of eggs set for hatching	Number of fertile eggs	Chicks hatched eggs	Percentage of hatching to fertile eggs
1985-86	1,07,877	96,953	79,329	82
1986-87	1,11,801	97,706	77,070	79
1987-88	61,562	53,940	41,462	77

The project did not maintain any records of hatching prior to 1985-86.

(b) Production of eggs

Against the prescribed norms of 150 eggs/year/hen, the egg production in the project during 1983-84 to 1987-88 was as follows:—

Further comments

Para 3.3 : Poultry Development Programme (P-28-37)

1-4) Subparas 3.3.1 to 3.3.5 :

No comments.

ii) Sub-para 3.3.3(i) (a) (p-30) Raising of stock

What is the position prevailing now ?

What were the targets and achievements during the subsequent years at the two farms ?

(b) Chick Production : (p-30)

Same comment as above

(c) Production of eggs : (P-30)

The latest position regarding shifting of farms may be intimated.

(d) Incubation and hatchability (P-30)

No comments

iii) Sub-para 3.3.6(ii) Establishment of Poultry demonstration units at Veterinary dispensaries and hospitals.

a) The details of expenditure, itemwise may be intimated in respect of the expenditure incurred during 1985-86 and 1986-87.

b) The Department may furnish replies to the sub-paras 3.3.6(iii) (iv) (v) and 3.3.7(a).

iv) 3.3.7(b) Production of eggs P-34-35)

a) Who fixed the targets ?

b) Was the department not aware of the climate conditions required and the conditions prevailing at the areas at which farms were established ? If so why the farms were established at unsuitable areas ?

c) Had the farms since been shifted to suitable places? If so the names of the original places and places to which these had been shifted may be stated. If not, the reasons for not shifting may be stated.

d) What were the targets and achievements during the subsequent years ?

v) 3.3.9(i) Avoidable expenditure on purchase of poultry feed.

a) The para points out the excess payment during 1986-88 (upto November 1987). The department may state if rates were obtained from the Federation and purchase orders, placed prior to November 1987. If so, the following details along-with supporting documents may be furnished.

b) The letter numbers and dates (from April 1986 onwards) i.e which the rates were ascertained from the Sikkim Marketing Federation.

- c) The replies and the rates quoted by the Federation.
- d) ~~xxxxxxxx~~ Copies of orders placed on Federation for supply of feed.
- c) Quantities that could not be supplied by them, and the quantities rejected by the department as inferior/sub-standard.
- vi) 3.3.9(ii) Excess consumption of poultry feed (P-36)
What was the loss in the subsequent years on this account ?
- vii) 3.3.9(iii) Short accountal of poultry feed (P-36)
 - a) The department may produce the records in which the materials were accounted for alongwith the supporting documents in respect of the issues.
 - b) What were the reasons for the shortage of 26,315 kgs of animal feed as pointed out in the sub-para ?
Had the department investigated the reasons and responsibility fixed?
- viii) 3.3.9(iv); High rate of mortality of poultry birds.
 - a) What are the corrective measures taken by the department to contain and reduce the high mortality rate ?
 - b) What is the mortality rate prescribed in respect of the farms in neighbouring states/ places ?
Had the department ascertained this factor at any time ?
 - c) What is the present rate of mortality ?
- ix) 3.3.9(i) Non-receipt of sale proceeds of poultry birds and eggs (P-36)
 - a) Why were birds and eggs sold on credit ? Even so, was there no system of realising the proceeds of earlier sales before next consignment was despatched? If so, how did such high accumulation occur ?
 - b) What is the action taken by the department to realise its dues or to write off non- the loss ?
- x) 3.3.10 Monitoring and Evaluation (P-37)
 - a) Why monitoring and evaluation was not conducted ?
 - b) In the absence, how did the department could ascertain the satisfactory implementation or otherwise of the programme ?
 - c) Is monitoring done now and if so what are the results ?

<i>Year</i>	<i>Number of hens (average)</i>	<i>Expected produc- tion as per norm</i>	<i>Egg production</i>
1983-84	633	94,950	54,512
1984-85	698	1,04,700	81,539
1985-86	873	1,30,950	1,23,271
1986-87	1,537	2,30,550	84,604
1987-88	1,081	1,62,150	96,912
	4,822	7,23,300	4,40,838

Against the expected production of 7.23 lakh eggs, 4.41 lakh eggs (61 per cent) were produced during 1983-88. The reason for low production of eggs was not on record.

3.3.8 Egg production in the State

To meet the overall demand of the State, eggs worth Rs.60 lakhs are procured from the neighbouring States per year. As such, the main objective of the programme was to raise the egg production in the State. The targets fixed for egg production and the achievement there-against during 1985-88 were as follows:—

<i>Year</i>	<i>Target</i>	<i>Achievements</i>
	<i>(In lakhs of number)</i>	
1985-86	46.04	2.81
1986-87	50.00	2.09
1987-88	55.00	1.40

This does not include the production of eggs by the units set up at farmers level, as the department did not maintain any records regarding the production of eggs by the private entrepreneurs though required under various schemes.

3.3.9 Other interesting points

(i) Avoidable expenditure on purchase of poultry feed

During 1986-87 and 1987-88 (up to November 1987), the department purchased 10,07,235 kgs. poultry feed worth Rs 33.11 lakhs from the various local suppliers without inviting open tenders. In November 1987, when tenders were invited, the Sikkim Marketing Federation (a semi-Government organisation) offered lower rates than those at which purchases were made from the local suppliers. As compared to the Federation's rates, the purchases on 1986-88 involved an avoidable expenditure of Rs.4.92 lakhs.

(ii) **Excess consumption of poultry feed**

The norm prescribed for feeding poultry birds was 120 gram of feed/day/bird. Going by the number of birds 7,96,873 kgs. of feed should have been consumed in the broiler project at Tadong from 1983-84 to 1987-88. But actually 8,87,467 kgs. of feed was issued from the stock and consumed during the same period. This resulted in excess consumption of 90,594 kgs. of feed valuing Rs.2.97 lakhs.

(iii) **Short accountal of poultry feed**

The feed purchased is initially received in the two central farms at Tadong and Karfectar and subsequently issued to other farms and centres as per their requirements. A scrutiny of the records relating to issues made from the central farm Tadong and their receipts in other farms and centres during 1986-87 and 1987-88 revealed a short accountal of 26,315 kgs. of poultry feed valuing Rs.0.90 lakh in the accounts of the receiving farms and centres.

Further, out of 3,00,935 kgs. of poultry feed purchased from 8 suppliers during 1985-86 to 1987-88, 2,69,023 kgs. were accounted for in the stock registers of the two central farms at Tadong and Karfectar and the broiler project at Tadong. This resulted in short accountal of 31,912 kgs. feed valuing Rs.1.08 lakhs.

(iv) **High rate of mortality of poultry birds**

The department has not prescribed any norms in respect of mortality of different categories of birds. A scrutiny of the records relating to birds strength and mortality thereagainst ~~that of~~ the central farm at Tadong and Karfectar and the broiler project Tadong revealed that the percentage of mortality ranged from 42 to 62 in the central farm at Tadong, from 23 to 50 in the farm at Karfectar and from 29 to 55 in the broiler project at Tadong during the period from 1983-84 to 1987-88.

The department attributed (July 1988) the deaths to the following:—

- (a) providing of faulty housing facilities to the birds,
- (b) failure of power and
- (c) rat menace and diseases like infectious coryza, picking feather and egg-bound diseases.

(v) **Non-receipt of sale proceeds of poultry birds and eggs**

During the period from 1983-84 to 1987-88, birds and eggs worth Rs.0.60 lakh were sent to the Sikkim Livestock Development Corporation (SLDC) for marketing and sales proceeds were awaited (July 1988).

3.3.10 **Monitoring and evaluation**

Although different schemes have been implemented to achieve the objective of the programme, there was no monitoring and evaluation method to ensure their satisfactory implementation.

3.3.11 The matter was reported to Government in August 1988; reply has not been received (December 1989).

3.4 **Irregularities in the procurement of animal feed**

3.4.1 The Animal Husbandry Department headed by a Secretary maintains cattle, pigs, goats, sheep etc., in the Government farm for breeding, demonstration and research purposes. Audit of the procurement of animal feed by the department for 1986-87 and 1987-88 was conducted from December 1987 to March 1988. The result of audit are described in the succeeding paragraphs.

3.4.2 **Procurement of animal feed without inviting open tenders**

According to rules, in the case of all purchases of stores costing more than Rs.1 lakh whether to be purchased through the State Trading Corporation or direct, open tenders (through advertisement) would be invited giving wide publicity.

But it was noticed in audit that for animal feed there was no system of inviting tenders in vogue in the department. During 1986-87 and 1987-88 (up to November 1987), the department procured animal feed worth Rs.26.26 lakhs from various suppliers without floating open tenders. For the purchase of animal feed worth Rs.21.88 lakhs, even purchase orders were not placed.

3.4.3 **Avoidable expenditure of Rs. 7.16 lakhs due to non-invitation of open tenders**

When the quotations for animal feed were called for in November 1987, the Sikkim Co-operative Supply and Marketing Federation (SIMFED), a semi-Government undertaking offered lower rates. Calculated on the basis of these rates, by not inviting tenders in the previous two years, the department incurred an avoidable expenditure of Rs.7.16 lakhs.

Department stated (November 1988) that purchase was made from a renowned feed company and through its agents. But the department's contention was not acceptable as purchase was made from local dealers.

3.4.4 Procurement of feed in excess of approved quantity

(a) For 1986-87, Government accorded approval for the purchase of 1090.5 tonnes of animal feed valuing Rs.29.97 lakhs against which the department procured 1357.885 tonnes valuing Rs.38.67 lakhs resulting in excess procurement of 267.385 tonnes valuing Rs.8.70 lakhs, without any revised approval from Government.

(b) A sum of Rs.23.50 lakhs was sanctioned by Government for the procurement of animal feed for 1987-88. Upto November 1987, the department had procured animal feed for Rs.22.13 lakhs and in addition bills for Rs.11.62 lakhs were pending. Thus the liability for that year had gone up to Rs.33.75 lakhs which was in excess of the sanctioned amount by Rs.10.25 lakhs. No steps were taken to get this excess regularised till the date of audit (March 1988).

3.4.5 Excess consumption of animal feed

There is a schedule of animal feed fixed by the department and purchase and supplies are to conform to that schedule. It was noticed in audit that the procurement and supply of feed were in excess of the above schedule by Rs.6.16 lakhs for 1986-87 and 1987-88 (upto November 1987). In reply, the department stated (November 1988) that higher quantity of feed was supplied to maintain the health and production of high yielding imported parent stock and to overcome the stress caused by deworming agents in case of pigs. But, this was not regularised subsequently by obtaining approval of the competent authority.

3.4.6 Short accountal of animal feed

The animal feed procured from the suppliers was initially received in the two central stores at Tadong and Karfector, and later supplied to other farms and institutions. A scrutiny of the receipts and issues for 1986-87 and 1987-88 revealed that there was short accountal of 36,385 kgs. of animal feed valuing Rs.0.91 lakh.

Matter is still under investigation by department (November 1988).

3.4.7 Non-deduction of Income Tax from the suppliers

The department paid Rs.38.78 lakhs to different local suppliers towards cost of animal feed during 1986-87 and 1987-88 on which income tax amounting to Rs.1.16 lakhs was not deducted at source. In reply the department stated (February 1988) that this was not made on the presumption that the agricultural products were exempted from income tax deduction and that on subsequent clarification from Income Tax Department, income tax deductions were being made from March 1987 onwards.

Audit Report- 1987-88

Further Comments

(Sub-Para 3.4.7 P/38 of AR 1987-88)

- a. Departmental reply to sub-paras 3.4.1 to 3.4.6 and 3.4.8 of para 3.4 may be furnished.**
- b. What was the basis for the assumption?
Why the department did not ascertain from I.T department whether the agricultural product were exempt from I.T Deduction ?**
- c. What were the bills paid and What were the amount recovered from the suppliers since March 1987 ?
~~Summary~~ Latest position may be intimated to PAC.**

3.4.8 **Blocking of Government funds**

The Animal Husbandry Department made an advance payment of Rs.4.86 lakhs in August 1987 to Sikkim Livestock Development Corporation (SLDC) for supply of 150 tonnes of animal feed to the Livestock Farm, Tadong. The Corporation had supplied only 86.96 tonnes of feed up to February 1988 leaving a balance of 63.04 tonnes valuing Rs.2.04 lakhs. Till the date of audit (January 1988) no action was taken to obtain the remaining quantity of feed from the Corporation. The department stated (February 1988) that the Corporation has been directed to complete the supply by March 1988. Further developments are still awaited.

3.4.9 **Other topics of interest**

(a) For the supply of animal feed, one party was given amounts in advance while payment to other parties were effected only after receipt of materials. Advance payment made during August 1987 was Rs.4.86 lakhs. There was also no standard supply order in vogue specifying the terms and conditions for the supply and also the quantity of materials.

(b) The feed materials were initially received in 2 central stores viz. Tadong and Karfector and were issued to the units but the supporting indents for the issues were not on record in the stores to verify whether the issues were in accordance with indents. Instructions have been issued (November 1988) by the department to maintain a copy of the indent at the issuing centre for verification.

(c) On receipt of materials, the officer-in-charge of the stores used to endorse the bills to the office of the Director of Animal Husbandry for effecting payments. As these endorsements were not supported by any references to the supply orders and the date of receipt of goods, Audit could not verify the supplies and payments made.

(d) While supply orders specified the quantity of materials in kilograms or tonnes, the supplies received at Tadong store were accounted for in bags and thus there was no correlation between the supply orders and the quantities received. Instructions have been issued by the department (November 1988) to all concerned to record the quantity in kgs./tonnes in their respective stock books.

(e) Stocks were not linked for issue to specified units with the result that sometimes both stores were issuing materials to same units.

(f) The stores did not prepare and submit to the Head Office periodical statement, indicating the receipts, issues and balances of materials in stock and therefore, the Head Office was not aware of the actual position of the stock in hand at any point of time. This has been now regularised as stated by the department (November 1988).

(g) Physical verification of the stock at the end of each year required to be conducted as per rules was never done and therefore, pilferage, theft or shortage, if any, could not be detected. The department appointed (November 1988) a separate Committee to verify stock. Result is still awaited.

(h) It was specified by the Government while approving annual purchase for these years, that the orders should be placed on reliable manufacturers and the quality of materials supplied ensured through regular check of samples by chemical tests. But none of these instructions was followed.

The matter was reported to Government in April 1988; final reply is awaited.

AR- 1987-88

Further comments

(Para 3.5 of P/41 of A.R 1987-88)

- a. ~~Namewise~~ details of assignments given ¹⁶ surplus Staff and their achievement during the period from 1985-86 to 1987-88 may be furnished to PAC.
- b) Whether the position of surplus staff was brought to the notice of the Government for their adjustment in other departments etc. If not why ?
- c) How were the persons employed and with effect from what date ? Namewise details may be furnished.

Further comments

(Para 3.6, P/41 of AR 1987-88)

Irregular released of subsidy

- (a) The scheme in which the subsidy was incorporated may be shown to the Committee. Was it to cover the transit and godown leakages ?
- (b) Prior to SIMED^F how was the distribution done? Were any losses claimed by the private distributors and any amount was reimbursed to them on ~~this~~ this account ?
- (c) Were not the consumers benefitted during distribution by the private parties ? What are the additional benefit accrued to the consumers by entrusting of job to SIMFED.
- (d) Obviously the entire quantity of 4,40,420 kgs. of oil was not transported by the SIMFED in one consignment. Then why did corrective steps not taken after the first consignment was transported and leakages noticed? Why no contract ~~was~~ was entered into with the SNT after the first consignment was transported? What were the steps taken subsequently by SIMFED to avoid such leakages? What were the quantities transported/distributed during the subsequent years and what were the losses due to leakage ?

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CO-OPERATION DEPARTMENT**3.5 Non-absorption of surplus staff of fair price shops and payment of salary to idle staff**

Consequent on the closure of 15 fair price shops from 1st April 1985, 17 staff members became surplus and were retained in the head office of the Co-operation Department. Only 3 of them were absorbed (one in April 1986, second in January 1988 and third in June 1988 as intimated by the department in October 1988) in the Co-operation Department and the remaining were without regular work till the date of audit (April 1988). The salaries of the surplus staff for 1985-86 to 1987-88 amounted to Rs.7.41 lakhs.

The matter was reported to Government in August 1988; reply has not been received (December 1989).

3.6 Irregular release of subsidy

The Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED) transported and supplied 4,40,420 kgs. of rapeseed oil to various multipurpose Co-operative Societies in the State during the period from August 1984 to December 1985 on which there was a loss of 35,651 kgs., valuing Rs.3.38 lakhs at Rs.9.50 per kg. The loss was attributed by Co-operation Department during March 1987 to transit leakage (16,688 kgs.) and godown leakage (18,963 kgs.) due to defective containers. However, SIMFED claimed and got from the Co-operative Department a subsidy of Rs. 3.38 lakhs calculated at the cost price of Rs. 9.50 per kg. for the entire quantity of transit loss and godown leakage with the approval of Finance Department by ignoring the following facts :-

(a) That there was no provision for such reimbursement of losses in the Seventh Five Year Plan except subsidy on managerial planning, interest and transport and creation of a revolving fund.

(b) The transporter Sikkim Nationalised Transport did not agree to reimburse any portion of transport leakage as SIMFED had not entered into any written contract with Sikkim Nationalised Transport.

(c) The Government had not fixed any permissible limit of loss vis-a-vis this entire leakage (8.9 per cent) although leakage/loss was anticipated.

(d) The department stated that SIMFED would have earned a net profit of Rs. 3.06 lakhs in normal course, had there been no transit and godown leakages. Thus net loss was not taken into account while releasing the subsidy.

The matter was reported to Government in (September 1988); reply has not been received (December 1989).

FINANCE DEPARTMENT**3.7 Outstanding advances**

As per the existing instructions, except in urgent cases, all the materials required for various developmental works by different departments in excess of Rs. 5000 are to be procured through the State Trading Corporation of Sikkim (STCS). For this purpose, the departments are required to make advance payment to the STCS on lumpsum basis from time to time. But abnormal delay on the part of the STCS in the supply of materials resulted in huge accumulation of advances with the STCS. This accumulation not only blocks the plan funds of Government to that extent but also hampers the various developmental works of the departments.

A test-check of the advances given by the Sikkim Public Works, Irrigation, Rural Development and Land Use & Environment departments conducted in May-June 1988, revealed that out of the total advance of Rs.2036.15 lakhs made during 1983-84 to 1987-88, advances amounting to Rs.757.21 lakhs were lying outstanding at the end of March 1988. While Public Works, Rural Development and Irrigation departments have reconciled the accounts up to 1982-83, no reconciliation has been made by the Land Use & Environment Cell of Forest Department.

The matter was reported to Government in August 1988. In reply (October 1988), STCS intimated that the advances amounting to Rs.202.93 lakhs were lying outstanding at the end of March 1988 for which supplies were yet to be completed against the figures of Rs.757.21 lakhs obtained from the four departments. These figures of STCS are subject to reconciliation and confirmation by the departments. The STCS has attributed the delay in procurement of materials and subsequent adjustment of advances to the following:—

- a) The requirement of the departments are not being planned/communicated in advance.
- b) Involvement of long and time consuming procedure for finalisation of purchases.
- c) Paucity of working funds in the shape of paid-up share capital.

The matter was reported to Government in August 1988; final reply has not been received (December 1989).

HEALTH AND FAMILY WELFARE DEPARTMENT**3.8 Integrated Child Development Services****3.8.1 Introduction**

The Government of India, launched the Integrated Child Development Service (ICDS) Scheme in 1975 with a view to making co-ordinated efforts for providing a package of services to children in the age group of 0-6 years and expectant and nursing mothers.

The scheme was implemented in the State with one ICDS project from 1975-76 to cover South and West districts; the second project covering the East and North districts was started in 1978-79. From 1st April 1984 onwards, each of the four districts is covered by one independent project.

The package of services comprised supplementary nutrition, immunisation, health check-up, referral services, nutrition and health education and non-formal education. These services were to be supplemented by the scheme of Functional Literacy for Adult Women (FLAW). In the selection of projects in the rural areas, priority was to be given to areas predominantly inhabited by Scheduled Tribes and Scheduled Castes, backward areas and nutritionally deficient areas poor in development of social services.

3.8.2 Organisational set up

The scheme was implemented by the Health and Family Welfare Department of the State Government headed by a Secretary and assisted by a Director and a Deputy Director (Health) at the headquarters and Child Development Project Officer at the district level.

Activities like imparting of pre-school education to children, education regarding nutrition to mothers and distribution of nutritious food are carried out through 348 Anganwadis (1987-88) run by anganwadi workers and supervised by gram sevikas. Medical needs of the children and expectant and nursing mothers are looked after by Medical Officers and Auxillary Nursing Midwives (ANM).

3.8.3 Audit coverage

A test-check of the scheme covering the period from 1984-85 to 1987-88 with reference to the records available in the Health and Family Welfare Secretariat and the Child Development Project Offices in East, South and West districts was conducted during June and July 1988. The results of the review are described in the succeeding paragraphs.

3.8.4 Highlights

(i) The expenditure on the scheme including FLAW during 1984-88 was Rs.99.98 lakhs against the Budget provision of Rs.94.00 lakhs. The Central assistance was Rs.102.58 lakhs.

[Paragraph 3.8.6]

(ii) Full course of doses was not administered in the case of DPT, Polio and vitamin-A solutions. Identification of beneficiaries for the nutrition supplements was not done according to the health status of the children.

[Paragraphs 3.8.7(i) (a) and 7 (v)]

(iii) No targets were fixed for different components of the scheme except for the Supplementary Nutrition Programme and the Non-formal pre-primary education for 1987-88.

[Paragraphs 3.8.7(ii), (iv) and (v)]

(iv) Rupees 0.90 lakh spent on the salary of a Medical Officer on higher studies were debited to the ICDS scheme.

[Paragraph 3.8.8(iii)]

(v) Projectors and films supplied by the UNICEF were not utilised.

[Paragraph 3.8.8 (iv)]

(vi) Assistance in kind of Rs.3.16 lakhs, received from the Government of India during 1985-86 to 1987-88 were not adjusted in the accounts.

[Paragraph 3.8.8(vi)]

(vii) No monitoring and evaluation of the scheme was done.

[Paragraph 3.8.10]

3.8.5 Pattern of assistance

While the cost of establishing and running ICDS projects in the Central Sector is fully met by the Government of India, the cost of supplementary nutrition is met by the State Government under the Minimum Needs Programme. However, during 1975-76 Central assistance of Rs.3.28 lakhs was provided to the State Government to start the programme. Assistance is also provided by UNICEF in the form of equipment etc. for implementation of the ICDS scheme.

