GOVERNMENT OF SIKKIM

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1975-76

(26th APRIL 1975 TO 31st MARCH 1976)

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PREFATORY REMARKS

Sikkim became a State of the Indian Union on 26th April 1975. 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 period 26th April 1975 to 31st March 1976 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 aforesaid period.

2. The cases mentioned in this Report are among those which came to notice during the course of test audit of accounts. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.

CHAPTER I

GENERAL

Section I

SYSTEM AND THE STATE OF ACCOUNTS IN SIKKIM

With the passing of the Constitution (Thirtysixth Amendment) Act, 1975 on 26th April 1975, Sikkim became the 22nd State of the Indian Union. From that date, the Comptroller and Auditor General of India became responsible for the performance of duties and exercise of powers in relation to the accounts of the State of Sikkim in terms of the Constitution and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2. So far (March 1977), there have been no Government treasuries in Sikkim. All receipts of Government are received by the State Bank of Sikkim and all payments are made by departments by cheques drawn on that bank. Prior to September 1968, a private firm, doing banking and other business, was entrusted with collection of receipts on behalf of Government without the intervention of any Government Officer and making payments on cheques issued by Government agencies. From September 1968 after the State Bank of Sikkim was established (July 1968), these functions were entrusted to that bank, but the private firm continued to transact Government business in certain remote localities of the State as an agent of that bank. These arrangements continued in 1975-76 also.

3. Prior to the 26th April 1975, the transactions of the erstwhile Government of Sikkim were grouped under two sections, the first consisting of developmental expenditure financed entirely from grants or loans received from the Government of India and the second one consisting of normal expenditure met from the resources raised by the Government of Sikkim as well as from the grants and loans from the Government of India. The two sections were kept separate from each other with separate budgets and bank accounts.

4. The annual accounts were compiled by the Finance Department on the basis of payments made by it, returns received from the departments containing the details of receipts and payments, and the accounts rendered by the bank consisting of bank pass book, chalans and paid cheques/vouchers. In the accounts for the period prior to 26th April 1975, no distinction was maintained between expenditure of a revenue nature and that of a capital nature. Consequently, progressive outlays on schemes of a capital nature were either not recorded in the accounts or