3.8.6 Budget provision and expenditure

The Budget Provision, Central assistance received and the expenditure in respect of ICDS and FLAW are given below:—

Year	Budget provision		Assistance released by the Central Government		Expenditure Departmental figure		Excess (+) Saving (—) as per departmental figure in comparison to Central assistance received	
	ICDS	FLAW	ICDS	FLAW	ICDS	FLAW	ICDS	FLAW
(In lakhs of rupees)								
1984-85	15.80	2.20	15.48	1.65	18.15	1.33	(—)1.87	(+)0.48
			(+)0.80	(-)0.80	—			
1985-86	20.00	—	30.73		26.20	—	(—)4.53	—
1986-87	22.00	—	25.64		23.60	—	(—)2.04	—
1987-88	34.00	—	29.08(a)		30.70	—	(+)1.62	—
Total	91.80	2.20	101.73	0.85	98.65 (b)	1.33	(—)6.82	(+)0.48

Against the Central assistance of Rs.102.58 lakhs from 1984-85 to 1987-88, budget provision of Rs.94 lakhs only was made.

3.8.7 Implementation

(i) (a) Immunisation

Immunisation of children against diphtheria, whooping cough, tetanus, polio, tuberculosis and typhoid and of expectant mothers against tetanus was to be done in the project areas. Vitamin-A solution was also to be administered twice a year to all the children in the age group of 6 months to 6 years for prevention against blindness. No targets for immunisation and for administering vitamin-A solution were fixed by the department. Detailed records relating to the number of children and women immunised showing periodicity and quantity of doses as per immunisation schedule prescribed were not maintained at the Child Development Project Offices test checked. It was, however,

Notes:(a) Includes an amount of Rs.50,583 released by the Government of India in September 1987 but not accounted for in the books of the State Government.

(b) Expenditure as per Accountant General's book was Rs.99.29 lakhs and Rs.0.31 lakh respectively, differences were yet to be reconciled by the department.

noticed during the test check of the records that full course of doses was not administered in the case of DPT, polio and Vitamin-A solution vide details in the table given below:—

<u>Year</u>	<u>D P T</u>			<u>P O L I O</u>			<u>Vitamin-A solution</u>	
	1st dose	2nd dose	3rd dose	1st dose	2nd dose	3rd dose	1st dose	2nd dose
							(I n n u m b e r s)	
1984-85	3463	2415	1715	2248	1215	634	9688	7300
1985-86	3644	2780	1904	3127	2191	1596	6258	3482
1986-87	3301	2421	1880	2956	1999	1525	7678	3223
1987-88	4720	3350	2850	3822	3042	2316	7563	3947
Total:	15128	10966	8349	12153	8447	6071	31187	17952

The department, stated (July 1988) that the subsequent doses could not be administered due to a number of factors like (i) transport problems, (ii) non-availability of children at the time when the immunisation team visited the locality and (iii) lack of awareness on the part of the parents of the importance of immunisation and Vitamin-A solution etc. The reply of the department was not convincing as (i) 4 vehicles were available for the ICDS scheme, (ii) there was nothing on record to show that any advance intimation was given about the visit of the immunisation team and (iii) the audio visual aids supplied by the UNICEF for mass education were never utilised.

(b) (i) Non-observance of the time schedule for immunisation

There should be an interval of 4 to 6 weeks in the administration of doses. But a test-check of immunisation of 85 cases of DPT and 87 cases of polio drops in two centres (Lingchom and Sawnay) revealed that the time gap in both the cases was 16 weeks to 24 weeks.

(ii) Health check-up

Health check-up was to be given to all expectant mothers and children of 0-6 years of age. In ante-natal cases, physical and obstetrical examination of women was to be done at least on 4 occasions. For post-natal cases, the gram sevikas were to visit mothers at least once within the 1st month after delivery to check-up general health and well being of the mothers and infants. Children of 0-6 years of age were to be checked-up twice a year in order to detect diseases and malnutrition.

Records showing home visits made by Gram Sevikas were not maintained at CDPO's office. Record showing the obstetrical examination of the women on 4 occasions and check-up of the children twice a year in order to detect disease and malnutrition were also not maintained.

No targets of beneficiaries under the ICDS scheme were fixed. Health cards indicating the number of children and pregnant women actually checked, were also not maintained.

(iii) Referral services

In the case of expectant mothers and children with problems requiring specialised treatment, the scheme envisaged provision of referral services. The department referred 427,280,364 and 517 children during 1984-85, 1985-86, 1986-87 and 1987-88 respectively for special treatment but the records showing number of children provided referral services and cases where follow-up action was not taken were not maintained by the Department. Records of referral services in respect of expectant mothers were also not maintained.

(iv) Non-formal pre-school education

The ICDS programme envisaged, *inter alia*, the provision of educational services to pre-school children with a view to laying the foundation for their development. No targets were fixed for the scheme during the period from 1984-85 to 1986-87. Against the targeted number of 14000 children to be covered during 1987-88, the actual coverage was 5490 only which constituted 39 per cent achievement of the scheme. The low achievement was attributed (July 1988) by the department to the opening of pre-primary schools by the State Government.

(v) Supplementary Nutrition Programme

The anganwadis children's centres were to provide supplementary nutrition to needy children below 6 years of age and nursing and expectant mothers from low income groups for 300 days in a year. The aim was to supplement nutritional intake by 300 calories and about 20 grams of protein per day per child between 6 months to 72 months, 500 calories and about 20 grams of protein to severely malnourished children and 500 calories and about 20 grams of protein to pregnant women (last trimester) and nursing mothers (first six months of lactation).

The children up to the age of 6 years were to be identified on the basis of their weight. It was, however, seen that all the children irrespective of their health status were registered for the nutrition programme. As against the approved level of nutrition supplements to children and mothers, the beneficiaries were given nutritious food at uniform rate of 30 grams per day per beneficiary and for 24 days in a month irrespective of the category of the beneficiary.

No records were maintained at the CDPO's office to show the quantity of nutritious food received from the State Government, its distribution to anganwadis, loss in transit, actual consumption in anganwadis and its closing balance. Records were also not maintained to show the number of children requiring normal nutrition and nutrition of more therapeutic value, actual supplies to the beneficiaries and the beneficiaries who have been partially and fully benefitted by the scheme.

No targets were fixed by the department for the Supplementary Nutrition Programme except for 1987-88 during which period the achievement was only 49 per cent. Reckoned in terms of the total number of expectant and nursing mothers and the children in the State, the overall supply of nutrition was 20 per cent in 1984-85, 25 per cent in 1985-86 and 33 per cent in 1986-87 and 1987-88.

(vi) Functional Literacy for Adult Women (FLAW)

The scheme provided for non-formal education to women in the age group of 15 to 45 years. But this component of the scheme was discontinued with effect from 1st January 1985. Records for the period from April 1984 to December 1984 were not made available to the audit.

3.8.8 Other topics of interest

(i) Staffing pattern

The position of staff as on 31st March 1988 was as under:—

<i>Category of posts</i>	<i>Staff sanctioned by Central Government</i>	<i>In position</i>
CDPO	4	4
Supervisors	24	21
Anganwadi Workers	405	348
Doctors	4	3
ANM	24	11

The non-filling of 57 posts of anganwadi workers was attributed (September 1988) by the Deputy Director (Health) to frequent drop-outs of the workers. There were 93 untrained anganwadi workers as on 31.3.1988. The Department, however, stated that large drop-outs were due to the fact that trained anganwadi workers are leaving for better jobs.

No recruitment rules were framed by the Department for the appointments of the officers and staff under the ICDS.

The effect of shortage of staff could not be measured as no targets were fixed except for the non-formal pre-primary education and Supplementary Nutrition Programme for the year 1987-88.

(ii) **Non-adjustment of sale proceeds of old jeeps towards purchase of new ones**

While according approval for purchase of two new jeeps the Government of India advised the State Government to utilise the sale proceeds (Rs.0.63 lakh towards the purchase of new ones). It was, however, noticed that instead of utilising the sale proceeds, the amount was credited into the State revenues and the two new jeeps were purchased at a cost of Rs.2.24 lakhs (March 1986) out of the Central assistance for 1985-86.

(iii) **Irregular charge of pay and allowances of ICDS scheme**

The ICDS scheme does not provide for training of doctors. It was, however, noticed that one doctor from the ICDS Project, South was sent (July 1986) to All India Institute of Medical Science, New Delhi for higher studies in ophthalmology to be continued up to July 1989. He was also sanctioned a special allowance of Rs. 500 p.m. for the period of higher studies. An amount of Rs.0.90 lakh being the doctor's pay and allowances for the period of the higher studies was debited to the ICDS.

(iv) **Non-utilisation of projectors and films**

UNICEF assisted the programme by providing projectors and films for mass media education and publicity. But a test-check revealed that these equipments were never utilised except in West district and were lying idle since December 1985 in West district. The monthly progress reports submitted by the Department to the Government of India showed that the following film shows were held by the CDPO's, East, South and West as under:

Year	East	South	West
	(Number of film shows held)		
1984-85	10	8	—
1985-86	—	11	—
1986-87	—	16	—
1987-88	—	8	2

Thus in view of the non-utilisation of the projectors and films, the number of film shows intimated to the Government of India through the monthly progress reports appeared to be incorrect.

The material accounted for in the Stock registers were also not physically verified.

(v) **Procurement of extruded food at higher rates**

Nutritious food was being purchased from the Sikkim Flour Mills Limited as the extrusion plant given by the UNICEF to the State Government was established under the management of the mill. In August 1987, the State Government changed the salt variety of the extruded food to sweet variety for which the mill demanded the rate of Rs.16 per kg. as against Rs.10 per kg. for the salt variety. The department analysed the rate of the ingredients for the sweet variety of the food and arrived at Rs. 7.88 per kg. Accordingly, the department approached the mill to charge a reasonable rate on the basis of the cost of raw materials already worked out by the department viz. Rs.7.88 per kg. However, subsequently the Government approved the rate of Rs.15 per kg. and ordered the sweet variety of food with effect from 2nd fortnightly quota of August 1987. In view of the analysis of the cost of raw materials and the fact that the extrusion plant established under the management of the mill was donated by the UNICEF and that the department had placed 2 pick-up vans at the disposal of the mill, the rate of Rs.15 per kg. approved by Government appeared to be on the higher side.

The department did not get the food tested in any laboratory to ascertain the contents of protein and calorific value in it.

(vi) During the years 1985-86 to 1987-88, assistance of Rs.3.16 lakhs was received in kind from the Government of India. The amount was not adjusted in accounts, which resulted in under statement of expenditure under the scheme.

3.8.9 **Reports and returns**

Monthly report on the flow of food commodities for Supplementary nutrition was required to be sent to the Government of India so as to enable it to monitor the flow of commodities. But this was not done.

3.8.10 **Monitoring and evaluation**

No system of monitoring was developed and no evaluation of the ICDS scheme has been done so far (July 1988).

3.8.11 The matter was reported to Government in July 1988; reply has not been received (December 1989).

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Further Comments

Para 3.8: Integrated Child Development Services

(Pages 43 to 50)

1. Sub paras 3.8.1 to 3.8.5: No Comments

2. Sub-Para 3.8.6: (Page 45)

What were the dates on which central assistance was received in respect of each year ?

3. Sub - Para 3.8.7 (i) (a) Pages. 45 - 46)

(i) Were the targets not consolidated at the State level ? If not, what were the reasons ?

(ii) What is the action taken by the Department to get over the difficulties and administered full doses ?

(iii) What is the action taken by the Department to utilise the audio visual aids in places where electricity facilities are not available ?

4. Sub - Para 3.8.7 (b) (i) (Page 46)

What is the reason for increase in the ~~time-gap~~ time-gap between doses ?

5. Sub - Para 3.8.7 (b) (ii) (Pages 46-47)

What are the reasons of shortfall in achievement and what is the action taken by the Department to achieve cent per cent target ?

6. Sub - Para 3.8.7 (b) (iii) & (iv) Page- 47)

No Comments.

7. Sub - Para 3.8.7 (b) (v) (Page Nos 47-48)

(i) The particulars stated to have been enclosed are not found with the reply. The same may be furnished now.

(ii) What were the reasons for deviating from the approved level of nutrition supplements ?

Technical Comments

Para 3.3.1. Information Child Development Service
(Pages 43 to 50)

1. Para 3.3.1 to 3.3.5: No Comments
2. Para 3.3.6: (Page 45)

What were the rates of child deaths
assistance was received in respect of
each year?

3. Para 3.3.7 (i) (a) Rates. 45 - 46

(i) What were the figures for child deaths at the state
level? If not, what were the reasons?

(ii) What is the action taken by the Government
to deal with child deaths and child deaths
and deaths?

(iii) What is the action taken by the Government to
deal with child deaths and child deaths in places where
electricity facilities are not available?

4. Para 3.3.7 (b) (i) (Page 46)

What is the action for children in the village
timings between 1957 and 1958?

5. Para 3.3.7 (ii) (Page 46-47)

What are the reasons of mortality in children
and what is the action taken by the Government
to reduce child mortality?

6. Para 3.3.7 (iii) & (iv) (Page 47)

No Comments.

7. Para 3.3.7 (v) (Page 47-48)

(i) The figures stated to have been enclosed
are not correct with the figures. The same may
be furnished now.

(ii) What were the reasons for deaths from the
approved level of nutrition standards?

8. Sub- Para 3.8.7 (b) (vi) (Page 48)

What were the reasons for non-maintenance of records for the periods upto December 1984 ?

9. Sub-Para 3.8.8 (i) (Pages 48-49)

(i) Copy of the recruitment rules may be supplied as and when prepared. What are the reasons for the delay in framing the rules ?

(ii) Are all the posts filled up now ?

10. Sub-Para 3.8.8 (ii) (Page 49)

A copy of the approval of the Govt. of India may be furnished for information of the Committee.

11. Sub-Para 3.8.8 (iii) & (iv) (Pages 49-50)

No Comments.

12. Sub- Para 3.8.8 (v) (Page 50)

(i) Analysis of the rate of Rs. 7.88 per Kg as worked out by Department may be furnished.

(ii) The basis on which Rs. 15/- per Kg was allowed may be intimated.

(iii) What were the reasons for not testing the R.T.E. food may be stated.

13. Sub-Para 3.8.8 (vi) (Page - 50)

The reply is not clear. The department may furnish the following information.

(i) What was the ~~xxxx~~ quantity of wheat received at what was the cost thereof ?

(ii) What were the reasons for not accounting for the same ?

(iii) Why was the wheat issued to SFML ?

14. Sub-Para 3.8.9 & 3.8.10 (Page 50)

(i) In the para it was mentioned that reports were not sent to Govt. of India. Since when the reports were being submitted ? Specific reply ~~may~~ may be furnished.

(ii) What were the reasons for not evolving the system of monitoring the programme ?

What were the reasons for non-availability of records for the period upto December 1964?

Sub-para 3.3.8 (i) (Pages 48-49)

(i) Copy of the registration rules may be submitted and when required. What are the reasons for the delay in receipt of the rules?

(ii) Are all the posts filled up now?

Sub-para 3.3.8 (ii) (Page 49)

A copy of the approval of the Govt. or India may be furnished for information of the Committee.

Sub-para 3.3.8 (iii) & (iv) (Pages 49-50)

No comments.

Sub-para 3.3.8 (v) (Page 50)

(i) Analysis of the rate of Rs. 7.50 per kg. as worked out by department may be furnished.

(ii) The basis on which Rs. 15/- per kg was allowed may be indicated.

(iii) What were the reasons for not testing the R.T.E. food may be stated.

Sub-para 3.3.8 (vi) (Page - 50)

The reply is not clear. The department may furnish the following information.
(i) What was the exact quantity of wheat received at that time and cost thereof?

(ii) What were the reasons for not accounting for the same?

(iii) Why was the wheat issued to STN?

Sub-para 3.3.9 & 3.3.10 (Page 50)

(i) In the para it was mentioned that reports were not sent to Govt. of India. Since when the reports were being submitted? Specific reply may be furnished.

(ii) What were the reasons for not evolving the system of monitoring the programme?

3.9 NATIONAL MALARIA ERADICATION PROGRAMME

3.9.1 Introduction

The National Programme to control malaria started in 1953 was renamed as National Malaria Eradication Programme (NMEP) in 1958. With the resurgence of malaria in 1976, a Modified Plan of Operation (MPO) was introduced in April 1977 with a view to prevent deaths from malaria and effectively controlling malaria instead of its total eradication. The MPO was implemented in the State of Sikkim from January 1978. An area of 3415 square kms. constituting 47 per cent of the total areas of Sikkim (7299 square kms.) has been covered under this programme. While in 1981 it covered 58 per cent of the total population (1.82 lakhs out of the total population of 3.16 lakhs as per 1981 census), the coverage was increased to 60 per cent in 1987 taking the annual growth of population as 2.41 per cent.

3.9.2 Organisational set up

The responsibility for the implementation of the scheme in the State is vested in the Health and Family Welfare Department headed by a Secretary who is assisted by a Director and a District Malaria Officer at Singtam. For implementation of NMEP, Sikkim was divided into 8 circles, 24 sectors and 83 sub-sectors (section). Number of sections were increased to 84 from 1983 onwards. Circles, Sectors and Sections are manned by Malaria Inspectors, Surveillance Inspectors and Surveillance Workers respectively.

3.9.3 Audit coverage

A review of the programme covering the period from 1982-83 to 1987-88 was conducted during April to June 1988 with reference to the records of the Directorate of Health and Family Welfare, Gangtok, and the District Malaria Officer, Singtam.

3.9.4 Highlights

(i) Against the budget provision of Rs.169.85 lakhs for the years 1982-83 to 1987-88 expenditure of Rs.140.44 lakhs was incurred. Expenditure under contingent and incidental expenses for the years worked out to Rs.9.40 lakhs against the provision of Rs.5.00 lakhs (at the rate of Rs. one lakh per year except for 1984-85). (Paragraph 3.9.6)

(ii) In view of the changed pattern of Central assistance from 1979-80, value of unutilised materials with State Department as on 1.4.1979, which represented unspent grants had to be accounted for against the Central share. Materials worth Rs.0.78 lakh lying unutilised at the end of 1978-79 was not taken into account while allocating expenditure between Central and State Governments. [(Paragraph 3.9.6 (v))]

(iii) Spraying operations were not thorough and systematic.

[(Paragraph 3.9.7 (ii))]

(iv) There was considerable overstaffing in the posts of laboratory technicians, surveillance inspectors and workers against the actual norms of work approved by the Government of India.

(Paragraph 3.9.8(i))

3.9.5 Central assistance

The NMEP was a cent *per cent* Centrally sponsored scheme from 1969-70 to 1978-79. From 1979-80 onwards the expenditure on the scheme was borne by the Central and State Governments on 50 : 50 basis after deducting therefrom the committed liability of the State i.e. the expenditure incurred on the scheme by the State in 1957-58.

The Central assistance covers expenditure incurred by the Government of India for the supply of materials and equipment including insecticides and anti-malarial drugs in kind and reimbursement of the remaining operational cost incurred by the State Government in cash according to the pattern and allocations given by the Central Government.

3.9.6 Financial position

The following table indicates the details of budget provision, expenditure incurred by the State Government and Central assistance released from 1979-80 to 1987-88.

Year	Budget provision	Expenditure	Net 50 per cent Central share in cash due	Central assistance released	Unspent balance of Central assistance with State Government (Progressive figure)
------	------------------	-------------	---	-----------------------------	--

(In lakhs of rupees)

				1.38	1.38 (as on 31.3.79)
1979-80	12.38	12.63	5.90	Nil	(—) 4.52
1980-81	11.00	12.00	5.62	Nil	(—) 10.14
1981-82	12.72	13.81	5.57	Nil	(—) 15.71
1982-83	21.32	15.41	7.48	Nil	(—) 23.19
1983-84	16.28	16.28	7.91	30.18	(—) 0.92
1984-85	25.50	18.87	9.19	10.13	0.02
1985-86	40.75	25.61	11.53	12.00	0.49
1986-87	30.00	29.24	14.28	14.56	0.77
1987-88	36.00	35.03	17.07	17.58	1.28
	295.95	178.88	84.55	85.83	

The following points were noticed in audit:—

- (i) Unspent balance of Central assistance of Rs.1.28 lakhs accumulated from 1984-85 to 1987-88 was lying with State Government.
- (ii) From 1982-83 to 1987-88, the actual expenditure was Rs.140.44 lakhs against the budget provision of Rs.169.85 lakhs.
- (iii) The total expenditure of Rs.35.03 lakhs incurred in 1987-88 included expenditure of Rs.0.13 lakh (Rs.0.09 lakh on repair of vehicle, Rs.0.04 lakh on telephone calls) which did not pertain to this programme.
- (iv) Under contingent and incidental sub-heads, from 1982-83 to 1986-87, a sum of Rs.9.41 lakhs was spent as against the provision of Rs.5.00 lakhs and the excess of Rs.4.41 lakhs did not qualify for reimbursement from Government of India.
- (v) As the National Malaria Eradication Programme was made 50 per cent Centrally sponsored scheme from 1st April 1979, the unspent balance of anti-malarial drugs and insecticides valuing Rs.0.78 lakh lying in the stock of the department as on that date was to be accounted for against the Central share. Non-accountal of this amount of assistance against the Central share by the Directorate of NMEP, New Delhi resulted in excess disbursement of assistance by the Central Government.

3.9.7 Implementation of the Modified Plan of Operation

Under the Modified Plan of Operation introduced in the State from January 1978, the working pattern is based on the Annual Parasite Index (API) per thousand of population of the areas assessed in the surveillance operations. Areas recording API 2 and above are to be given a regular cyclic spray of insecticides while area recording API less than 2 are to be subjected to focal spray only around the positive cases. Entomological studies are to be strengthened to provide intelligence regarding the susceptibility level of vector carrier of disease to insecticides to decide the right type of insecticides to be used for spray.

(i) **Detection of positive cases of malaria**

242 positive cases of malaria were detected from 1982 to March 1988 as detailed below:—

Year	Nature of malaria cases						Average number of cases per 1000 population
	Population as per NM-EP census (In thousands)	Imported	Indigenous	Relapse	Untraced	Total	
1982	189	38	6	2	3	49	0.26
1983	197	27	6	1	1	35	0.18
1984	202	13	8	2	4	27	0.13
1985	206	36	12	3	5	56	0.27
1986	211	35	6	—	4	45	0.21
1987	217	20	2	—	2	24	0.11
1988 (Upto March 1988)	219	4	2	—	—	6	
		173	42	8	19	242	

Against the 236 positive cases including 20 cases of *P. Falciparum* detected in the last 6 years (1982-1987), 169 cases were imported from other states. Only 40 indigenous cases were detected.

Of these 40 cases, 18, 18 and 4 were detected under active surveillance, passive surveillance and mass blood survey respectively.

No positive case was detected in areas which were at an altitude of 2500 ft. and above.

(ii) **Spray operations**

The primary object of the spray operations is to interrupt malaria transmission. This is achieved by shortening the life span of the anopheline vectors to less than 10 days, a period necessary for the development of malaria parasites to mature forms (sporozoites) in mosquitoes.

Under the MPO all areas with API 2 and above in the previous year and the areas with less than API 2 in view of their special epidemiological status and geographical location etc. should be subjected to spray in two rounds of DDT (75 per cent) or three rounds of BHC (50 per cent) or malathion (25 per cent) in order to ensure interruption of malaria transmission. The operation must be thorough, aiming at total coverage of population and area both in quantity and quality at the time of transmission season.

Spray operation in the State was carried out with DDT 75 per cent and DDT 50 per cent only.

Year-wise details of spray operations from 1982 to 1987 are given below:—

Year	Targets	Achievement		Percentage of deficiency	
		Population actually covered		1st Round	2nd Round
	<i>Sprayable population (API 2 and above, project areas, labour camps and vulnerable areas)</i>				
		1st Round	2nd Round	1st Round	2nd Round
(Population in thousands)					
1982	28.03	19.25	16.14	31	42
1983	48.51	18.52	—	62	100
1984	34.91	13.17	25.29	62	28
1985	33.68	31.03	36.54	8	—
1986	35.10	25.68	20.40	27	42
1987	26.32	28.12	30.45	—	—

Non-spray of 2nd round of insecticides in 1983 was attributed (September 1988) by the department to strike by the seasonal workers. Shortfall and excess in other years were attributed (September 1988) by the department to fluctuation of labour population in labourer camps and project areas.

A scrutiny of records revealed that out of the total number of 76171 rooms and cattle sheds covered under the 1st round spray during the period 1982 to 1987, 2nd round spray was not done in 26 per cent of rooms and cattle sheds. On the other hand, out of the total number of 76,452 cases covered under the 2nd round spray, 1st round spray was not done in 11 per cent of the cases. Thus, spraying operation was not conducted in a systematic and scientific manner.

(iii) **Focal Spray**

Under the MPO, in areas with API less than 2, focal spray was to be carried out in 50 houses around every positive case during the transmission period. The department stated (September 1988) that focal spray was carried out around most of the positive cases but no records for focal spray carried out were maintained.

(iv) **Surveillance**a) **Active surveillance**

Blood smears were to be collected at 10.5 per cent to the total population per annum (0.7 per cent in January, February, March, November and December and 1 per cent in the rest of the months) for laboratory analysis. Total number of blood smears collected during 1982 to March 1988 is indicated below:—

Year	Population as per NMEP census	Target	Achievement	Number of posi- tive cases de- tected
(Figures in thousands)				(In number)
1982	189	19.8	25.9	12
1983	197	20.7	24.4	8
1984	202	21.2	25.1	8
1985	206	21.6	25.5	18
1986	211	22.2	24.2	21
1987	217	22.8	23.6	7
1988 (Up to March 1988)	219	4.6	4.7	2
		132.9	153.4	76

Though overall performance was achieved a detailed scrutiny of the records of blood smears in audit revealed that in 31 sections no blood smears were collected for 90 different months during 1982 to 1987. Besides, in 16 sections, collections of blood smears were found to be insufficient as these varied from 1 to 5 per section for 68 months. This was attributed by the department (June 1988) to vacant posts due to surveillance workers being on leave in some sections. But from the records it was observed that the maximum number of vacant posts of surveillance workers were only 4 against the 16 posts of leave reserve. The department thus could not utilise the services of leave reserve staff in proper manner.

(b) Passive surveillance

Blood smears were to be collected for examination in not less than 15 per cent of the new fever cases in the out patient departments of the hospitals and primary health centres (PHC). Although 22.5 thousand blood smears were collected under passive surveillance during 1982-87 to March 1988, the records of new fever cases in the PHCs and hospitals were not maintained.

<i>Year</i>	<i>Blood smears collected</i>	<i>Number of positive cases detected</i>
	<i>(In thousands)</i>	
1982	2.9	37
1983	3.6	26
1984	3.9	17
1985	4.0	37
1986	3.7	24
1987	3.9	17
1988	0.5	4
(Upto March 1988)		
	22.5	162

The department stated (June 1988) that extra staff had not been provided to the Government Medical Institutions in the State to collect and send the reports regularly. This reply of the department was not convincing because the Medical Officers-in-charge of the various Medical Institutions were responsible for proper implementation of the programme. As such, it was the responsibility of the Medical Officer-in-charge to ensure that the requisite reports were regularly transmitted to the District Malaria Officer (DMO). Due to non-furnishing of the periodical reports by the Chief Medical Officers and non-pursuance of the same by DMO, the shortfall, if any, in collection of blood smears, could not be known.

(c) Mass Blood Survey

On detection of a positive case in the area with API less than 2, blood smears were to be collected from all persons in the household and in the neighbourhood (250 blood smears per positive case) with a view to assessing the extent to which the population in the area had been affected.

The targets and achievements of mass blood survey from 1982 to March 1988 are given as under :—

Year	Number of positive cases detected in area with API less than 2	Number of blood smears required to be taken	Achievement Blood smears collected	Percentage of shortfall	Number of positive cases detected
1982	28	7,000	1,316	81	—
1983	27	6,750	1,222	82	1
1984	27	6,750	512	92	2
1985	39	9,750	1,339	86	1
1986	41	10,250	1,230	89	—
1987	23	5,750	599	90	—
1988 (Up to March 1988)	6	1,500	122	92	—
191	6	47,750	6,240	87	4

Thus, against the 250 blood smears to be collected from each positive case, on an average only 33 blood smears were collected. The reasons for shortfall was attributed (September 1988) by the Department to thin and scattered population in rural areas.

(d) **Fever Treatment Depot (FTD)**

There were 122 fever treatment depots (FTD) in the State. The details given below indicate blood smears collected in the FTD from 1982 to March 1988.

Blood smears collected

Year	East District	West District	North District	South District	Total
1982	53	6	269	1	329
1983	82	2	28	4	116
1984	17	—	80	7	104
1985	44	—	52	39	135
1986	30	—	15	—	45
1987	64	—	11	—	75
1988 (Up to March 1988)	7	—	—	—	7
297	8	455	51	811	

Table above indicates that only 8 blood smears were collected in West District during 1982 and 1983 and no blood smears were collected during 1984 to March 1988. Similarly, no blood smears were collected in South district in 1986 and 1987.

The department stated (June 1988) that the outcome of the FTD was "quite poor" because the risk of malaria is virtually nil.

(e) **Radical treatment**

All positive cases of malaria are required to be given radical treatment within 10 days of detection. Except delays in 27 cases, radical treatment was duly given in time in all cases during 1982 to 1987.

Further, all positive blood smears found were to be sent to the Regional Directorate, Calcutta for cross checking. Similarly, 5 per cent of the negative blood slides were to be cross checked at the Regional Directorate, Calcutta.

Against the total 236 positive cases and 1,77,480 negative cases detected during the period 1982 to 1987, only 181 positive cases and 3,737 negative cases were sent to the Regional Directorate, Calcutta for cross checking.

Thus there was a significant shortfall in sending the blood slides of positive (23.30 per cent) and negative cases (57.88 per cent) to the Regional Directorate, Calcutta. The reply of the department has not been received (March 1989). The results of 139 blood slides in 1983 and 585 blood slides in 1987 were yet to be received from the Regional Directorate, Calcutta (June 1988).

(f) **Entomological studies**

Systematic and continuous entomological studies were to be undertaken to provide intelligence report of susceptibility level to insecticides in the vector species so that the right type of insecticides might be used.

Monthly reports of entomological data were furnished by the Director, Department of Health and Family Welfare, Government of Sikkim to the Director, NMEP, New Delhi from March 1983 to June 1983, June 1984 to November 1984 and March 1985 to June 1985. From the reports it was seen that the whole night collection of vector was not carried out. The department conveyed A (Anopheline) minimus as the primary vector and A-annularis, and A-culicifacies as the secondary vector. But in fact, A-minimus was never found during collection of mosquitoes and A-maculatus and A-annularis were found in large numbers. It was stated by the department that at present A-

minus had virtually disappeared from the whole of North Eastern States and therefore the secondary vector had assumed the role of primary vector.

The entomological studies were carried out up to June 1985 only and no such studies were undertaken thereafter despite posting of an Entomologist and one insect collector. Further, the entomological studies undertaken up to June 1985 could not detect a single positive vector spreading malaria.

3.9.8 Other points of interest

(i) The staffing pattern adopted for the field and laboratory work under the programme is 1 District Malaria Officer, 1 Assistant Malaria Officer, 1 Entomologist, 100 surveillance workers, 9 laboratory technicians and others. This staff pattern was sanctioned by the Government of India, for district with a population below 7.50 lakhs in difficult hilly, deserts or forest areas. The population of areas covered under the NMEP in Sikkim in 1977 was only 1.61 lakhs (21.47 per cent of 7.50 lakhs) but still the same staffing pattern was sanctioned resulting in under utilisation of staff.

Against the target of 8,000 to 10,000 population to be covered by one surveillance worker, a population of 1940 and 2585 was covered on an average in 1977 and 1987 respectively. Similarly, 8 laboratory technicians were required to examine atleast 1,27,000 blood smears (60 x 8 x 265) annually, i.e. 60 blood smears per technician per day for 265 working days in a ~~year~~ year. However, on an average 13 to 15 blood smears per day per laboratory technician were examined resulting in under utilisation (ranging from 76 per cent to 78 per cent) of the existing strength of laboratory technicians.

(ii) As per circular issued (August 1987) by the Director, N M E P, New Delhi pre-maquine tablets which have crossed sixty months period from the date of manufacture were to be withdrawn from the field and replaced by fresh stock. It was, however, seen that 14,800 pre-maquine tablets which were more than 60 months' old were lying in stock.

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Further Comments

Para 3.9 : National Malaria Eradication
Programme (Pages 51-61)

1. Sub-~~Para~~ 3.9.1 to 3.9.5 (Pages 51-52)

No comments

2. Sub-Para 3.9.6 (Pages 52-53)

(i) What were the reasons for the savings ?

(ii) Did the charges on account of repair of vehicle and telephone pertain to the programme ? was the J.D. (CD) a whole time officer appointed under NMEP ? If not, how were the above charges dibited to the programme ?

(iii) Why the contingent charges which did not qualify for reimbursement were dibited to the programme? was the Department not in receipt of the instructions ?

(iv) Has necessary adjustment been made towards the cost of anti-malarial drugs and insecticides (Rs. 0.78 lakh)? what were the reasons for not effecting the adjustment even after pointed by Audit ?

3. Sub-Para 3.9.7 (i) (Pages 53-54)

No Comments

4. Sub-Para 3.9.7 (ii) (Pages 54-55)

What action has been taken by the Department to get the "spray vehicles" ? What was the total requirement and what is the number available with the Department?

5. Sub-Para 3.9.7 (Page 56)

No Comments

6. Sub-Para 3.9.7 (iv) (a) (Page 56)

No Comments

Other Comments

Page 3.9: National Health Insurance

(pages 31-32)

Sub-para 3.9.1 to 3.9.5 (pages 31-32)

No comments

Sub-para 3.9.6 (pages 32-33)

What were the reasons for the change?

Did the changes in the course of repair of

vehicles and telephone repair to the

programme? Was the 3.9.6 (CD) a whole time

officer or a part time officer? If not, how

were the above changes effected to the

programme?

Why the constant changes which did not

justify for reimbursement were directed to

the programme and the Department not in

receipt of the instructions?

Has necessary adjustment been made towards

the cost of anti-rusting drive and

insulation (3.9.7 (a) (i) what were

the reasons for not effecting the adjustment

even after it was pointed out?

Sub-para 3.9.7 (i) (pages 33-34)

No comments

Sub-para 3.9.7 (ii) (pages 34-35)

What action has been taken by the

Department to get the "grey vehicles"?

What was the total requirement and what

is the number available with the Department?

Sub-para 3.9.7 (iii) (page 35)

No comments

Sub-para 3.9.7 (iv) (page 35)

No comments

7. Sub-Para 3.9.7 (iv) (b) (Page 57)

When were the instructions issued ?
A copy of the same may be furnished to the Committee for perusal.

8. Sub-Para 3.9.7 (iv) (c) (Pages 57-58)

Has the factual position been intimated to the Government of India ~~xx~~ for fixing lower targets for the State? If not, what were the reasons for the failure ?

9. Sub-Para 3.9.7 (iv) (d) (Pages 58-59)

(i) What action was taken by the Department to motivate the rural population to go to the FTDs ?

(ii) What are the alternative measures taken by the department to get the blood smears ?

10. Sub-Para 3.9.7 (iv) (e) (Page 59)

No Comments

11. Sub-Para 3.9.7 (iv) (f) (Pages 59-60)

No Comments

12. Sub-Para 3.9.8 (i) (Page 60)

No Comments

13. Sub-Para 3.9.8 (ii) (Page 60)

Have the time-barred tablets been withdrawn from stock ? What were the reasons for not replacing the Old Stock by fresh Stock ?

7. Sub-para 3.3.7 (iv) (c) (Page 57)

When were the instructions issued?
A copy of the same may be furnished to the
Committee for Enquiry.

8. Sub-para 3.3.7 (iv) (c) (Pages 57-58)

Has the factual position been limited
to the government of India in not taking
lower targets for the period 1960-61, while
were the reasons for the failure?

9. Sub-para 3.3.7 (iv) (c) (Pages 58-59)

What action was taken by the department
to motivate the rural population to go to
the field?

(ii) What are the alternative measures taken by

the department to get the blood smears?
Sub-para 3.3.7 (iv) (c) (Page 59)

No comments

10. Sub-para 3.3.7 (iv) (c) (Pages 59-60)

No comments

11. Sub-para 3.3.7 (iv) (c) (Page 60)

No comments

12. Sub-para 3.3.7 (iv) (c) (Page 60)

Have the time-bound targets been withdrawn
from stock? What were the reasons for
not releasing the old stock of fresh
stock?

3.9.9. Monitoring and evaluation

The monthly reports on surveillance, blood smears, positive cases of malaria, radical treatment given, spray operations conducted, stock position of insecticides and drugs, expenditure incurred on staff and contingencies, staff position and entomological studies are required to be furnished by the State Government to the Directorate, National Malaria Eradication Programme, by the 20th of the following month for suggesting suitable remedial measures for effectively controlling and containing malaria. The malaria units were also required to be evaluated by an independent Appraisal Team of the State Government with the object of assessing the impact of the programme.

Though no monitoring cell was established in the State, monthly reports on various aspects of the malaria were furnished to Directorate, NMEP from 1982 onwards, except those on entomological studies. The unit was visited by an independent Appraisal Team of the State Government in February 1979 only. One of the observations of the team was that the average output of the laboratory technicians in examining the blood smears was low. The low average output of the laboratory technicians was still continuing.

3.9.10 The matter was reported to Government (July 1988) ; final reply has not been received (December 1989).

INDUSTRIES DEPARTMENT**3.10 Irregularities in the grant of Central Investment Subsidy**

The Government of India announced (August 1971) a scheme of "Central outright grant/subsidy" for industrial units to be set up in selected backward districts/ areas. The rate of subsidy was 15 per cent of the fixed capital investment upto February 1981, 20 per cent from March 1981 to March 1983 and 25 per cent from April 1983 onwards. All the 4 districts of the State of Sikkim were covered under the scheme with effect from 16th May 1975.

A test-check (August 1988) of the records for the period relating to this scheme maintained in the office of the Director of Industries has revealed the following irregularities:-

(a) Non-disbursement of Rs.68.23 lakhs reimbursed by the Government of India

A State level committee consisting of the Secretary, Industries Department as Chairman, Secretary, Finance Department, Director of Industries and Managing Director, Sikkim Industrial Development and Investment Corporation (SIDICO) is empowered to sanction the subsidy and the SIDICO makes the disbursement of the amount sanctioned. The scheme provides that only the amount actually disbursed as subsidy should be got reimbursed from the Government of India. The records for 1986-87 and 1987-88 revealed that in actual practice, the Industries Department, had been claiming reimbursement of the full amount sanctioned from the Government of India without ascertaining the actual amount disbursed by the SIDICO. The State Government has claimed reimbursement of Rs.68.23 lakhs in excess of the amount actually disbursed for the period since the inception of the scheme upto March 1988. The excess amount reimbursed was retained by the SIDICO.

(b) Irregular grant of subsidy

(i) Units run by Government departments were not eligible for grant of Central investment subsidy. However, it was seen that a sum of Rs.18.42 lakhs was paid (March 1986 to March 1988) to a commercial unit run departmentally and the reimbursement was obtained from the Government of India. This was irregular.

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Further Comments

Para 3.10 : Irregularities in the grant of Central Investment subsidy (P-62-64)

I. 3.10(a) : Non-disbursement of Rs. 68.23 lakhs reimbursed by the Government of India (P-62)

- i. What was the unit to which subsidy was ^{not} admissible? What was the amount of subsidy intended for the unit which remained undisbursed?
- ii. When was the above undisbursed amount refunded to the Govt. of India? Was it before or after pointing out by Audit? If it was before, why the fact of refund was not brought to the notice of the Audit?

(c) The department should furnish complete reply with all relevant details instead of offering general comments.

II. 3.10 (b) Irregular grant of subsidy sub-para(i) (P-62)

What is the name of the unit? What was the capital of the unit and how much of capital was invested by the State Government?

Sub-Para (b) (ii) (P-63)

Extract of the provisions may be supplied to the committee? Do the guidelines issued by the Govt. of India contain any provisions for payment of subsidy in respect of the cases referred to in the para? If not, did the department obtain permission/ sanction from the Central Government for payment of subsidy to these units? When were the subsidy amounts released? Are these units still functioning? If not when were they ceased functioning? Unitwise information may be furnished for perusal by the Committee.

Sub-Para(b) (iii) (P-63)

Details of the scheme may be intimated to Committee. Is subsidy admissible to the Administrative blocks as claimed by the department? If part of the buildings were ~~used~~ used for the residential purposes why the amount of subsidy was not proportionately reduced as per the Civil Engineers' certificates?

Sub-Para(b) (iv) (P-63)

What was the ^{premium} ~~provision~~ paid by the unit? How much subsidy was admissible on the basis of lease amount and what was the actual subsidy allowed? What is name of the unit?

Sub-Para (b) (v) (P-63)

A copy of the Notification referred to in the reply may be furnished. Were all the units eligible for subsidy

irrespective of the date of establishment and date of capital investment? The paras State that such unit became eligible for subsidy in respect of capital investment made on or after 18.5.1982. If it were not the actual position, was the correct position brought to the notice of Audit? When the objection was initially notified to the Department? If not, what were the reasons for the omission?

Sub Para (b)(vi) (P-63)

A copy of the guidelines may be furnished. Why did the department not produce the relevant notification/ guidelines to the Audit at the time of audit or with its reply in November 1988?

Sub:Para(b)(vii) (P- 64)

The rules under which subsidy is admissible for investment on furniture and fixtures may be shown to the Committee. If it was so, why the relevant provision were not brought to the notice of Audit?

Sub : Para(b)(viii) (p 64)

The reply is not to the objections pointed out. In case of subsequent investment/ expansion, the unit has to apply for fresh registration or for an endorsement to the above effect on its registration certificate. Obviously the above requirement was not insisted upon by the department. The department may explain the reasons for the failure. The circumstances and reasons under which subsidy was paid in the absence of fresh registration/ endorsement on registration certificate may be explained.

(ii) During February 1987 to June 1988 investment subsidy of Rs.23.05 lakhs was sanctioned to four private companies on investment made in land and buildings. The registration documents showed that the lands were registered in the individual name of the directors of the respective companies and not in the name of the companies. Thus the sanction of subsidy in these cases and obtaining its reimbursement from the Central Government was irregular.

(iii) The scheme provides for grant of subsidy on building required for housing the factory and does not cover administrative blocks and staff quarters. In respect of 5 units, subsidy of Rs.45 lakhs was paid (October 1986 to December 1987) towards investment of Rs.110.44 lakhs in buildings. As per Civil Engineers' certificates, the total investment in buildings amounted to Rs.99.97 lakhs only including Rs.24.69 lakhs spent on administrative block and staff quarters. Thus the total cost on which subsidy was admissible worked out to Rs.75.28 lakhs. This resulted in excess payment of subsidy of Rs.8.38 lakhs on inadmissible investment of Rs.35.16 lakhs.

(iv) According to the scheme, where land and/or buildings are held on lease basis, the basis for payment of subsidy shall be the premium paid by the lessee. In respect of one unit having a hotel building on lease, investment subsidy of Rs.1.34 lakhs was paid (April and June 1988) on investment of Rs.5.38 lakhs in the buildings. As the terms and conditions of the lease deed were not finalised, payment of subsidy of Rs.1.34 lakhs on the basis of the Engineer's valuation certificate was irregular.



(v) Service oriented enterprises such as laundry, xerox units, units for repair and maintenance of consumer durables also became eligible for grant of investment subsidy with effect from 18th May 1982 for capital investment made on or after that date. A test-check of records relating to 5 such enterprises revealed that subsidy amounting to Rs.1.87 lakhs was paid (March 1985 to May 1986) though the enterprises started functioning prior to the above date and capital investments were made before 18.5.1982.

(vi) A subsidy of Rs.3.96 lakhs was paid (February 1987 to June 1988) in respect of 4 units on investment of Rs.15.85 lakhs in preoperative and preliminary expenses which did not qualify for grant of subsidy. In reply, the Department stated (November 1988) that subsidy on preoperative and preliminary expenses was paid on the basis of a circular issued by the Government of India but the circular could not be produced to audit.

(vii) Under the scheme, investments on furniture and fixtures are not eligible for grant of subsidy. A subsidy of Rs.0.95 lakh was however paid (November 1986 to June 1988) on investments amounting to Rs.3.89 lakhs on furniture and fixtures.

(viii) The investment which qualifies for grant of subsidy is the amount which is specified in the application for permanent registration. In case of any subsequent expansion involving installation of additional plant and machinery, the unit has to apply for fresh registration or for an endorsement to this effect on its registration certificate. The amount of capital investment specified in the application for permanent registration in respect of 4 units was Rs.127.78 lakhs. However, investment subsidy on total investment of Rs.148.29 lakhs was granted to them though there was neither a fresh registration nor an endorsement regarding the additional investment was recorded on the old registration certificates. This involved excess payment of subsidy of Rs.5.12 lakhs.

The matter was reported to Government in September 1988; reply has not been received (December 1989).



LOCAL SELF GOVERNMENT AND HOUSING DEPARTMENT**3.11 Integrated Development of Small and Medium Towns****3.11.1 Introduction**

The Centrally sponsored scheme for Integrated Development of Small and Medium Towns (IDSMT) was launched by the Government of India in December 1979 for the development of small and medium towns with a population of 1 lakh and below on the basis of the 1971 census. This scheme was introduced in Sikkim in 1982-83. In the Seventh Five Year Plan the coverage was extended to towns having a population of less than three lakhs. The objectives of the scheme were to reduce the rate of migration from the rural areas to urban areas specifically to bigger towns; to locate economic activities and job opportunities in such a way as to promote even and balanced population dispersal; to develop small and medium towns which can act as counter magnets to the bigger towns and subserve rural development and to make special efforts to tackle the problem of slums on a more enduring basis.

The Scheme comprised of two sets of components viz. A -Components eligible for Central loan assistance on matching basis covering (i) land acquisition and development (ii) traffic and transportation (iii) development of mandis and markets, industrial estates, provision of other services and processing facilities for the benefit of agricultural and rural development in the hinter land; B-components for which funds were to be found from State Plans/Union Territory Plans but which must form part of the integrated scheme. The components are (i) slum improvement (ii) low cost scheme of water supply, sewerage, drainage and sanitation (iii) preventive medical facilities/health care (iv) parks and play grounds and (v) assistance for the purpose of making modification wherever necessary to permit mixed land use. From 1983-84, the scheme of Low Cost Sanitation to improve the environment of small and medium towns and to eliminate the normal carriage of human waste was brought under the category of projects eligible for Central assistance.

3.11.2 Organisational set up

The responsibility for the implementation of the scheme in the State was vested in the Local Self Government and Housing Department (LSG &HD), under the Secretary, Housing. Some works were also executed by the Sikkim Public Works Department (Roads & Bridges) and the Power Department.

3.11.3 Audit coverage

A test-check of records for the period during which the scheme was implemented and maintained by the head office at Gangtok and the field office at Jorethang and the Divisional Engineer under LSG&HD at Jorethang was conducted in audit during May to July 1988. Results are described in the succeeding paragraphs.

3.11.4 Highlights

- (i) Though the Central share of Rs.5.50 lakhs was received in 1980-81, neither any budget provision was made nor any expenditure incurred on the scheme up to 1981-82; (Paragraph 3.11.5)
- (ii) One work costing Rs.4.18 lakhs was awarded without call of tender; (Paragraph 3.11.6a(ii))
- (iii) No monitoring and evaluation of the scheme were done. (Paragraph 3.11.8)

3.11.5 Financial outlay and expenditure

The financial responsibility of the scheme was shared by the Central and the State Governments on 50 : 50 basis subject to a limit of Central assistance of Rs.40 lakhs per town in the form of loans to the State Government. During the Seventh Five Year Plan, another amount of Rs.6 lakhs per town for low cost sanitation was also admissible from the Government of India provided an equal amount was contributed by the State Government.

Loans received from the Government of India, budget provisions made and the expenditure incurred during the period from 1980-81 to 1987-88 were as follows:—

Year	Assistance received from Govern- ment of India	Budget pro- vision for the scheme	Expenditure		
			LSG&HD	Sikkim Public Works Depart- ment	Power De- partment
			(R u p e e s i n l a k h s)		
1980-81	5.50	—	—	—	—
1981-82	—	—	—	—	—
1982-83	—	6.50	5.50	6.83	0.47
1983-84	—	10.56	—	10.49	3.39
1984-85	—	2.00	2.00	—	0.23
1985-86	—	—	—	7.59	14.83
1986-87	13.64	14.00	10.46	—	7.37
1987-88	10.00	7.00	3.15	—	—
	29.14	40.06	21.11	24.91	26.29

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Further comments

Para No. 3.11: Integrated Development of Small and Medium Towns
(B.P 65-68)

1. Subparas 3.11.1 to 3.11.4: (PP 65-66)

No comments

2. Sub-para 3.11.5: Financial outlay and expenditure.

The reasons as to why the expenditure was not debited to the scheme may be stated.

3. Sub-para 3.11.6: Physical performance

Was the department not aware of the conditions prior to taking up the programme? If so, why proper planning was not made and advance action taken?

What is the present position? Has the project been completed? If so, workwise details thereof may be furnished with estimated cost and actual and reasons for variation etc.

4. Sub para a (ii) Award of work without call of tender? Under whose authority the work was allotted? A copy of the order may be furnished to the committee

5. Sub para 3.(b) :- Namchi.

What is the progress of the scheme in respect of Namchi. Were all the works contemplated in 2 phases completed? If so the workwise details - estimated cost, actual expenditure thereagainst together with reasons for variation may be furnished to the Committee;

If not, reasons for the delay and anticipated cost overrun due to the delay may be intimated.

6. Sub para 3.17: Reports and Returns

A copy of the latest progress report may be furnished for information of the committee.

7. Sub para 3.1.8 : Monitoring and Evaluation.

A copy of the evaluation report may be furnished to the committee for information.

Though the first instalment of loan of Rs.5.50 lakhs was received in 1980-81, no budget provision was made and no expenditure was incurred upto 1981-82. The scheme was actually implemented from 1982-83 only.

The entire expenditure of Rs. 51.20 lakhs incurred by the Sikkim Public Works Department (Roads and Bridges) and the Power Department were met from the Departmental budgets and were not debited to scheme.

3.11.6 Physical performance

Development of two towns, viz. Jorethang and Namchi, was taken up in 1982-83 and March 1987 respectively under the IDSMT scheme. The physical progress of work in respect of these two towns were as follows:-

(a) Jorethang - Population 3921 (1981)

(i) Jorethang, a town in the South District, was identified in 1981 for development under the scheme. An outlay of Rs.115.17 lakhs (roads : Rs.74.82 lakhs, taxi stand: Rs.4.62 lakhs, passenger bus terminal: Rs.4.25 lakhs, mandi: Rs.27.23 lakhs and market: Rs.4.25 lakhs) was proposed and the works were to be completed within 3 years from 1980-81. A revised project report for Rs.192.20 lakhs was forwarded to the Government of India in 1986-87, its approval was not on record. The execution of development works was taken up in 1982-83 and an expenditure of Rs.20.58 lakhs was booked by the Local Self Government and Housing Department under the scheme by 1987-88, out of which Rs.6.06 lakhs were related to works not contemplated in the approved project report. Against the approved outlay of Rs.4.62 lakhs and Rs.74.82 lakhs on taxi stand and roads respectively, expenditure of Rs.3.19 lakhs and Rs.10.56 lakhs were incurred and 69 and 25 per cent of physical targets were achieved.

(ii) Award of work without call of tender

Under existing orders, issued by Government, works costing more than Rs.2.50 lakhs have to be awarded only after inviting competitive tenders. A test-check revealed that the work of "development of Daragaon and construction of heavy vehicle stand at Jorethang" (estimated cost: Rs.4.46 lakhs) was awarded to a contractor for Rs.4.21 lakhs without inviting tenders. The work was completed at a cost of Rs.4.18 lakhs.

The department stated (July 1988) that the work was executed with the approval of the authority and accordingly tenders were not required to be called.

But neither the general rules nor circular/notification issued by Government provide for such exemptions.

(b) **Namchi - Population 1444 (1981)**

Namchi, the District headquarters of South District, was identified (March 1987) for development under the scheme. The total outlay proposed for this town was of Rs.204.80 lakhs. The development works were to be completed within 4 years from 1986-87 in 2 phases (first phase 1986-87 to 1987-88, second phase 1988-89 to 1989-90). In the first phase (estimated cost : Rs.148.80 lakhs) land acquisition (Rs.2.80 lakhs), site development (Rs.85 lakhs), construction of roads (Rs. 55 lakhs) and low cost sewerage system (Rs.6 lakhs) were to be completed. In the second phase (estimated cost : Rs. 56 lakhs) construction of Mandis (Rs.35 lakhs); taxi stand (Rs.5 lakhs); public toilets in Mandi area (Rs.5 lakhs) street light along foot paths etc. (Rs.5 lakhs) and sewerage (Rs.6 lakhs) were to be carried out.

Only the land acquisition works under first phase were completed and estimates for Rs.33.95 lakhs were sanctioned by March 1988 for 6 works. Of these 6 works, 4 were awarded between January 1988 to May 1988 and expenditure of Rs.0.53 lakh was incurred till July 1988. The preliminary works for the second phase were yet to be taken up (July 1988).

Out of the total loans of Rs.29.14 lakhs received from the Government of India, Rs.9.14 lakhs were for Jorethang and the balance Rs.20 lakhs for Namchi. Little expenditure was incurred for Namchi till July 1988 and the funds meant for Namchi were diverted for the development works of Jorethang.

3.11.7 **Reports and returns**

Under the scheme, the State Government was required to send half yearly progress reports on physical and financial targets to the Government of India. But no such reports was furnished.

3.11.8 **Monitoring and evaluation**

A committee for co-ordination, monitoring and evaluation of the scheme was to be set up by the State Government headed by the Chief Secretary or the Development Commissioner at the State level and by the Collector at the town level. But no such committees were formed (July 1988).

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Further comments

(Para 3.12 P/69 of AR- 1987-88)

- a) Why the department did not take any steps for acquisition of land before entering into contract for the construction of ^{roadway} ~~roadway~~ ? Was not the department aware that the proposed project involved Ministry of Defence ?

17-9-5

TOURISM DEPARTMENT

3.12 Construction of a Ropeway Cable Trolley—Infructuous expenditure of Rs.0.68 lakh

For the development of tourism in the State a proposal was initiated in 1981 to instal a ropeway from Gangtok-Dcorali-Ranipul-Rumtek (road distance 26 kms). A Calcutta based firm was requested in April 1981 to undertake the feasibility study and submit a detailed report. The above firm agreed to do it for a consolidated amount of Rs.20,000 provided a sum of Rs.10,000 was paid in advance. An advance of Rs.10,000 was drawn in May 1981 for this purpose. There is no record to show that the amount was either disbursed to the firm or the same was refunded by the firm. No feasibility study report by it was also available on record.

The proposal for construction of ropeway was, therefore, taken up with another firm of Bombay in November 1982. Its representative visited Gangtok and submitted a preliminary report in December 1982 which was not complete in all respects. As per the agreement entered into with them in April 1984, the Government of Sikkim was to spend Rs.1000 per month as the expenses for the stay of their representative at Gangtok and the ropeway was to be completed on turn key basis and ~~will be~~ run by them for a minimum period of 25 years, ~~during which period the Company will run it~~ and the Government of Sikkim may consider nationalising it after a period of 25 years. The land required for the construction of ropeway was to be given on lease for 99 years. Up to August 1984, the Tourism Department of the State Government had incurred Rs.0.58 lakh as expenses for the journey and stay of the Company representative at Gangtok. As the Project report was not completed and the work did not start to the satisfaction of the department, the Cabinet in their meeting held on 24th April 1985 decided to discontinue the expenditure on scheme and directed the Secretary, Tourism Department to examine the pros and cons of discontinuing the scheme and also its legal implications. The Government had thus spent Rs.0.68 lakh on this scheme which proved to be infructuous. The final decision of the Government on this issue is still awaited.

The matter was reported to Government (September 1988); final reply has not been received (December 1989).

CHAPTER IV - Works Expenditure**SIKKIM PUBLIC WORKS DEPARTMENT****4.1 Development of Roads and Bridges****4.1.1 Introduction**

Sikkim, a State in the Himalayan region is having an area of 7,299 square kilometres and a population of 3.16 lakhs (1981 census). Roads being the only means of communication, high priority has been accorded to their development so as to provide a communication network that ultimately connects various marketing centres and provide access to interior villages for economical transportation of goods and passengers. At the end of the Sixth Plan period (1984-85) the State had a total length of 1,241 kms. of roads (excluding the National Highway and the border and strategic roads, constructed and maintained by the Border Road Organisation) which provide access to 256 out of the 440 villages in the State. But, most of these roads are in an incomplete state requiring extensive protection, drainage and surfacing works though they have been opened to traffic.

4.1.2 Organisational set up

The work of construction of roads and bridges in the State is vested in the Sikkim Public Works Department (Roads and Bridges Wing) headed by a Principal Chief Engineer-cum-Secretary who is assisted by a Chief Engineer and two Superintending Engineers in the head-quarters and 4 Divisional Engineers in the field.

4.1.3 Audit coverage

The review of the programme of development of roads and bridges covering the Sixth Plan (1980-85) and first three years of the Seventh Plan (1985-88) was conducted during April-July 1988 with reference to the records of the Chief Engineer, Gangtok, 2 divisions located at Gangtok and 2 other divisions located at Namchi and Gayzing. The results of review are described in the succeeding paragraphs.

4.1.4 Highlights

13 schemes were completed after a delay of 1 to 2 years from their scheduled dates of completion. 39 schemes some of which were to have been completed more than 3 years ago were still incomplete. Delays were due to delay in procurement of materials and lack of proper planning.

Out of Rs. 1505.13 lakhs advanced to the State Trading Corporation of Sikkim during 1983-84 to 1987-88 for procurement of materials, materials valuing Rs. 572.99 lakhs were not received till the end of March 1988.

(Paragraph 4.1.6)

In respect of 65 schemes, issue of materials during 1986-87 and 1987-88 to the contractors at the rates specified in the agreements instead of the current market rate resulted in a loss of Rs. 17.21 lakhs.

(Paragraph 4.1.7)

Damages for crops and land amounting to Rs.2.47 lakhs caused during construction and recoverable from the contractor as per the terms of the contract had not been recovered from the contractor.

(Paragraph 4.1.9)

Taking up a technically defective project resulted in increase in the cost of completion of the project by Rs 6.76 lakhs.

(Paragraph 4.1.12)

Due to change of alignment during execution of a road there was an infructuous expenditure of Rs.6.63 lakhs. [Paragraph 4.1.12 (iii).]

The delay on the part of the department in handing over site for abutment foundation of a bridge and non-supply of materials in time to a firm had resulted in extra payment of Rs. 8.42 lakhs on account of price escalation.

[Paragraph 4.1.12 (iv)]

4.1.5 Targets and achievements

Physical targets and achievements as well as the budget provision and the expenditure during the Sixth Plan (1980-81 to 1984-85) and the first three years of the Seventh Plan (1985-86 to 1987-88) were as follows :-

Period	Physical Targets (In kms)			Total length of road const- ructed (in kms)	Budget pro- vision (In lakhs of rupees)	Expen- diture	Percentage of achievements	
	Spill over work	New work	Total				Physical	Finan- cial
During the Sixth Plan (1980-85)	217	271	488	349	22,59.00	21,75.04	72	96
1985-86	139	Nil	139	50	5,49.94	5,70.39	36	104
1986-87	89	45	134	68	6,84.32	6,84.11	51	100
1987-88	66	20	86	46	7,61.65	7,61.88	53	100

Even though the funds provided for were spent in full, the physical achievements lagged behind.

4.1.6 Delay in execution

A test-check of 22 completed and 62 incomplete schemes* revealed that there were abnormal delays in execution which varied upto six months in 16 cases; from six months to one year in 16 cases; one year to two years in 35 cases; two years to three years in 13 cases and over three years in 4 cases. The delay was mainly due to shortage of stock materials such as cement and steel. It was also seen that out of Rs. 1505.13 lakhs advanced to the State Trading Corporation of Sikkim for procurement of materials from 1983-84 to 1987-88, materials valuing Rs. 572.99 lakhs had not been received at the end of March 1988. This delay in receipt of materials had resulted ultimately in abnormal delay in providing the required facilities to the public and in cost overrun to the projects. Since the register of works showing the total expenditure on each scheme was not maintained, the actual cost overrun could not be ascertained.

4.1.7 Loss on issue of materials to contractors at lower rates

The materials required for construction works are supplied to the contractors at the rates specified in the agreements. But, due to delay in execution of schemes by the contractors, the materials purchased at higher rates from time to time were issued to the contractors at lower rates as specified in the agreements. This had resulted in heavy loss to the department. A review of 65 such schemes where materials were issued at lower rates during 1986-87 and 1987-88 had revealed that there was a loss of Rs. 17.21 lakhs on this account. Further, the difference between the value of materials as per cost price and the recovery from the contractors as per agreement rate was not reflected in the expenditure registers against the concerned works.

4.1.8 Deviation from the prescribed financial norms

Although specific financial norms for different types of works in respect of different categories of roads have been prescribed by Government, the estimated cost of most of the schemes sanctioned were in excess of the prescribed norms. A test-check of 9 schemes sanctioned during March 1984 to October 1987 revealed that there was an excess financial sanction of Rs. 195.54 lakhs. The increase in amount of these cases varied from 26 per cent to 206 per cent.

*(The work covered by one sanction is called a scheme).

4.1.9 Compensation not recovered from contractor

As per the terms of contract, if damages to crops or land are caused beyond the road Reserve, the compensation therefor is to be recovered from the contractor. In respect of the work 'widening (back cutting) of Pelling-Rimbi Road (12 km)' the department paid (June 1988) damages amounting to Rs. 2.47 lakhs without recovering it from the contractor.

4.1.10 Abandonment of works by contractors

In many cases, works awarded to contractors were abandoned before completion without any valid reasons. But the department either delayed terminating the contracts or did not invoke the provision of the agreements to get the balance work done by other agencies at the risk and cost of the first contractors. The department therefore had to incur extra expenditure in completing the works. A few such cases noticed during review are given below:-

(i) The construction of three steel bridges on Yoksom-Tashiding Road at an estimated amount of Rs.9.82 lakhs was sanctioned in August 1981. The civil work was awarded to contractor 'A' in November 1981 at Rs.5.09 lakhs with the stipulation to complete it in 12 months. But, the contractor after doing the work valuing Rs.2 lakhs abandoned it from September 1982. The department, failed to persuade the contractor to restart the work and ultimately rescinded the work in September 1985. The contractor was debarred from further contract for 5 years. In February 1986, the department assessed the value of the balance work as Rs.4.63 lakhs on a revised cost basis. The work tendered in July 1986 was awarded to contractor 'B' at the tender value of Rs.6.23 lakhs with the stipulation to complete by 6 months. While the construction of one bridge was completed in October 1987, the other two bridges are still (November 1988) in progress because of shortage of stock materials. The delay on the part of the department to rescind the work and retender it in time had resulted in an extra expenditure of Rs. 3.14 lakhs. The exact amount of extra expenditure can be ascertained only after the work is completed in all respects.

In reply the department stated (July 1988) that the rate quoted by contractor 'A' was without assessing the work site properly. The reply of the department is not tenable as the tenderers are supposed to quote their rates after proper assessment of each and every factor including the work site.

(ii) The construction of the Bhudang-Soreng via Malabasey Road second kilometre sanctioned in 1981 at an estimated cost of Rs. 6.80 lakhs was awarded to contractor 'A' in July 1981 at his tendered amount of Rs.5.64 lakhs to be completed by July 1982. The progress of the work was very slow from the beginning and finally in May 1983, the contractor left the work incomplete. In November 1983, the work done by the contractor was measured and final payment of Rs.3.58 lakhs was made (November 1983) to him. The contract was, however, rescinded in February 1984. The estimates were revised only in June 1984 and sanctioned in May 1985 for Rs.9.95 lakhs and the balance work was completed departmentally in November 1985 at a cost of Rs.6.05 lakhs. Thus the department took about nine months to rescind the work and another one year to sanction the revised estimate. This resulted in an additional expenditure of Rs.3.99 lakhs.

The department, while admitting the delay stated (July 1988) that the extra expenditure was also due to change in the scope of work. But, it was noticed from the revised estimate that there was no change in the scope of work except that the quantities of all the items of work estimated were more than those in the original estimate and more than 50 per cent of the quantities stood executed by contractor 'A'.

(iii) The construction of Rabi Khola suspension bridge on Melli-Rabi Khola-Phong-Mamring Road sanctioned in June 1978 was awarded to contractor 'A' in August 1978 at a tender value of Rs.6.37 lakhs to be completed by 12 months. In January 1982, the contractor prayed for extension of time upto April 1982 because of shortage of materials. The department while granting the extension upto April 1982 directed the contractor to complete the work positively by April 1982, as there was no shortage of materials beyond 1981. In July 1982, the tender value of the work was increased to Rs.7.21 lakhs because of the change in the scope of work. The contractor, however, could not complete the work and in March 1984 expressed his inability to complete the work on health grounds. In April 1984, the department decided to rescind the contract and to forfeit his earnest money deposit. In June 1987, the value of the work done by the contractor was settled at Rs.6.88 lakhs out of which Rs.6.87 lakhs had already been paid by March 1984. In the meantime the balance work estimated to cost Rs.2.86 lakhs was awarded to contractor 'B' in March 1986 after a delay of nearly two years at a tender value of Rs.4.61 lakhs. The work scheduled to be completed by December 1986 was actually completed in May 1987 at a cost of Rs.4.60 lakhs. Because of this inordinate delay (7 years 9 months) in completion the department had to bear an extra expenditure of Rs.4.14 lakhs.

Further the department had to bear a loss of Rs.1.81 lakhs on account of the difference between the value of stock material purchased and recovered from the contractor (as per agreement).

(iv) The work 'improvement of Rimbi-Yuksom Road Kilometre 1—5' sanctioned in September 1984 was awarded (August 1985) to a nominee of local public representative for Rs. 1.77 lakhs at 19.90 *per cent* below the schedule of rates. (The lowest rate received against the tender in April 1985 was also at the same rate; but not allotted to lowest tenderer as he did not deposit the earnest money). The work was to be completed by 6 months.

As the contractor did not start the work till June 1986, work valuing Rs.1.49 lakhs was withdrawn from him and taken up departmentally and completed in March 1987 at a total cost of Rs. 3.45 lakhs.

Thus, because of irregular allotment of work to a local nominee without negotiating with the second lowest tenderer, the department had to complete the work at higher cost. Compared to the rate of 17.87 *per cent* below the schedule of rates offered by the second lowest tenderer, the department incurred an extra expenditure of Rs. 2.23 lakhs.

The work that remained with the contractor was also not completed and his contract was terminated (September 1987). Though his earnest money was forfeited (Rs.2,191) the value of work done by him is yet to be measured. The balance of work left by him is also to be done by the department.

4.1.11 Award of work at higher rates

(i) The work of widening (back cutting) of Pelling-Rimbi Road eight kilometre was tendered in December 1984. The lowest rate of 26.11 *per cent* below the schedule quoted by tenderer 'A' was not considered without recording any reasons therefor. The work was retendered in June 1985 and awarded (August 1985) to contractor 'B' the lowest tenderer at 16 *per cent* below the schedule. Thus due to rejection of first tender without any reason, there was a loss of Rs. 0.30 lakh. The contractor could not complete the work and, after the expiry of 2 1/2 years, abandoned the work from December 1987. Neither the contract has been rescinded nor the balance work executed till date (April 1988). Further, cost of 199 bags of cement valuing Rs.0.11 lakh is also due to be recovered from the contractor.

(ii) The construction of 85 metre suspension bridge over the rivulet Rangpo Khola linking Barapathing and Rolap sanctioned in March 1985 was tendered in July 1985. The lowest offer received from contractor 'A' at 31 per cent above the schedule was not considered on the ground that the contractor was already overloaded with other works in hand and therefore the work would not be completed in time. The work was thereafter allotted (October 1985) to contractor 'B' (the second lowest) at the negotiated rate of 40 per cent above the schedule with the stipulation to complete the work by November 1986. Although extension of time was granted upto March 1988, the work was yet (July 1988) to be completed. The rejection of the lowest tender anticipating delay in completion thus proved to be unjustified involving an avoidable expenditure of Rs.1.17 lakhs over the estimated amount.

4.1.12 Other topics of interest

(i) The construction of a 6 kilometre long link road connecting Sirwani and Song Village via Khangdong was approved by Government in two phases. The first phase consisting of 1st and 2nd Km. was approved in September 1981 and completed during 1984-85.

The work of 3rd to 6th Km. was sanctioned by Cabinet in May 1984 for Rs.16.85 lakhs. The work was allotted to 4 contractors in July 1984 (tender value of Rs.11.48 lakhs) with the stipulation to complete the work by 12 months. While the work was in progress, the department decided in August 1984 to realign the road by increasing a length of 500 metre to avoid steep-gradient in 3rd Km. The Chief Engineer-cum-Secretary held that this was a technically defective project and accordingly instructed (August 1984) for resurvey and submitting plans and estimates for a technically sound project. The department, however, took almost two years for resurvey and preparation of revised estimate. Finally in June 1986, a revised estimate of Rs.35.64 lakhs was prepared and sanctioned. The revised estimate provides change of alignment in 3rd Km. to avoid steep gradient and in 5th and 6th Km. because of demand of the local public. The estimate includes increase in the scope of work (alone) to the extent of Rs.3.42 lakhs. The work of 3rd to 6th Km. started in July 1984 was completed in January 1988 at an expenditure of Rs.14.32 lakhs. The total expenditure, however, worked out to Rs.23.61 lakhs (work value of Rs. 14.32 lakhs plus compensation Rs. 9.29 lakhs) against the sanctioned amount of Rs. 16.85 lakhs. Thus due to undertaking a technically defective project, there was increase in cost to the extent of Rs.6.76 lakhs.

(ii) The 'Makha-Dikchu Road (11 mile)' was constructed during 1978 but could not be opened for traffic till 1983 due to non-completion of number of bridges. Since the road was not maintained for about 5 years, some protective works were necessitated. This was done during 1984-85 at a cost of Rs. 17.48 lakhs which included Rs. 2.95 lakhs spent on 4th mile to raise sunk portions of the road by stone filling and other works to prevent further sliding. The work done on 4th mile had, however been completely damaged by sinking in the same year (1984-85). In May 1985, the department decided to take up some major protective works to protect this portion of road permanently. The work was sanctioned in November 1985 and started in February 1986. However, because of some constructional difficulty and change in the scope of work, this was completed in November 1987 at a cost of Rs. 5.83 lakhs. But, as the road continued sinking, the department undertook (February 1986) two more works on this portion at a total cost of Rs. 11.62 lakhs. The department, thus spent Rs. 20.40 lakhs to protect the stretch of road (4th mile) during 3 years (1984-85 to 1987-88) which proved to be uneconomical. It was also noticed that two contractors were paid (November 1987) final payment (Rs. 8.47 lakhs) before actual completion of works.

(iii) The construction of "Soreng to Dodak link Road (3 mile)" sanctioned in October 1977 for Rs. 5.69 lakhs with the time schedule of 9 months was allotted (May 1977 and August 1978) to two contractors i.e. contractor 'A' (1st and 2nd mile) and contractor 'B' (3rd mile). The work of 3rd mile was completed in August 1979 at a cost of Rs. 2.59 lakhs. While the work of 1st and 2nd miles was in progress, the alignment was changed to avoid a sliding point near the take off point and accordingly a supplementary estimate was sanctioned in March 1980 for Rs. 1.20 lakhs. The tender value of the contractor was increased to Rs. 3.36 lakhs from the original tender value Rs. 2.19 lakhs. In July 1980 the department directed the contractor to stop the work, the reasons for which were not on record. In September 1980, the work done by the contractor was measured and final payment of Rs. 2.98 lakhs was made. In August 1983, the alignment of the road was again changed due to public grievance for safeguarding their water source and accordingly another estimate of Rs. 4.42 lakhs was sanctioned. The work was awarded to another contractor in September 1983 at a tendered value of Rs. 3.20 lakhs with the stipulation to complete the work by 9 months. While the work was in progress, the estimate was further revised to Rs. 7.46 lakhs because of the change in scope of work and accordingly the tendered value of the contract was increased to Rs. 6.41 lakhs. As the contractor was to contest the Assembly election, the contract was rescinded in February 1985 and

he was paid the final payment of Rs. 5.17 lakhs. The balance work was completed departmentally at a cost of Rs. 1.41 lakhs. A sum of Rs. 1.06 lakhs being the land compensation for the original alignment was paid in September 1980 and a further amount of Rs. 1.16 lakhs for the revised alignment was paid in October 1984. Thus the department had incurred a total expenditure of Rs. 14.36 lakhs against the original estimate of Rs. 5.69 lakhs on a work which was completed in 7 years. Further, an expenditure of Rs. 6.63 lakhs incurred for the original alignment that was subsequently abandoned also proved infructuous. This could have been avoided had a proper survey been made before commencement of work

(iv) The construction of the Legship Bridge was awarded by the department in March 1984 to a Bombay based firm at its tendered cost of Rs. 75 lakhs with the stipulation to complete it by March 1986. The work is yet (March 1988) to be completed. The delay in completion was mainly due to (a) failure of the department to hand over the site for excavation of end abutment foundation, (b) construction of diversion road by the department and (c) non-supply of materials in time. The delay in completion had resulted in an extra payment of Rs. 8.42 lakhs on account of price escalation in respect of labour (Rs. 5.54 lakhs), POL (Rs. 0.84 lakhs) and materials (Rs. 2.04 lakhs) beyond the stipulated period of the completion as per the provision of the agreement.

4.1.13 Non-maintenance of records

The department had not maintained the following initial records as required under rules :—

- (i) Register of tenders - to record the names of tenderers and the tendered amounts etc.,
- (ii) Register of estimates - to record estimate number and date, amount sanctioned and appropriation if any etc.,
- (iii) Progress register - to record work-wise monthly financial progress,
- (iv) Register of roads - to record roads in existence and yearwise additions thereof,
- (v) Register of bridges - to record names, categories, cost and other particulars for all bridges,
- (vi) Work abstract - to record all types of transactions work-wise and

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Further Comments

Para 4.1: Development of Roads and Bridges (Pages 70 to 79)

1. Sub-~~paras~~ 4.1.1. to 4.1.4 : Introductory paras and highlights

No comments.

2. Sub-para 4.1.4: Targets and Achievements (p/71)

The reply indicates that the targets fixed were not realistic. Was not the Department a party while preparing the draft plans ?

3. Sub-para 4.1.6: Delay in execution (p/72)

i) Were not the factors mentioned in the reply taken into consideration and time provided ?

ii) The reply is not convincing. Any delay beyond 6 months (or one year in few exceptional cases) can not be justified and attributed to the factors mentioned in the reply. The delays mentioned in the para clearly indicate lack of foresight and proper planning by the Department.

iii) The Department may furnish workwise details in the following proforma for further information of the Committee.

Sl. No.	Name of the work	Estimated cost	Cost at which the work was allotted	Date of start	Stipulated date of completion
(1)	(2)	(3)	(4)	(5)	(6)
	Total expenditure after completion, if completed	Expenditure as on 31.5.92 in case the work is in progress		Actual date of completion	Delay in completion (Col.8-6)
	(7)	7 xxx (a)		(8)	(9) xxx
	Reason	Period of delay involved			
	(10) (a)	(10) (b)			

Sub:para 4.1.7: Loss on issue of materials to contractors at lower rates (p-72)

- 1) What were the reasons for delay in supply of materials ?

ii) Out of 65 schemes referred to in the para, how many were delayed due to delay in supply of materials ? In how many cases, the reasons for delay were attributable to the contractors ? What action was taken by the Department to impose penalty in such cases and to recover the cost of materials at higher prices.

1. *Phragmites australis* (Cav.) Trin. ex Steud.

5. Sub-para 4.1.8: Deviation from the prescribed financial norms (p-72)

- i) Were not the norms fixed taking into account all the aspects mentioned in the reply ?

The department may furnish details (work-wise) indicating estimated cost, cost at which the work was awarded, the norms fixed for the work and reasons for excess estimates over the norms.

6. Sub-para 4.1.9: Compensation not recovered from contractor (p.73)

- i) What are the terms of contract ?
ii) If compensation was not to be recovered, why the clause was incorporated in the contract ?
iii) What was 'road reserve' referred to in the para ? What was the extent ~~xx xmx xmx~~ of road reserve in respect of the particular work ? If the damages were beyond the road reserve, why no recovery was made from the contractor ?

7. Sub-para 4.1.10: Abandonment of works by contractors (p- 73-75)

- a) Why did the Department take 3 years to rescind the contract ?
b) What were the reasons for delay in awarding the balance work even after rescinding the former contract ?
c) Why did the provisions of agreement revoked to get balance work done at the cost of the contractor 'A'.
d) The balance work was to be completed within 6 months from July 1986 but was not completed by July 1988 (period of audit). In reply it is now stated that the works were completed in time. The correct date of completion may be intimated. A copy of the completion report may be furnished for perusal by the Committee.

(ii) Sub-para 4.1.10(ii) (p-74)

- a) What were the reasons for the abnormal delay in rescinding the contract and to get the estimate sanctioned in respect of the balance work ? Who is responsible for the delay ?
b) What was the cost overrun on account of the delay from November 1983 to date of completion in respect of the materials used, labour etc.

Why no penalty was imposed on the contractor for delaying the work and towards excess expenditure incurred ?

1. The first of the following items is a description of the
the first of the following items is a description of the

2. The second of the following items is a description of the
the second of the following items is a description of the

3. The third of the following items is a description of the
the third of the following items is a description of the

4. The fourth of the following items is a description of the
the fourth of the following items is a description of the

5. The fifth of the following items is a description of the
the fifth of the following items is a description of the

6. The sixth of the following items is a description of the
the sixth of the following items is a description of the

7. The seventh of the following items is a description of the
the seventh of the following items is a description of the

8. The eighth of the following items is a description of the
the eighth of the following items is a description of the

9. The ninth of the following items is a description of the
the ninth of the following items is a description of the

(iii) Sub-para 4.1.10(iii) (p-74-75)

a) The reply is evasive. It does not justify the inordinate delay of nearly 8 years. What were the reasons for such delay? Who was responsible and what action was taken against the official?

The Department may explain the reasons for the delay and period thereof.

b) The reply is also not in conformity with the contents of the para. The Department decided to rescind the contract only in April 1984 that too after the contractor expressed his inability in March 1984 to complete the work.

c) Did the Department not taken into account the site conditions while preparing the estimate originally and fix the period of completion? Even completion of the balance work was delayed by 6 months at which time the Department must have been aware of the site conditions. Can it not be surmised in view of the reply that estimates were prepared and works taken up by the Department without conducting any survey or investigation?

d) Was any penalty levied on contractor 'B'?

Whether the cost of cement (Rs. 0.11 lakh) recovered from him? If so the details may be furnished.

If not recovered, what were the reasons and who was responsible for the failure?

e) What does the reply "the work was closed long back after settling all dues" - convey?

Was the work completed or abandoned? Full details may be furnished.

(ii) Sub-para 4.1.11(ii) (Page 76)

a) What was the basis for the contention of Department?

b) The fact that the second contractor could not complete the work even by July 1983 clearly proved that the decision of the Department was erroneous and not based on facts. How does the Department justify the above position?

c) Whether the work was finally completed? If so, when and what cost?

d) Who was the first contractor and what were other works in hand with him? Full details with documentary evidence may be furnished.

e) Who was the second contractor and what were other works with him at the time?

(11) 10-11-1951 (11-11-1951)

a) The reply is negative. It does not justify the
inclusion of the said item in the list of items to be
for which the Government is responsible.

The Government is responsible for the said item for the

reasons stated above.

b) The reply is also negative. It does not justify the
inclusion of the said item. The Government is responsible for the
said item for the reasons stated above. It does not justify the
inclusion of the said item in the list of items to be

for which the Government is responsible.

c) All the items mentioned in the list of items to be
for which the Government is responsible are included in the list of
items for which the Government is responsible.

The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible. The Government is responsible for the said item
for the reasons stated above. It does not justify the inclusion
of the said item in the list of items to be for which the
Government is responsible.

What?

a) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

If the Government is responsible for the said item for the
reasons stated above, it is also responsible for the said item
for the reasons stated above.

b) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

(12) 10-11-1951 (11-11-1951)

a) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

b) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

c) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

d) The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

The Government is responsible for the said item for the
reasons stated above. It does not justify the inclusion of the
said item in the list of items to be for which the Government
is responsible.

f) Was any penalty levied on him for abandoning the work ? If not, what were the reasons ?

9. Sub-para 4.1.12: Other topics of interest (Pages 76-78)

a) What was the amount of compensation provided in the estimate and what was the actual amount.

b) Even so, the final expenditure exceeded the estimate. What was the actual cost overrun with reference to different components ?

c) What were the reasons for the delay in resurvey and preparation of revised estimate ?

(ii) Sub-para 4.1.12(ii) (Page 77)

No comments

(iii) Sub-para 4.1.12 (iii) (Pages 77-78)

a) Reply to the first part of the para may be furnished.

b) What were the reasons for the change in alignment from time to time ? Why no ~~proper~~ proper survey and investigation were not carried out before undertaking the work ?

(iv) Sub-para 4.1.12(iv) (Page 78)

The department may furnish complete reply categorically mentioning the dates in respect of each reason. When were the items to be completed as per agreement and when were they actually done ? What were the reasons for the delay for the lapses ?

10. Sub-para 4.1.13: Non-maintenance of records (P. 78-79)

Since when the records were being maintained ?

What were the reasons for their non-maintenance previously ?

If the records were being maintained at the time of audit why they were not submitted to the Audit for scrutiny ?

11. Sub-para 4.1.14 : Reports and returns

Sub-para 4.1.15

,--- No comments -

1) Was any special review or analysis conducted in the work of the past, what were the reasons?

2) What was the result of the review conducted in the

3) Even so, the final explanation excluded the evidence that was the actual case against the persons in question?

4) What were the reasons for the delay in carrying out the investigation of the cases?

5) What were the reasons for the delay in carrying out the investigation of the cases?

6) What were the reasons for the delay in carrying out the investigation of the cases?

7) What were the reasons for the delay in carrying out the investigation of the cases?

8) What were the reasons for the delay in carrying out the investigation of the cases?

9) What were the reasons for the delay in carrying out the investigation of the cases?

10) What were the reasons for the delay in carrying out the investigation of the cases?

11) What were the reasons for the delay in carrying out the investigation of the cases?

12) What were the reasons for the delay in carrying out the investigation of the cases?

13) What were the reasons for the delay in carrying out the investigation of the cases?

14) What were the reasons for the delay in carrying out the investigation of the cases?

15) What were the reasons for the delay in carrying out the investigation of the cases?

(vii) Agreement register - to record names of works, names of contractors, the value of contract and the period of agreement.

Due to non-maintenance of these records, details like the revenue realised towards sale of tender forms, the total expenditure on a particular work and the details of roads and bridges already constructed in the State could not be readily assessed.

4.1.14 Reports and returns

The monthly progress reports on the physical and financial progress of each work which are sent by the Divisional Engineers to the Chief Engineer do not reflect the correct position regarding physical and financial achievements, dates of commencement and completion and the position of physical progress in respect of incomplete works, thus giving a misleading picture. As for instance the slope treatment works on 4th mile of Makha-Dikchu road although stated to have been completed in September 1987, was shown as 10 per cent achieved in the progress report of February 1988. Similarly the surfacing and drainage work on 2nd km of Song-Sirwani road although completed long back was shown as in progress in the reports of March 1988.

4.1.15 The matter was reported to Government in August 1988. In reply the Government stated (September 1988) that constructional difficulties in the hilly region, delay by contractors in completing the works and difficulties in transporting the materials to work sites etc. were the main reasons for the lapses pointed out by audit.

POWER DEPARTMENT**4.2 Extra expenditure**

Under Rule 126 (iii) of Sikkim Financial Rules, 1979, purchases costing over Rs. 5,000 should normally be made through State Trading Corporation of Sikkim. Para 7 of the Annexure to Rule 127 *ibid* further stipulates that materials which are available at Director General of Supplies & Disposal's rate contract should be purchased from firms having the rate contract.

At the request of the Power Department (September 1980), State Trading Corporation of Sikkim invited quotations for supply of 365 tonnes of mild steel rounds, 100 tonnes of mild steel channels and 60 tonnes of mild steel flats of different specifications. The 13 firms which offered quotations were not manufacturing firms holding DGS&D rate contract. The first two lowest quotations were rejected on the ground that the firms were either not known to the department or to the State Trading Corporation of Sikkim and that the existence of the firms could not be ascertained by an on spot enquiry. The supply order was, therefore, issued (October 1980) to the firm giving third lowest quotation to supply the above materials within 4 months from the date of issue of supply order. Although, the rates of the firm varying from Rs. 469 to Rs. 5,690 per tonne were much higher than the prevalent Joint Plan Committee's rates of Rs. 2,476 to Rs. 2,841 per tonne, the firm's condition was that the rates would be enhanced if the Joint Plan Committee (JPC) rates were increased during the period of supply. Reasons for not procuring the materials from firms holding DGS&D rate contract or at JPC rates were not on record.

During October 1980 to January 1981, the firm supplied 280.81 tonnes of mild steel rounds, 9.950 tonnes of mild steel flats and 59.230 tonnes of mild steel channels. Further quantities of 96.743 tonnes of mild steel rounds, 50.232 tonnes of mild steel flats and 39.988 tonnes of mild steel channels were supplied during the period from February 1981 to March 1982, after the increase in the JPC rates varying from Rs. 2,476 to Rs. 2,841 to Rs. 2,975 to Rs. 4,536 for the materials with effect from 8th and 23rd February 1981.

Due to acceptance of the condition of the firm for escalation of prices on par with JPC rates while not supplying initially at JPC rates, the Department incurred an extra expenditure of Rs. 2.21 lakhs for supplies made by the firm during the period from February 1981 to March 1982.

Further, had the procurement of the materials been made at JPC rates right from the beginning the Department could have saved

Further comments

Para 4.2 : Extra Expenditure (Page 80-81)

(i) As per the para, the purchases were stated to have been made by floating tenders in view of the urgency of ongoing works. In this connection, the following information may be furnished to the Committee

- a) What were the works ?
 - b) What were the dates on which the works were started and what were the stipulated dates of completion ?
 - c) When were the works actually completed ?
 - d) What were the quantities of materials as per estimate and what were the quantities actually utilised ?
 - e) What was the stock position of the materials before taking up the works ?
- ii) Why advance action was not taken to procure materials in advance ?

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Further Comments

Para 4.3 : Non-realisation of Income tax
Rs. 1.18 lakhs (P. 81)

- i) The details of the amounts realised (supplier wise and bill wise) may be furnished alongwith the date of realisation and mode thereof.
- ii) A copy of the letter issued to Income tax and Sales tax Department may be furnished.

Further Comments

From the information at hand:

1. The subject is a male

2) The subject is a male, white, aged 35-40, height 5'8", weight 150 lbs.

3) The subject is a male, white, aged 35-40, height 5'8", weight 150 lbs.

4) The subject is a male, white, aged 35-40, height 5'8", weight 150 lbs.

5) The subject is a male, white, aged 35-40, height 5'8", weight 150 lbs.

6) The subject is a male, white, aged 35-40, height 5'8", weight 150 lbs.

Further comments

Para 4.4 : Avoidable expenditure of Rs. 1.78 lakhs
P. 81

- i) The department may note that on the basis of a clause in the tender notice, competitive rates offered by contractors cannot be rejected arbitrarily and without justification.
- ii) If the rates beyond 15% below the estimated cost were rejected and were unworkable in 1983, what was the justification for acceptance of tenders in 1986 at 20 to 35% below the estimated rates. The reasons for observing different norms on different occasions may be stated.
- iii) The department may furnish complete details of the works executed during 1983-84 to 1986-87 along with the names of the contractors.

Rs. 12.56 lakhs including 4 per cent Central Sales Tax (Rs. 0.47 lakh), and 3 per cent commission to State Trading Corporation of Sikkim (Rs. 0.35 lakh).

The matter was reported to the Government in September 1988. While accepting that purchase at JPC rate would have been economical, the Government stated in November 1988 that purchases were made by floating tenders in view of the urgency of the ongoing works.

4.3 Non-realisation of Income Tax-Rs 1.18 lakhs

As per Notification dated 17th June 1985 of the Government of Sikkim, Income Tax and Sales Tax Department, income tax has to be deducted at source at the rate of 3 per cent on the value of the goods supplied at the time of making payment. A test-check by Audit of the payment bills of 46 contractors from March 1986 to March 1987 revealed that income tax amounting to Rs. 1.18 lakhs was not recovered from them by the department at source. The department stated (April 1987) that the deduction of income tax was overlooked as it was not aware of the Government Notification and that the amount would be recovered from the supplier's subsequent bills. Particulars of recoveries have not been intimated.

The matter was reported to Government in September 1988. In reply (March 1989), the Government intimated that income tax of Rs. 0.64 lakh has since been recovered from the suppliers, leaving a balance of 0.54 lakh.

IRRIGATION DEPARTMENT

4.4 Avoidable expenditure of Rs. ~~1.78~~ lakhs

(a) The work for construction of an irrigation channel in East Sikkim at an estimated amount of Rs. 13.45 lakhs was split up into two (one for Rs. 7.41 lakhs and the other for Rs. 6.04 lakhs) and tendered on 14th February 1983. The first work was awarded to the 8th lowest tenderer at 15.25 per cent below the estimated rate and the second to the 5th lowest tenderer at 14.99 per cent below the estimated rate against the lowest tendered rates of 29 per cent below estimated rate for the first work and 27.55 per cent for the second. The reasons given for rejecting the lowest tenders were that their rates were non-workable. Further, in respect of other works, the department had already awarded works in the same year at rates ranging between 20 per cent below to 35 per cent below the estimated rates. The non-acceptance of the lowest rates had resulted in avoidable expenditure of Rs. 1.78 lakhs.

The matter was reported to Government (September 1988); reply has not been received (December 1989).

CHAPTER V

REVENUE RECEIPTS

5.1 Trend of Revenue Receipts

The total receipts of the Government of Sikkim for the year 1987-88 were Rs. 12640.06 lakhs against the anticipated receipts of Rs. 11383.80 lakhs. The total receipts during 1987-88 showed an increase of 11.39 per cent over those in the year 1986-87 (Rs. 11347.36 lakhs). Out of the total receipts of Rs. 12640.06 lakhs, revenue raised by the State Government amounted to Rs. 2921.11 lakhs, of which Rs. 1120.07 lakhs represented 'tax revenue' and the balance of Rs. 1801.04 lakhs, 'non-tax revenue'. Receipts from the Government of India (Rs. 9718.95 lakhs) accounted for 76.89 per cent of the total receipts during the year.

5.2 Analysis of Revenue Receipts

(a) General analysis

An analysis of the receipts during the year 1987-88 along with the corresponding figures for the preceding two years is given below:—

	1985-86	1986-87	1987-88
	(In lakhs of rupees)		
I. Revenue raised by State Government			
(a) Tax Revenue	761.51	974.65	1120.07
(b) Non-tax Revenue	1081.51	1459.84	1801.04
Total I	1843.02	2434.49	2921.11
II. Receipts from Government of India			
(a) State's share of divisible Union Taxes	1083.57	1383.32	1527.11
(b) Grants-in-aid	6236.81	7529.55	8191.84
Total II	7320.38	8912.87	9718.95
III. Total receipt of the State (I+II)	9163.40	11347.36	12640.06
IV. Percentage of I to III	20.11	21.45	23.11

(b) Tax revenue raised by the State

Receipts from the tax revenue during 1987-88 constituted 38.34 per cent of the revenue raised by the State. An analysis of tax revenue for the year 1987-88 and the preceding two years, is given below:-

	1985-86	1986-87	1987-88	Increase (+)/ Decrease (-) in 1987-88 with reference to 1986-87
(In Lakhs of rupees)				
1. Taxes on Income other than Corporation Tax **	190.99	292.49	307.05	(+) 14.56
2. Land Revenue	5.04	9.88	8.15	(-) 1.73
3. Stamps and Registration Fees	9.13	8.18	18.05	(+) 9.87
4. State Excise	348.87	406.79	472.92	(+) 66.13
5. Sales Tax	143.46	169.46	209.71	(+) 40.25
6. Taxes on Vehicles	15.01	16.78	29.01	(+) 12.23
7. Other Taxes and Duties on Commodities and Services	49.01	71.07	75.18	(+) 4.11
Total	761.51	974.65	1120.07	(+) 145.42

** Indicates Sikkim State Income Tax.

(c) Non-tax revenue of the State

Receipts from non-tax revenue during 1987-88 constituted 61.66 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the year 1987-88 and the preceding two years, is given below :—

		1985-86	1986-87	1987-88	Increase(+)/ Decrease(—) in 1987-88 with re- ference to 1986-87
(In lakhs of rupees)					
1.	Interest	25.20	60.53	33.18	(—) 27.35
2.	Public Works	37.17	89.17	120.33	(+) 31.16
3.	Education, Sports, Arts and Culture	3.78	1.88	7.25	(+) 5.37
4.	Forest	94.87	90.55	105.08	(+) 14.53
5.	Industries	55.08	44.83	29.13	(—) 15.70
6.	Power Projects	75.17	96.14	118.88	(+) 22.74
7.	Roads and Water Transport Services	494.23	633.93	823.65	(+) 189.72
8.	Others	296.01	442.81	563.54	(+) 120.73
		1081.51	1459.84	1801.04	(+) 341.20

5.3 Cost of collection

Receipts from the major sources of revenue, along with cost of collection, during the year 1985-86 to 1987-88 are given below:-

Head of Account	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
(1)	(2)	(3)	(4)	(5)
<i>(In Lakhs of rupees)</i>				
1. Taxes on Income other than Corporation Tax *	1985-86	190.99	2.72	1.42
	1986-87	292.49	5.65	1.93
	1987-88	307.05	7.83	2.55
2. Land Revenue **	1985-86	5.04	30.62	607.54
	1986-87	9.88	35.56	359.92
	1987-88	8.15	40.44	496.20
3. State Excise	1985-86	348.87	11.01	3.16
	1986-87	406.79	13.74	3.38
	1987-88	472.92	17.58	3.72
4. Sales Tax	1985-86	143.46	5.49	3.83
	1986-87	169.46	4.62	2.73
	1987-88	209.71	6.86	3.27
5. Taxes on Vehicles	1985-86	15.01	3.66	24.39
	1986-87	16.78	3.15	18.77
	1987-88	29.01	3.35	11.55
6. Entertainment Tax	1985-86	23.86	0.64	2.68
	1986-87	71.07	0.36	0.51
	1987-88	24.25	0.45	1.86

* Indicates Sikkim State Income Tax,

** The expenditure under 'Land Revenue' relates to several other administration functions of the Department also. Expenditure on collection of 'Land Revenue' has not been segregated.

INCOME TAX DEPARTMENT

5.4. Short assessment of income tax

Under Rule 4(i) and (ii) of Sikkim State Income Tax Manual income tax is to be charged on the gross sale proceeds of the previous year and every person doing business is expected to keep proper accounts and produce it on demand before the Income-Tax Officer who in case of default or in case of unsatisfactory account will assess tax according to his discretion.

(a) An assessee who was regularly supplying fertilizers, pesticides and animal feed to Government departments was assessed on 5.12.1985 and 7.1.1987 for the assessment years 1985-86 and 1986-87 for Rs.17.87 lakhs on best judgement basis as the assessee did not produce his books of accounts. Later on information collected (May 1988) by the Income and Sales Tax Department from the Agriculture Department revealed that he was assessable for a gross turnover of Rs.62.58 lakhs for supplies to the Agriculture Department alone in addition to the cash sales of Rs.3.25 lakhs. The dealer, therefore, did not disclose turnover amounting to Rs.47.96 lakhs resulting in evasion of income tax of Rs. 1.44 lakhs.

(b) In another case, the Income and Sales Tax Department assessed (January 1987) income tax of a cardamom dealer on a turnover of Rs.68.41 lakhs for the assessment year 1986-87.

A test check (April and May 1988) of sales tax assessment files of the assessee for the same year had revealed that sales worth Rs.16.62 lakhs effected to registered dealers were not included in the turnover of Rs.68.41 lakhs covered by the income tax assessment already made. The non-inclusion of sales of Rs.16.62 lakhs, made to registered dealers in the turnover resulted in short assessment of income tax of Rs.0.50 lakh.

(c) In the case of an assessee who did not produce the books of accounts, the department assessed (December 1984 and December 1985) his income tax on a total gross turnover of Rs.89.65 lakhs on best judgement basis. This turnover included Rs.86.65 lakhs being the net sale proceeds on which sales tax at the rate of 10 per cent works out to Rs.8.66 lakhs which escaped assessment and resulted in short levy of income tax of Rs.0.26 lakh.

A) Sub-para (a) (Page 86)

i) When was the assessment completed and what was the total tax levied?

ii) The Department may furnish complete reply narrating all the facts-

When and to whom the appeal was made by the assessee?

Was there any provision to lower the tax liability on appeal? If so, extract of the same may be furnished.

What was the out-come of the Appeal. A copy of the orders passed by the ~~Appellate~~ Appellate authority may be furnished ?

b) Sub-para(b) & (c) P. 86

When were the reassessments done - on what amounts and what was the amounts of tax levied ?

When were the demands issued ?

Has any tax been since realised? If so, details may be furnished. If not, reasons for non-realisation may be furnished.

c) Sub-para(d) P.87

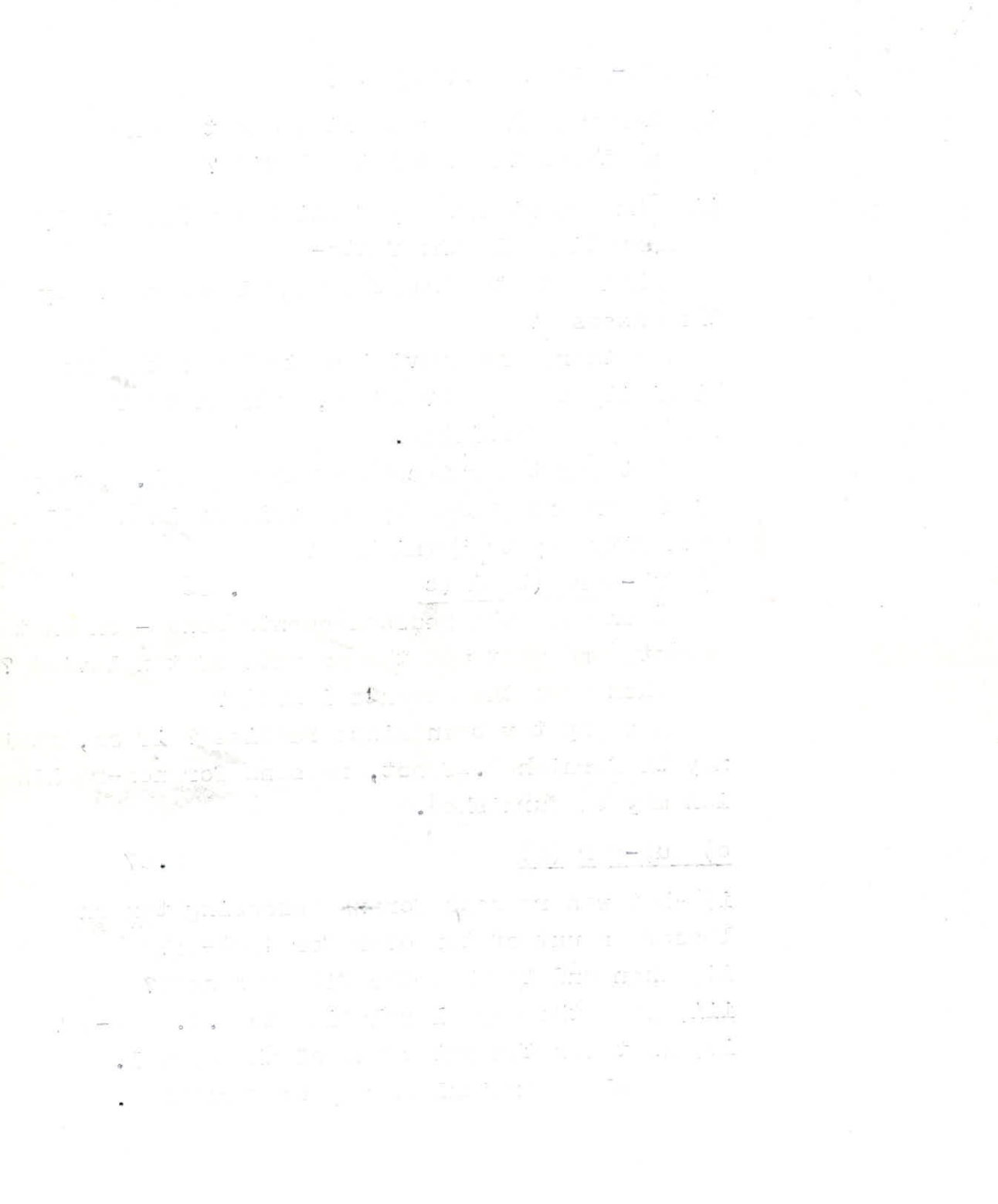
i) What was reasons for ~~reassessing~~ assessing tax on a lesser amount of turnover for 1984-85?

ii) When and to whom the file was sent?

iii) Was the appeal relating to A.Y. 1984-85?

iv) What was the out-comes of the Appeal.

Full particulars may be furnished.



(d) During the course of audit (April and May 1988) of Income and Sales Tax Office, Gangtok, it was revealed that against the actual gross turnover of Rs.56.37 lakhs of a dealer, for the assessment year 1984-85, assessment of gross turnover of Rs.34.48 lakhs only was made (August 1984) on the basis of return submitted by him. This resulted in short assessment of turnover of Rs.21.89 lakhs and short levy of income tax of Rs.1.08 lakhs.

The cases were reported to the department and Government (September 1988); their replies have not been received (December 1989).

5.5 **Non-imposition of interest and penal interest on delayed payment**

As per Income Tax and Sales Tax Notification (20th December 1973) the net amount of income tax payable in the notice of demand should be paid within 45 days from the date of issue of the notice failing which interest at 12 *per cent* per annum was to be charged from the date of notice. If, however, the payment of tax is not made even after three months from the date of the above notice the assessee shall be liable to pay the penal interest at 20 *per cent* of the defaulted amount.

A test-check of 62 cases in Gangtok Income and Sales Tax Office revealed (April and May 1988) that the mandatory interest and penal interest amounting to Rs.4.22 lakhs (Rs.3.39 lakhs pertaining to 14 cases of business dealers and Rs.0.83 lakh pertaining to 48 cases of house property owners) was not levied during the assessment years 1979-80 to 1986-87.

The matter was reported to the department and Government (September 1988); their replies have not been received (December 1989).

SALES TAX DEPARTMENT

5.6 **Short levy due to incorrect disclosure of taxable turnover**

Under Section 2(r) of the Sikkim Sales Tax Act, 1983 "turn-over" in relation to any period means "sale prices or part of sale prices receivable or if a dealer so elects, actually received by the dealer during such period after deducting the amounts if any, refunded by the dealer in respect of any goods returned by the purchaser within such period as may be prescribed". "Dealer" under Section 2(c) *ibid interalia* means "any person who carries on business of buying and selling of any goods for commission, remuneration or otherwise and includes any firm, hindu undivided family, company, corporation, a department of Government, Society, Club or association".

In Gangtok, a dealer of cardamom and other goods making sales and purchases through commission agents on payment of 25 per cent commission to such commission agents, disclosed a payment of Rs.12.30 lakhs as sales commission to five agents on sale of cardamom. Since this sales turnover was not assessed in the hands of the commission agents, the same should have been taxed in the hands of the principal dealer. For this purpose the turnover on sale of cardamom through commission agents should have been taken at Rs.49.20 lakhs (i.e. four times the commission of Rs.12.30 lakhs paid) and included in the other turnover for the purpose of sales tax. Against this, the dealer was assessed to a turnover of only Rs.4.71 lakhs disclosed in his returns. Since he did not disclose the turnover of Rs.49.20 lakhs in his returns, he was also liable to pay a penalty not exceeding half the amount of the concealed turnover under Section 13(3) of the Sikkim Sales Tax Act, 1983. Thus the tax and penalty not levied amounted to Rs.3.69 lakhs (tax effect is Rs.2.46 lakhs and penalty effect Rs.1.23 lakhs).

On the omission being pointed out (September 1988), the Department stated in November 1988 that action to revise the assessment would be initiated. Further report has not been received (December 1989).

The case was reported to Government in September 1988; their reply has not been received (December 1989).

Audit Report 1987-88

Further Comments

1. Para : 5.6 (Page 88)

When was the **Central Sales Tax Act** extended to this State ? Copy of orders under which CST was not applicable, may be furnished.

2. Para 5.7: (Page 89)

(i) When was the action ~~x~~initiated against the dealers ?

(ii) Latest position of ~~r~~ecovery may be pointed out in each case.

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5.7 Incorrect determination of turnover

(a) In Gangtok the turnover of an assessee for the assessment years 1984-85 and 1985-86 was determined (March 1985 and June 1987) at Rs.66 lakhs and Rs.15.29 lakhs by Sales Tax Department whereas in his income tax assessments, his turnover for the above years was determined as Rs.72.08 and Rs.17.57 lakhs respectively. Thus by not adopting the correct turnover for the above years, Sales tax amounting to Rs.0.42 lakh was under-assessed.

(b) In Gangtok in the assessment of an assessee for the years 1985-86 and 1986-87, the Income Tax Department made assessments on a turnover of Rs.7.37 lakhs and Rs.10.50 lakhs whereas the Sales Tax Department assessed him for the same period on a turnover of only Rs.6.77 lakhs and Rs.5.91 lakhs respectively. By not correlating the turnover as shown in the Income Tax assessments with the turnover shown in Sales Tax assessments, a taxable turnover of Rs.5.19 lakhs escaped assessment with a tax effect of Rs.0.26 lakh.

Audit scrutiny, also revealed that the assessee had made supplies to the various Government departments during 1985-86 and 1986-87 valuing Rs.50.62 lakhs and Rs.30.66 lakhs respectively which were not disclosed by him in his returns. On this basis, the assessments already made by the Sales Tax Department required revision. The revenue loss on this account works out to Rs.4.06 lakhs (at 5 per cent).

(c) The taxable turnover of an assessee for the purpose of sales tax assessment year 1986-87 was determined as Rs.45.35 lakhs. Audit scrutiny (March and April 1988) revealed that the Income Tax Department had ascertained from the Cardamom Board that he had sold cardamom worth Rs.20.96 lakhs to the Board, which was not included in the turnover determined by the Sales Tax Department. After allowing benefits under the Sales Tax Act, the taxable turnover of the assessee worked out to Rs.59.78 lakhs. The tax, under-assessed in the case, amounted to Rs.1.91 lakhs besides penalty leviable under Section 13(3) of the Sikkim Sales Tax Act.

On the omissions being pointed in audit (September 1988), the Department stated (November 1988), that the revised assessment would be initiated. Further report has not been received (December 1989).

The cases were reported to Government in September 1988; their reply has not been received (December 1989).

5.8 Short levy due to time barred assessments

Under proviso to sub-Section 4 of Section 13 of the Sikkim Sales Tax Act, 1983, no assessment can be made after the expiry of 4 years from the relevant period due for assessment.

In Gangtok Sales Tax office, a scrutiny (March 1988 and April 1988) of assessment records of an assessee assessable under Central Sales Tax revealed that his turnover of Rs.21.64 lakhs and Rs.19.72 lakhs for the assessment years 1983-84 and 1984-85 respectively were not assessed to tax till the end of assessment year 1987-88. The Central Sales Tax leviable on the above turnover for the two years thus barred by limitation of time, amounted to Rs.1.65 lakhs.

On the omission being pointed out in audit (September 1988) the department stated (November 1988) that the assessment was delayed due to non-furnishing of the books of accounts by the dealer.

The case was reported to Government in September 1988; their reply has not been received (December 1989).

5.9 Irregular grant of exemption from Sales Tax and undue retention of Central Sales Tax.

Under Section 5(2) of Sikkim Sales Tax Act, 1983, the State Government may exempt any assessee from the payment of sales tax in part or in full in public interest by issue of a specific notification to this effect. Under the provision of Central Sales Tax Act, in case of any undue collection of any amounts by way of tax in contravention of provision contained in Section 9 A of the Act, a fine which may extend to fifty rupees for every day during which the offence continues shall be imposed.

The Government Fruit Preservation Factory, Sikkim was not assessed to sales tax from 1983-84 onwards on the ground that they were allowed exemption by Honourable Chief Minister. But there was no corresponding notification exempting the factory from payment of sales tax. This resulted in non-assessment of taxable turnover of Rs. 124.17 lakhs and under assessment of tax of Rs.6.21 lakhs. However, the State Government issued a notification (February 1985) and reduced Central Sales Tax payable by the factory from 4 per cent to 1 per cent with effect from 1.4.1985. During the test-check (March 1988 and April 1988) of the records of the factory, it was revealed that Central Sales Tax of Rs.5.81 lakhs from 1985-86 to 1986-87 at the full rate of 4 per cent was

when the two teams for the falling ?

or how to initiate legal action ? It now

(iv) Has the department consulted the solicitor

regarding the amount ?

(vii) What action is proposed to be taken for

control by the police the amount and possibly ?

(viii) Any immediate corrective action was not

(i) When was the report filed out ?

(ii) Page 8.9 (pages 80-81)

no comment

3. Para 5.8

(Page 90)

No Comments

4. Para 5.9

(Pages 90-91)

- (i) When was the factory leased out ?
- (ii) Why immediate corrective action was not taken to realise the amount and penalty ?
- (iii) What action is proposed to be taken for realisation of the amount ?
- (iv) Has the department consulted the Department of Law to initiate legal action ? If not, what are the reasons for the failure ?

collected but was neither remitted to the State Government nor refunded to the customers. The undue collection of the Central Sales Tax and its retention by the factory was against the provisions of the Central Sales Tax Act and was therefore liable under Section 10 of the Act *ibid* for a daily fine which may extend to Rs.50 for every day during which the offence continued. Thus the fine leviable works out to Rs.0.73 lakh from April 1985 to March 1988.

On the omission being pointed out in audit (September 1988), the department stated in November 1988 that regarding grant of exemption of sales tax, Notification would be brought out under Section 5(2) of Sikkim Sales Tax Act, 1983 and for realisation of Central Sales Tax they had requested the department of Industries to make the books of accounts available. Further report has not been received (December 1989).

The case was reported to Government in September 1988; their reply has not been received (December 1989).

LAND REVENUE DEPARTMENT

5.10 Non-collection of revenue from Contractor for collection of damthy khazana on Cardamom

The Land Revenue Department entered into an agreement in December 1985 with a contractor for collection of cardamom and damthy khazana* in whole of Sikkim for the period from 1985-86 to 1988-89 without inviting competitive tenders. The contractor agreed to pay to Government a sum of Rs.15.01 lakhs per year in two equal instalments on 20th of June and December of each year. In case of failure on the part of the contractor to pay any of the instalments on the due date, interest at 5 per cent per month was chargeable on the amount so defaulted.

*Damthy khazana means the khazana leviable on cardamom crop and payable directly by the growers to the cardamom contractors who are Government assignees for collection of the said khazana.

The contractor, paid only a sum of Rs.10.01 lakhs for the year 1985-86 in three instalments in June 1986 (Rs.3.50 lakhs), February 1987 (Rs.2.50 lakhs) and June 1987 (Rs.4.01 lakhs) and a sum of Rs.15.00 lakhs for the year 1986-87 in four instalments on 4th and 6th August 1987 (Rs.1.00 lakh and Rs.6.50 lakhs respectively) and on 20th and 28th December 1987 (Rs.6.75 lakhs and Rs.0.75 lakh respectively).

The balance amount of Rs.5.01 lakhs together with the interest of Rs.4.17 lakhs for the defaulted period was still to be collected from the contractor (March 1989).

On the omission being pointed out in audit (August 1988), the department stated (March 1989) that the Finance Department had been moved to consider exemption to the contractor from payment of Rs.5.00 lakhs pertaining to the year 1985-86. Further reply has not been received (December 1989).

The case was reported to Government in August 1988; their reply has not been received (December 1989).

CHAPTER VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1 General

This Section deals with Government companies, Statutory Corporations and Departmentally managed Government Commercial/Quasi-Commercial undertakings in which Government had invested funds. Paragraph 6.2 gives a general view of Government companies; paragraph 6.3 deals with aspects relating to the Statutory Corporations and paragraph 6.4 deals with departmentally managed Government Commercial and Quasi-Commercial undertakings.

6.2 Government Companies - General view

6.2.1 There were five Government Companies in the State as on 31st March 1988, the audit of which had been taken up by the Comptroller and Auditor General of India at the request of the state Government under Section 20(t) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for the period from 1986-87 to 1990-91.

6.2.2 The statement as per Appendix 6.1 gives the particulars of up to date paid-up capital and outstanding loans, in respect of all Government Companies as on 31st March 1988.

The position is summarised below:—

(a) Against the aggregate paid-up capital of Rs.556.31 lakhs as on 31st March 1987 in five Government Companies, the aggregate paid-up capital as on 31st March 1988 stood at Rs.781.31 lakhs as per details given below:—

Particulars	Number of Com- panies	Amount invested by			Total
		State Go- vernment	Cent- ral Go- vern- ment	Others	
		(Rupees in lakhs)			
(i) Companies wholly owned by the State Government	3	295.00	Nil	Nil	295.00
(ii) Companies jointly owned by the Central Government/Others	2	261.87	Nil	224.84	486.31
Total	5	556.87*	—	224.44	781.31

*The figures as per Finance Accounts for 1987-88 was Rs.528.70 lakhs, the difference of Rs.28.17 lakhs was under reconciliation (July 1989).

(b) The balance of long-term loans in respect of five companies as on 31st March 1988 was Rs.792.22 lakhs (State Government: Rs.2.87 lakhs and others: Rs.789.35 lakhs) against Rs.426.68 lakhs (State Government: Rs.39 lakhs and others: Rs.387.68 lakhs) as on 31st March 1987.

6.2.3 Out of five companies, only one company (Sikkim Industrial Development and Investment Corporation Limited) had finalised its accounts for the year 1987-88. Another company (Sikkim Jewels Limited) finalised its accounts for 1986-87 in this year. Two companies (Sikkim Time Corporation Limited and Sikkim Flour Mills Limited) did not finalise their accounts for 1987-88, while the other company (Sikkim Livestock Development Corporation Limited) did not finalise their accounts from 1978-79 onwards.

A synoptic statement showing the financial results of four of these companies (i.e. excepting Sikkim Livestock Development Corporation Limited) based on the latest available accounts is given in Appendix 6.2.

In the absence of finalisation of accounts by four of these companies (i.e. excepting Sikkim Industrial Development and Investment Corporation Limited), the productivity of the investment of Rs.337.27 lakhs at the end of 1987-88 could not be conclusively established.

The position of arrears in the finalisation of accounts last brought to the notice of Government in April 1989.

6.2.4 In regard to working results of these companies, the following further points are made:

(i) The company which finalised its accounts for 1987-88, earned a profit of Rs.5.73 lakhs, while the other company which finalised its accounts for 1986-87, earned a profit of Rs.0.37 lakh as shown below:

Name of company	Year for which accounts were finalised	Paid-up capital at the close of the year	Profit for the year	Percentage of profit to paid-up capital
(Rupees in lakhs)				

- | | | | | | |
|----|--|---------|--------|------|------|
| 1. | Sikkim Industrial Development and Investment Corporation Limited | 1987-88 | 438.60 | 5.73 | 1.31 |
| 2. | Sikkim Jewels Limited | 1986-87 | 47.71 | 0.37 | 0.77 |
- (ii) None of these two companies had declared dividend during year.

6.3 Statutory Corporations-General aspects

6.3.1 As on 31st March 1988, there were three Statutory Corporations in the State:—

- Sikkim Mining Corporation;
- State Bank of Sikkim; and
- State Trading Corporation of Sikkim.

6.3.2 Sikkim Mining Corporation was established in February 1960, the State Bank of Sikkim in June 1968 and the State Trading Corporation of Sikkim in March 1972 under various proclamations of the erstwhile Chogyal of Sikkim.

Audit of all the three Statutory Corporations was entrusted under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for five years from 1984 in respect of State Bank of Sikkim and from 1986-87 in respect of the remaining two corporations.

State Bank of Sikkim and Sikkim Mining Corporation submitted their accounts for 1984 and 1986-87, ~~in September 1987 and August 1988~~ *finalised* respectively. Separate Audit Reports on the accounts of State Bank of Sikkim for 1984 and Sikkim Mining Corporation for 1986-87 were issued in September 1989 and March 1990 respectively.

The accounts of State Trading Corporation of Sikkim from the year of entrustment of audit viz., 1986-87 are in arrears.

6.3.3 A synoptic statement showing the summarised financial results of the working of the Sikkim Mining Corporation, State Bank of Sikkim is given in Appendix 6.3.

6.3.4 Sikkim Mining Corporation

The paid-up capital of the Corporation as on 31st March 1987 was Rs.57.35 lakhs contributed by the State Government: Rs.29.25 lakhs and the Central Government : Rs.28.10 lakhs.

The Corporation had also borrowed funds from the State and Central Governments. The amount of loans outstanding as on 31st March 1987 was Rs.102.40 lakhs (State Government: Rs.89.10 lakhs; Central Government: Rs.13.30 lakhs). Interest accrued but not paid on Central and State Government loans was Rs.5.17 lakhs and Rs.2.21 lakhs, respectively.

The financial position of the Corporation at the close of March 1987 is summarised in Appendix 6.4

6.3.4.2 The working results of the Corporation for the year 1986-87 are summarised below:

Particulars	Amount (Rupees in lakhs)
1. Total Revenue	42.35
2. Total Expenditure	39.84
(a) Other than interest	39.05
(b) Interest	0.79
Total 2	39.84
3. Net Profit	2.51
4. Capital invested (X)	167.13
5. Capital employed (XX)	52.05
6. Total return on	
—Capital invested (@)	3.30
—Capital employed (@@)	3.30
7. Percentage of return on	
—Capital invested	1.97
—Capital employed	6.34

6.3.5 State Bank of Sikkim

The paid-up capital of the Bank as on 31st December 1984 was Rs.20.38 lakhs (State Government : Rs.13 lakhs and others : Rs.7.38 lakhs). The bank had also borrowed funds from other scheduled banks from time to time. The amount of loan outstanding at the end of December 1984 was Rs.991.14 lakhs. The financial position of the bank at the close of December 1984 is summarised in Appendix 6.3.

Note: (X) Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

(XX) Capital employed represents net fixed assets (excluding capital work-in-progress) *plus* or *minus* working capital (all figures at the close of the year).

(@) Return on capital invested represents net profits *plus* interest on long-term loan.

(@@) Return on capital employed represents net profit *plus* interest charged to profit and loss account.

6.3.5.1 The working results of the bank for the year ending December 1984 are given below:

		Amount
	Particulars	(Rupees in lakhs)
1.	Total Revenue	305.26
2.	Total Expenditure	
	(a) Other than interest	41.66
	(b) Interest	213.78
	Total 2	255.44
3.	Net profit	49.82
4.	Capital employed (XX)	2861.40
5.	Capital invested (X)	1448.52
6.	Total return on :	
	—Capital employed (@@)	263.60
	—Capital invested (@)	263.60
7.	Percentage of return on	
	—Capital employed	9.21
	—Capital invested	18.20

6.4 Departmentally managed Government Commercial/quasi-Commercial undertakings

6.4.1 As on 31st March 1988, there were three departmentally managed undertakings viz. (i) Sikkim Nationalised Transport under the Department of Transport (ii) Sikkim Tea Board under the Industries Department and (iii) Wood Working Centre, Bordang under the Forest Department. One departmentally managed undertaking namely Government Fruit Preservation Factory was leased out to a private party in July 1987.

6.4.2 Out of the 4 departmentally managed commercial undertakings, one undertaking (Sikkim Tea Board) finalised accounts for 1987-88.

6.4.3 A synoptic statement showing the working results of the undertakings, based on the latest available accounts is given in Appendix 6.5.

Note: (X) Capital invested represents paid-up capital plus long term loans plus free reserves.

(XX) Capital employed represents net fixed assets (excluding capital work-in-progress) plus or minus working capital (all figures at the close of the year)

(@) Return on capital invested represents net profits plus interest on long-term loan.

(@@) Return on capital employed represents net profit plus interest charged to profit and loss account.

6.5 **Miscellaneous topics of interest relating to Statutory Corporations and Government Companies**

6.5.1 **STATUTORY CORPORATIONS**

STATE TRADING CORPORATION OF SIKKIM

Irregularities, procedural lapses and consequent financial losses in the procurement of cement

The State Trading Corporation of Sikkim (STCS) was entrusted by the erstwhile Chogyal of Sikkim in March 1972 with the work of procurement of cement and other major materials for use by various departments of the Government of Sikkim. The indenting departments had to pay the value of the materials in advance and also pay a commission of 3 per cent on the total value of materials to be procured. The Corporation had one Representative's office at Calcutta which was responsible for consolidation of all the indents and arrange procurements and in addition an Assistant Liaison Officer (ALO) at Siliguri who receives the materials despatched by Calcutta office and arranges its onward transmission to various destinations in Sikkim. A test-check of the records maintained in the office at Calcutta, the Liaison office at Siliguri and the receiving offices in various places in Sikkim conducted by Audit from August 1987 to February 1988 revealed the following procedural lapses and consequent financial losses:

(i) **Procedural lapses**

(a) All the cement allotment orders received from the Cement Controller are kept in the Calcutta office. However, when the cement allotted is lifted by the transporting agents from the cement companies, the quantities lifted are not correlated with the release orders with reference to the gate passes which indicates the quantity lifted, the gate pass number, the date of lifting, etc. Consequently, it could not be verified in Audit whether the entire quantity allotted was lifted or not.

(b) Certain quantities of cement allotted and lifted from the factories like Durgapur Cement Works, Raymond Cement Works, Gopalnagar, Associated Cement Factory Chaibasa, Hira Cement Factory, etc. were allowed to be kept by the transport contractors in their godowns. Details of such quantities kept by the transport contractors were neither intimated by them nor were verified by the Corporation. In the absence of gate passes issued by the Factories and returns from the transporters, actual quantities of such cement not delivered if any, by the transporters could not be verified in Audit.

(c) Cement lifted from the Cement factories was received by the ALO, Siliguri for onward transmission to the various destinations in Sikkim. But the payments for the transportation were being made by the Calcutta office without obtaining a certificate from the ALO, Siliguri indicating the quantity and date of receipt of materials. Thus, the correctness of the payments made to the transport contractors could not be verified.

(d) When the cement is despatched by the ALO, Siliguri to the respective indenting departments, such despatches were supported by challans indicating the description of materials, the quantity, the name of the carriage contractor, etc. Such challans were only filed at the receiving end, but not referred back to the ALO, Siliguri for confirmation or necessary record. In the absence of such a system the ALO, Siliguri could not ensure that the entire quantity despatched from Siliguri was received at the receiving end or not.

(ii) **Loss due to short receipt of cement**

The Calcutta office despatched 5.45 lakh bags of cement by rail/road during the period April 1986 to August 1987 for onward transportation and delivery to various departments. Against this, only 5.31 lakh bags were received at Siliguri, and on retransportation only 4.30 lakh bags were received at the ultimate destinations in the State. Thus, the short receipt aggregated 1.15 lakh bags costing Rs.61.12 lakhs. The Corporation had paid Rs.11.45 lakhs towards transportation charges in respect of the cement so short received.

Although the indenting departments paid full amount to the Corporation in advance, neither they demanded refund from the Corporation nor the Corporation refunded the cost of the cement short delivered. The Corporation did not take any action to prefer claims for the cement lost in transit either with the transport contractors or with the Railways. It was also seen that the cement in transit was not insured for transit losses and hence no claim could be preferred with the Insurance Company.

Thus, the loss sustained by the Corporation and passed on to the departments aggregated Rs. 72.57 lakhs (excluding commission charge of Rs.2.18 lakhs collected by the Corporation in advance).

(iii) **Non-despatch of Cement though lifted from the Cement factories**

A test-check of vouchers relating to the payment of cost of cement to the cement factories with the respective transport bills further revealed that out of 17,760 bags of cement lifted by two contractors during the period November 1986 to March 1987, only 15,604 bags were delivered at Siliguri leaving a balance of 2156 bags of cement costing Rs.0.92 lakh undelivered. No recovery has been effected from transporters towards the cost of cement remaining undelivered.

(iv) **Non-realisation of transportation charges**

A firm of Gopalnagar despatched (June 1986) 1970.75 tonnes (0.39 lakh bags) of cement **FOR**, New Jalpaiguri. The Corporation paid Rs.5.18 lakhs to the transporter at the time of taking delivery of cement, towards transportation charges short paid by the firm. Although the contract was **FOR** destination and, thus, the transportation charges were to be borne by the firm, the Corporation did not claim from the firm reimbursement of Rs.5.18 lakhs, for reasons not on record.

(v) **Extra expenditure on procurement of MS Angles**

The Power Department of the State Government requested (May 1986) the Corporation to procure 1000 tonnes of 35 x 35 x 5 mm and 100 tonnes of 50 x 50 x 6 mm MS Angles. In response to enquiries made by the Corporation, Indian Iron and Steel Company, Calcutta quoted (June 1986) their rate at Rs.6620 per tonne excluding CST at 4 per cent for 50 x 50 x 6 mm size. However, the Corporation informed (June 1986) Indian Iron and Steel Company that their requirement did not include MS Angles of 50 x 50 x 6 mm. This intimation was contrary to the request of the Power department and at the same time they also informed the Power department in June 1986 that Indian Iron and Steel Company, Calcutta had promised to supply the required MS Angles of 50 x 50 x 6 mm MS Angles and was directed to deposit Rs. 6.95 lakhs before 27th June 1986. Simultaneously the Corporation invited tenders (June 1986) for the above two sizes in response to which eight tenders were received. The lowest offer of a firm for 50 x 50 x 6 mm Angles at Rs.8390 per tonne **FOR** destination (Gangtok) was accepted and accordingly orders were placed on the above firm (December 1986) for supply of 1000 tonnes of 35 x 35 x 5 mm MS Angles and 100 tonnes of 50x50x 6 mm MS Angles. Thus, by not accepting the original offer of Indian Iron and Steel Company for supply of MS Angles of 50 x 50 x 6mm at Rs. 6620 per tonne, the Corporation incurred an avoidable expenditure of Rs. 1.05 lakhs on the purchase of 100 tonnes, including transportation charges from Calcutta to Gangtok and CST at 4 per cent.

AUDIT REPORT 1987-88

Para 6.5 : Non-accountal of Receipts (P 100 & 101)

1. Sub paras 6.5.1(i) to (vi) (P/100-101)

Replies to the above paras may be furnished immediately.

2. Sub para 6.5.1(vii) (P-101)

The reply does not appear to be relevant. The worksheets attached to the reply indicate that the receipts were deposited into Account whereas the objection speaks of non-entry of certain transactions in Cash Book.

The dates on which the amounts (shown in the para) was taken to cash book may be stated.

1900-1901

100-40183

(vi) **Loss of MS Rods and Tor Steel**

Scrutiny of records in the office of Assistant Liaison Officer, Siliguri revealed that out of 228.675 tonnes of Tor Steel and MS Rods of different sizes transported from Calcutta to Siliguri during the period from 8th June to 6th August 1985, only 189.04 tonnes were finally despatched to the indenting departments. The whereabouts of the balance quantity of 39.635 tonnes valuing Rs.3.28 lakhs were not known to the Corporation.

(vii) **Non-accountal of receipts**

A test-check of the sale records of spare parts for LPG Gas Stoves and connected materials, revealed that the materials sold from 6th to 30th March 1987 valuing Rs.0.50 lakh was not entered in the cash book.

Sale proceeds of new gas connections and stoves including spare parts from 1st August 1986 to 31st January 1987 for Rs.0.12 lakh was also not entered in the cash book. Similarly sale proceeds of 109 gas cylinders of Rs.7134 was also not entered in the cash book in June 1986.

The cash book of LPG sales and stores materials was not written from February 1987 to April 1987.

The matter was reported to the Management and Government in (September 1988); their replies had not been received (December 1989).

6.5.2 GOVERNMENT COMPANIES

SIKKIM LIVESTOCK DEVELOPMENT CORPORATION

Loss due to demolition of Poshtick Booth-cum-Cafeteria

As approved by the State Government, the Company acquired (8th February 1984) a Poshtick Booth, from Animal Husbandry Department and converted it into a sale counter-cum-cafeteria by investing Rs. 2.64 lakhs (Rs.2.01 lakhs on civil works and Rs.0.63 lakh on furniture and fixtures) during November 1985.

Government subsequently decided (September 1986) to hand-over the sale counter-cum-cafeteria to the Phanglapso Committee for erecting a Statue of 'Thekongthek' and in lieu thereof, the Company was to be allotted a shop in the Super Market. Government's decision did not specify whether the shop in Super Market was to be allotted on payment or free of cost. In April 1988 the Local Self Government and Housing Department proposed to the Company either to hire a room in Super Market on monthly rental basis of Rs.2000 or make an outright purchase at Rs.2 lakhs per room. Accordingly, the Company deposited (June 1988) Rs.24,000 in Bank for allotment of room in Super Market on rental basis. The room is yet (July 1987) to be allotted.

The sale counter-cum-cafeteria was demolished (after September 1986) but no statue had been erected, ~~so far~~ (December 1988).

The decision of Government, thus, involved the Company in a recurring monthly expenditure of Rs.2000 for handing over the sale-cum-cafeteria beside wasteful expenditure of Rs.2.64 lakhs without any consideration.

The matter was reported to the Management/Government in September 1988; their replies had not been received (January 1989).

Departmentally managed Government Commercial/
quasi-Commercial undertaking

6.5.3 SIKKIM NATIONALISED TRANSPORT

(i) Loss due to shortage of petrol and high speed diesel oil

A huge quantity of petrol and high speed diesel oil worth Rs.9.54 lakhs was exhibited as short in 4 depots of the Sikkim Nationalised Transport (Mangan Rs.1.97 lakhs, Rongpoo Rs.1.12 lakhs, Jorethang

Para 6.5.2: Loss due to demolition of Poshtick B
cum-Cafeteria.

The reply is not specific and does not answer the comments in the para. The following information may be furnished.

- a) Whether the Phanglapso Committee had paid any compensation to the SLDC? What were the terms under which the site was handed over to the Committee ?
- b) Whether the proposed statue has since been erected ? If not what were the reasons ?
- c) Was any counter allotted in Supermarket to the SLDC ? If so, was it occupied by the SLDC ? If not occupied, what was the action taken by the Department to realise the deposit of Rs.24,000/- made with the L.S.G. ?
- d) What was the total accumulated loss sustained by the SLDC at the time of its closure, and what was the yearwise analysis thereof ?
- e) It appears from the Audit Report (Para 6.2.3) that the SLDC did not finalise its Accounts from 1978-79 onwards.
What action was taken by the Department over these years to get the Accounts updated and streamline its working ?
- f) How can the Department deny its responsibility when ~~xxx~~ it has been paying grants-in-aid year after year without exercising any control or check on the functioning of the Corporation ?

f) How can the Department deny its responsibility when ~~xxx~~ it has been paying grants-in-aid year after year without exercising any control or check on the functioning of the Corporation

its working ?

What action was taken by the Department over the years to get the Accounts updated and streamlined

1978-79 onwards.

e) It appears from the Audit Report (Para 6.2.3) that the SLDC did not finalise its Accounts from

was the yearwise analysis thereof ?

d) What was the total accumulated loss sustained by the SLDC at the time of its closure and what

made with the U.S.G. ?

c) Department to realise the deposit of Rs.24,000/- not occupied, what was the action taken by the SLDC ? If so, was it occupied by the SLDC ? If Was any counter allotted in Supermarket to the

ed ? If not what were the reasons ?

b) Whether the proposed statue has since been erected

Committee ?

a) Whether the Phalgaapoo Committee had paid any compensation to the SLDC? What were the terms under which the site was handed over to the

information may be furnished.

answer the comments in the para. The following information

The reply is not specific and does not

comm-Cafeteria.

Para 6.2.2: Loss due to demolition of position No

Rs.5.70 lakhs and Legship Rs.0.75 lakh). These amounts exclude the figures in respect of Gangtok Depot for the period from April 1985 to November 1986 for which records were not produced to Audit.

Out of the total shortage of petrol and HSD oil worth Rs.9.54 lakhs, quantity worth Rs.1.18 lakhs related to Mangan Depot where the defective pumping machine was pumping 0.2 litres in excess on every 5 litres. This defect has not been rectified so far (August 1988).

The matter was reported to the Management/ Government in September 1988; replies have not been received (March 1989).

(ii) **Avoidable expenditure of Rs.5.09 lakhs due to non-acceptance of lowest tenders**

Tenders were invited for fabrication of 15 bus bodies of the Sikkim Nationalised Transport in July 1985. Out of the six tenders, the fifth lowest tender of a Calcutta based firm was accepted at Rs.1.03 lakhs per body rejecting the lowest quotation for Rs.0.87 lakh and others on the grounds of failure to deposit full amount of earnest money and bad workmanship. The firm's performance did not turn out to be satisfactory. Later in the next year 1986, when tenders for fabrication of 15 bus bodies were invited, the highest tender of the same firm was accepted at Rs.1.17 lakhs against the lowest rate of Rs.0.99 lakh per body even though it was on record that the work done by this firm in 1985 was not satisfactory in regard to fitting wind shield glasses, driver's doors, supports, bells etc.

Thus a loss of Rs.5.09 lakhs occurred in rejecting the lowest tenders during 1985 and 1986.

The matter was reported to Management and Government (September 1988). In reply (November 1988), the Management stated that the proposal for acceptance of the highest tender in 1986, was cleared by the Development Commissioner and Secretary, Finance Department and finally approved by the Government.

(iii) **Non-realisation of Rs.0.39 lakh on sale of bus tickets**

A booking agent was appointed by the Sikkim Nationalised Transport (June 1984) for Rumtek on commission basis for the period from June 1984 to May 1985, but the agent continued to function up to September 1986. Out of total tickets valued Rs.0.89 lakh issued to the agent from June 1984 to September 1986, the agent remitted only Rs.0.50 lakh and the balance was neither remitted nor unsold tickets returned.

The matter was reported to the Management and Government in September 1988. In reply (December 1988), the Management stated that letters directing the agent to deposit the balance amount had been issued.

Dr. Zang A. B. B. B. B.

(iv) **Procurement of spurious spare parts**

Spurious spare parts of motor vehicles costing Rs.1.92 lakhs were supplied by a local firm to the Sikkim Nationalised Transport during November 1985 to March 1986. These could not be fitted into the vehicles and stores worth Rs.0.31 lakh were not entered in the stock ledger. The Management stated that all the connected records were seized by the State Vigilance Department for investigation. Results of investigation have not been intimated.

The matter was reported to Government in September 1988. In reply (November 1988), Government intimated that payment for the materials was not made and steps were being taken to return the material and blacklist the supplier.

(v) **Short realisation of Rs.27.10 lakhs on account of loss of goods in transit**

The Sikkim Nationalised Transport (SNT) regularly carries goods on behalf of various Government departments and the public. When the carriage bills are preferred, the receiving departments deduct amounts from the freight charges towards the loss of goods in transit. During the period from 1983-84 to 1986-87, the various Government departments deducted a sum of Rs.27.10 lakhs on account of loss of goods in transit as detailed below:-

Name of the department	1983-84	1984-85	1985-86	1986-87	Total
	(In lakhs of rupees)				
Food Corporation of India	4.24	4.52	—	3.13	11.89
Sikkim Public Works Department	0.58	0.06	0.27	1.04	1.95
Food and Civil Supplies Department	6.66	3.10	2.83	—	12.59
Irrigation Department	—	—	0.13	—	0.13
Bharat Petroleum Corporation Limited	—	—	0.54	—	0.54
	11.48	7.68	3.77	4.17	27.10

The reasons for the transit loss was ascribed (November 1988) by the Department to rough handling at the time of loading and unloading causing damage to the containers.

Further scrutiny (February 1989) by audit revealed that out of the transit loss of Rs. 27.10 lakhs, Rs.6.12 lakhs was realised from the salaries of drivers and freight bills of the owners of private trucks, employed by SNT for transportation of goods.

Audit Report 1987-88

Further comments

Paragraph 6.5.3 : Sikkim Nationalised Transport.

1. Sub para (i) : Loss due to shortage of petrol and
HSD Oil (Page 102-103)

a. What is the present position of the shortage now ?

b. The particulars ^{as per the reply} in respect of various depots may be furnished for the years 1990-91 and 1991-92 for information of the committee.

2. Sub para(ii) Avoidable expenditure of Rs. 5.09 lakhs due to non-acceptance of lowest tender (P-103)

No comments

3. Sub para (iii) Non-realisation of Rs. 0.39 lakh on sale of bus tickets. (P-103)

a. Was legal action initiated against the Agent ? If so when was it ^{started} ~~shorted~~? If not, what were the reasons for the delay ?

b. Was any security deposit received from the Agent ? If not what were reasons for the omission ?

4. Sub para(iv) Procurement of spurious spare part (P-104)

Has action been taken to blacklist the firm ? If so when was the firm blacklisted and for what period ?

5. sub-para(v) Short realisation of Rs. 27.10 lakhs on account of loss of goods in transit (P-104)

a. Final reply in this regard may be furnished.

b. what is the total amount recovered/ realised so far and what is the balance amount?

c. What was the position in respect of the period ?

6. Sub-Para (vi) : Non-realisation of income tax of Rs. 0.85 lakh at source (P-105).

No comments.

No comments.

lakh at source (P-105).

6. Sub-para (vi) : Non-realisation of income tax of Rs. 0.83

c. What was the position in respect of the period.

What is the balance amount?

d. What is the total amount recovered/realised so far and

a. Final reply in this regard may be furnished.

of loss of goods in transit (P-104)

5. Sub-para (v) Short realisation of Rs. 27.10 lakhs on account

when was the firm blacklisted and for what period?

Has action been taken to blacklist the firm? If so

4. Sub para (iv) Procurement of spurious spare part (P-104)

What were reasons for the omission?

b. Was any security deposit received from the agent? If not

delay?

When was it ~~ordered~~? If not, what were the reasons for the

a. Was legal action initiated against the Agent? If so

of bus tickets. (P-103)

3. Sub para (iii) Non-realisation of Rs. 0.39 lakh on sale

No comments

non-acceptance of lowest tender (P-103)

2. Sub para (ii) Avoidable expenditure of Rs. 5.09 lakhs due to

committee.

for the years 1990-91 and 1991-92 for information of the

b. The particulars in respect of various debets may be furnish

a. What is the present position of the shortage now?

HSD Oil (Page 102-103)

1. Sub para (i) : Loss due to shortage of petrol and

Paragraph 6.5.3 : Sikkim Nationalised Transport.

Further comments

Audit Report 1987-88

(vi) **Non-realisation of income tax of Rs.0.85 lakh at source**

As per the existing instruction of the Income Tax and Sales Tax Department, income tax at the rate of 3 per cent on the value of the goods supplied to the Government departments should be deducted at source. A scrutiny of the payment registers of the Sikkim Nationalised Transport at Gangtok revealed that income tax amounting to Rs.0.85 lakh was not deducted during the period August 1985 to December 1986 from the supplier's bills. In reply the Management stated that non-realisation of income tax would not amount to a loss of revenue as the suppliers will be entitled for refund of this amount from the Income Tax Department. But the legal obligation has not been fulfilled.

The matter was reported to Government in September 1988. While accepting the fact of non-recovery of income tax at source, the Government stated (October 1988) that steps would be taken to realise the amount in consultation with the Income Tax Department.

Gangtok

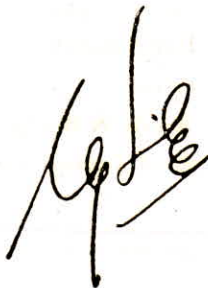
The 10 AUG 1990



(B.K. CHATTOPADHYAY)

Accountant General, Sikkim

Countersigned



NEW DELHI

The 4 SEP 1990

(C.G. SOMIAH)

Comptroller and Auditor General of India

APPEN

Overall excess over the final

(Reference: Para

Voted

Sl. No.	Number and name of Grant/ Appropriation (1)	Voted Grant	
		Revenue (2)	Capital (3)
(In rupees)			
1.	1- State Legislature	33,35,000	—
2.	1- Governor	—	—
3.	11- Secretariat General Services	1,74,40,000	—
4.	13- Treasury and Accounts Administration	38,70,000	—
5.	23- Medical & Public Health	5,03,45,000	—
6.	30- Relief on Account of Natural Calamities	3,44,62,000	—
7.	32- Other Social Services	20,55,000	—
8.	38- Forestry & Wild Life	3,85,76,000	—
9.	39- Food Storage and Warehousing	27,15,000	24,00,000
10.	40- Other Agricultural Programmes	—	2,00,000
11.	44- Power	—	9,94,00,000
12.	47- Roads & Bridges	8,38,57,000	—
13.	48- Road Transport Services	—	1,52,00,000
14.	52- Public Debt	—	—
Total:		23,66,55,000	11,72,00,000

DIX 2.1

Grants/Appropriations

graph 2.05; Page No. 12)

/Charged Grant

<i>Charged Appropriation</i>		<i>Total Grant</i>	<i>Actual Expenditure</i>	<i>Excess</i>
<i>Revenue</i>	<i>Capital</i>			
(4)	(5)	(6)	(7)	(8)
—	—	33,35,000	34,27,627	92,627
21,07,000	—	21,07,000	21,34,082	27,082
—	—	1,74,40,000	1,74,44,439	4,439
—	—	38,70,000	43,29,469	4,59,469
—	—	5,03,45,000	5,10,95,554	7,50,554
—	—	3,44,62,000	3,56,15,767	11,53,767
—	—	20,55,000	20,87,145	32,145
—	—	3,85,76,000	3,97,96,546	12,20,546
—	—	51,15,000	52,39,301	1,24,301
—	—	2,00,000	2,01,429	1,429
—	—	9,94,00,000	9,94,27,720	27,720
—	—	8,38,57,000	8,45,51,822	6,94,822
—	—	1,52,00,000	1,54,68,079	2,68,079
—	1,76,24,000	1,76,24,000	1,85,75,024	9,51,024
21,07,000	1,76,24,000	37,35,86,000	37,93,94,004	58,08,004

APPEN

(Reference: Para

Statement showing injudicious

- (a) Cases in which funds were injudiciously withdrawn
showed an excess over the provision

Sl.No.	Grant number and Head of Account	Original plus Supple- mentary
(1)	(2)	(3)
1.	34- Soil and Water Conservation 2402- Soil and Water Conservation 102- Soil Conservation 4- Conservation in Water shed areas (NP)	7.00
2.	38- Forestry & Wild Life 2406- Forestry and Wild Life 001- Direction & Administration (1)- Chief Conservator of Forests 1- Salaries (NP)	24.00
3.	102- Social Farm Forestry (10)- Social Forestry Scheme (P)	38.25
4.	51- Tourism 3452- Tourism 105- Tourist Transport Services (2)- Operational Expenses of Tourist Transport Services 1- Road Transport Services (NP)	10.75

DIX - 2.2

graph 2.08; Page No. 13)

and irregular re-appropriations

by re-appropriation, although the accounts already

(original plus supplementary)

<i>Actual Expenditure</i>		<i>Excess</i>		<i>Re-appropriation (Reduction)</i>
(4)		(5)		(6)
<i>(In lakhs of rupees)</i>				
8.93	(+)	1.93	(—)	4.80
25.07	(+)	1.07	(—)	1.14
43.97	(+)	5.72	(—)	4.40
15.17	(+)	4.42	(—)	2.28

(b) Cases where funds were withdrawn by re-appropriation

<i>Sl.No. Grant number and Head of Account</i>		<i>Original plus Supplemen- tary</i>
(1)	(2)	(3)
1.	14- Police	
	2055- Police	
	104- Special Police	
	I- Armed Police	
	1 Salaries	90.00
2.	17 Public Works (Buildings)	
	4216 Capital Outlay on Housing	
	107 Police Housing	
	1- Upgradation of Administration Recommen- ded by 8th Finance Commission	
	(a)- Construction of Police quarters and Barracks (P)	60.30
3.	21- Education	
	2202- General Education	
	104- Teacher & Other Service	
	I Pre-primary Schools	
	1- Salaries (NP)	23.60
4.	200- Other Adult Education Programmes	
	(I)- Non-formal education (State Programme) (P)	5.00
5.	23- Medical & Public Health	
	2210- Medical & Public Health	
	800- Other expenditure	
	1- Centralised purchase of dietary materials (NP)	16.30

in excess of the available saving

<i>Actual Expenditure</i>	<i>Actual Saving available</i>	<i>Re-appropriation (Reduction)</i>
(4)	(5)	(6)

(In lakhs of rupees)

87.02	(—) 2.08	(—) 4.13
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54.51	(—) 5.79	(—) 8.29
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20.66	(—) 2.94	(—) 5.50
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1.78	(—) 3.22	(—) 4.64
------	----------	----------

15.36	(—) 0.94	(—) 3.07
-------	----------	----------

Sl. No.	Grant Number and Head of Account	Original plus Supplementary
(1)	(2)	(3)
6.	27- Social Security & Welfare	
	2225- Social Security & Welfare	
	103- Special Central Assistance for Tribal Sub-Plan	
	6- Floriculture Scheme (P)	3.00
7.	102- Child Welfare	
	1- I.C.D.S. Programme (100 % CSS)	34.00
8.	29- Nutrition	
	2236- Nutrition	
	02- Distribution of Nutritious food beverages	
	101- Special Nutrition Programme (P)	22.00
9.	48- Road Transport Services	
	5055 Capital Section	
	1- Sikkim Nationalised Transport	
	103- Workshop facilities (P)	57.00
10.	52- Public Debt	
	6004- Capital Section	
	Loans for State Plan Schemes (Repayment)	
	101- Block Loans	
	2- Consolidated loans	54.90

<i>Actual Expenditure</i>	<i>Actual saving available</i>	<i>Re-appropriation (Reduction)</i>
(4)	(5)	(6)
2.99	(—) 0.01	(—) 3.00
30.78	(—) 3.22	(—) 5.90
17.32	(—) 4.68	(—) 12.30
43.91	(—) 13.09	(—) 16.36
54.90	Nil	(—) 12.00

(c) Cases of unnecessary augmentation of funds through
vant grant

Sl. No.	Grant Number and Head of Account	Original plus Supplementary
(1)	(2)	(3)
1.	29- Nutrition	
	2236- Nutrition	
	02- Distribution of Nutritious Food beverages	
	102- Midday meals (P)	23.00
2.	33- Agriculture	
	4401- Capital Outlay on Crop Husbandry	
	104- Agriculture Farm (P)	16.00
3.	33- Agriculture	
	4401- Capital Outlay on Crop Husbandry	
	109- Extension & Training (P)	6.00
4.	40- Other Agriculture Programmes	
	2415- Agriculture Research and Education	
	01- Crop Husbandry	
	004- Research	
	1- Adaptive Trails (P)	8.00
5.	51- Tourism	
	3452. Tourism	
	(2) Operational expenses of Tourist transport Services	
	2- Other transport services	
	(1) Lease charges of Helicopter (NP)	50.00

re-appropriation, despite saving under the rele-

<i>Actual expen- diture</i>	<i>Actual saving available</i>	<i>Re-appro- priation</i>
(4)	(5)	(6)

(In lakhs of rupees)

19.02 (—) 3.98 (+) 1.00

15.24 (—) 0.76 (+) 2.57

5.11 (—) 0.89 (+) 1.43

6.03 (—) 1.97 (+) 0.30

46.42 (—) 3.58 (+) 5.35

(d) Cases in which funds were injudiciously augmented required to cover-up the excess of expenditure which ultimately resulted in saving

Sl.No. Grant number and Head of Account		Original plus Sup- plementary
(1)	(2)	(3)
1.	17- Public Works	
	4216- Capital outlay on Housing	
	106- General Pool Accommodation	
	5- Construction of quarters for Ministers (P)	3.00
2.	21- Education	
	2202- Education	
	II- Primary Schools	
	1- Salaries (P)	83.00
3.	21- Education	
	2202- Education	
	104- Teachers and Other Services	
	(I)- Junior High Schools	
	1- Salaries (P)	107.00
4.	21- Education	
	2202- Education	
	106- Text Books	
	(2)- Purchase and Publication of Text Books (P)	10.00

**Statement showing savings/
(Reference: Paragraph 2.12;**

1985-86					
Name of Grant	Original	Supple- mentary	Actual expendi- ture	Saving(—) Excess(+)	Original
<hr/>					
1. Public Works (Bldgs)					
Revenue (Voted)	606.59	84.81	432.03	(—)259.37	674.11
Capital (Voted)	489.48	38.06	361.06	(—)166.48	699.43
2. Public Works (Roads and Bridges)					
Revenue (Voted)	650.55	24.25	743.17	(+) 68.37	710.15
Capital (Voted)	1344.05	—	1162.35	(—)181.70	1484.79
3. Power					
Revenue (Voted)	340.65	226.75	599.22	(+) 31.82	534.85
Capital (Voted)	694.00	12.35	515.98	(—)190.37	763.00
4. Education					
Revenue (Voted)	1091.92	30.00	1124.92	(+) 3.00	1274.70
	<u>416.22</u>			(—) <u>694.73</u>	

DIX 2.3

excess over grants

Page No.15)

1986-87				1987-88			
Supple- mentary	Actual expendi- ture	Saving Excess	(—) (+)	Origi- nal	Supple- mentary	Actual expendi- ture	Saving (—) Excess (+)
(In lakhs of rupees)							
55.25	220.53	(—)	508.83	693.10	181.94	839.34	(—) 35.70
10.00	570.90	(—)	138.53	663.25	73.01	665.72	(—) 70.54
50.40	708.17	(—)	52.38	774.57	64.00	845.52	(+) 6.95
16.86	1345.84	(—)	155.81	1540.23	40.00	1454.79	(—) 125.44
41.34	514.85	(—)	61.34	586.20	77.50	604.25	(—) 59.45
88.00	833.07	(—)	17.93	894.00	100.00	994.28	(+) 0.28
86.88	1290.93	(—)	70.65	1429.90	188.75	1542.59	(—) 76.06
<u>348.73</u>		(—)	<u>1005.47</u>		<u>725.20</u>		(—) <u>359.96</u>

(Reference : Para

Statement showing year-wise an

Name of Component	1983-84							
	Targets			Achievements				
	Area in hectares	No. of beneficiaries	No. of mini-kits	Area in hectares	No. of beneficiaries	No. of mini-kits	Percentage	
							Area	Beneficiaries
Land Development	128	320	—	128	320	—	100	100
Distribution of minikits	480	1200	Not fixed	N.A.	1200	1200	—	100
Plantation of fuel and fruit trees	160	400	—	160	400	—	100	100
Minor Irrigation	Not fixed	Not fixed	—	—	—	—	—	—

1984-85										
Targets			Achievements					Targets		
Area in hectares	No. of beneficiaries	No. of mini-kits	Area in hectares	No. of beneficiaries	No. of mini-kits	Percentage		Area in hectares	No. of beneficiaries	No. of mini-kits
						Area	Beneficiaries			
128	320	—	128	320	—	100	100	320	800	
480	1200	1200	392	980	980	—	—	800	2000	N
80	200	—	148.2	247	—	185	124	—	—	
Not fixed	Not fixed	—	640	415	—	—	—	Not fixed	Not fixed	

1 component-wise targets and achievements

1985-86						1986-87								1987-88							
No. of mini- kits	Achievements					Targets			Achievements					Targets			Achievements				
	Area in hectares	No. of benefi- ciaries	No. of mini- kits	Percentage		Area in hectares	No. of benefi- ciaries	No. of mini- kits	Area in hectares	No. of benefi- ciaries	No. of mini- kits	Percentage		Area in hectares	No. of benefi- ciaries	No. of minikits	Area in hectares	No. of benefi- ciaries	No. of mini- kits	Percentage	
				Area	Benefi- ciaries							Area	benefi- ciaries							Area	Benefi- ciaries
—	320	800	—	100	100	320	800	—	320	800	—	100	100	320	800	—	320	800	—	100	100
N.A.	800	2000	N.A.	100	100	800	2000	4000	800	2000	N.A.	100	100	Not fixed	2000	4000	N.A.	2000	4000	100	100
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	74	150	—	—	—	280	280	—	160	147	—	57	53	280	280	—	120	160	—	43	57

APPENDIX 6.1

(Reference : Paragraph 6.2.2; Page No. 93)

Statement showing particulars of paid-up capital, outstanding loans, working results, etc. of the companies as on 31st March 1988.

		Paid-up capital at the end of the current year					
Sl. No.	Name of the Company	State Government	Central Government	Others	Total	Long term loans at the end of current year	Amount of guarantee given
(In lakhs of rupees)							
1.	Sikkim Jewels Limited	42.27	—	5.44	47.71	40.00	Nil
2.	Sikkim Livestock Development Corporation Limited	33.00	—	—	33.00	—	Nil
3.	Sikkim Time Corporation Limited	144.00	—	—	144.00	85.00	Nil
4.	Sikkim Industrial Development and Investment Corporation Limited	219.60	—	219.00	438.60	635.07	Nil
5.	Sikkim Flour Mills Limited	118.00	—	—	118.00	32.15	Nil
Total :		556.87	—	224.44	781.31	792.22	Nil

(Reference : Paragraph
Summarised Financial Results
(Figures in columns 5 to

<i>Sl. No.</i>	<i>Name of the Company</i>	<i>Date of incorporation</i>	<i>Year of accounts</i>	<i>Authorised share capital</i>	<i>Paid-up share capital</i>	<i>Total capital invested</i>
1	2	3	4	5	6	7
1.	Sikkim Industrial Development and Investment Corporation Limited	March 1977	1987-88	1000.00	438.60	1117.90
2.	Sikkim Jewels Limited	July 1972	1986-87	50.00	47.71	79.67
3.	Sikkim Time Corporation Limited	October 1976	1986-87	100.00	55.00	176.24
4.	Sikkim Flour Mills Limited	June 1980	1986-87	150.00	108.00	173.17

DIX 6.2

6.2.3 ; Page No. 94)

of the Working of Companies

13 are rupees in lakhs)

<i>Profit (+) Loss (-)</i>	<i>Total inter- est char- ged to profit and loss account</i>	<i>Interest on long term loan</i>	<i>Total return on capi- tal in- vested (8+10)</i>	<i>Capital emplo- yed</i>	<i>Total return on capital employed (8+9)</i>	<i>Percen- tage of return on capital invested</i>	<i>Percen- tage of return on capi- tal em- ployed</i>	
8	9	10	11	12	13	14	15	
(+)	5.73	41.69	41.69	47.42	984.04	47.42	4.24	4.82
(+)	0.37	1.13	1.13	1.50	61.31	1.50	1.88	2.45
(+)	34.14	—	—	34.14	174.51	34.14	19.37	19.56
(+)	4.03	1.16	0.35	4.38	120.47	5.19	2.53	4.31

APPEN

(Reference : Paragraph

Summarised Financial Results of the

(Figures in columns 5 to

<i>Sl.No.</i>	<i>Name of the Corporation</i>	<i>Date of incorporation</i>	<i>Year of accounts</i>	<i>Authorised capital</i>	<i>Paid-up capital</i>	<i>Total capital invested</i>
1	2	3	4	5	6	7
1.	Sikkim Mining Corporation	February 1960	1986-87	100.00	57.35	167.13
2.	State Bank of Sikkim	June 1968	December 1984	100.00	20.38	1457.52

DIX 6.3

6.3.3 ; Page. No. 95)

Working of Statutory Corporations

13 are rupees in lakhs)

Pro- fit (+) Loss (—)	Total interest charged to profit and loss account	Interest on long term loan	Total return on ca- pital invested (8+10)	Capital emplo- yed	Total return on capi- tal em- ployed	Percen- tage of return on ca- pital inves- ted	Percen- tage of return on ca- pital emplo- yed	
8	9	10	11	12	13	14	15	
(+)	2.51	0.79	0.79	3.30	52.05	3.30	1.97	6.34
(+)	49.82	213.78	213.78	263.60	2861.40	263.60	18.08	9.21

APPENDIX 6.4

(Reference : Paragraph 6.3.4.1 ; Page No. 95)

Summarised Financial Position of Sikkim Mining Corporation

LIABILITIES		ASSETS	
As on 31.3.87		As on 31.3.87	
(Rupees in lakhs)			
1. Paid-up Capital	57.35	1. Net fixed assets	45.02
2. Loan Funds	109.78*	2. Cash and Bank Balances	2.79
3. Other liabilities	27.77	3. Loans & Advances	0.73
		4. Other assets	74.43
		5. Profit & Loss Accounts	71.92
	<u>194.90</u>		<u>194.90</u>

* Includes Rs.5.17 + 2.21 lakhs towards interest accrued on loans.

APPENDIX 6.5

(Reference : Paragraph 6.4.3 ; Page No. 97)

Summarised Financial Results of the Working of
Departmentally Managed Commercial undertakings

Sl. No.	Name of the undertaking	Date of incorporation	Year of accounts	Mean capital	Profit (+) Loss (-)	Total interest of Government loan/ capital	Total return	Percentage of return on mean capital
1	2	3	4	5	6	7	8	9
1.	Sikkim Nationalised Transport	1955-56	1985-86	803.56	(—) 79.21	Not provided	(—)79.21	—
2.	Government Fruit Preservation Factory	October 1965	1986-87	103.36	(—) 11.33	Not provided	(—)21.23	—
3.	Sikkim Tea Board	June 1974	1987-88	365.51	(—) 25.06	Not provided	(—)25.06	—
4.	Wood Working Centre	January 1974	1985-86	26.68	(—) 4.26	Not provided	(—) 4.26	—

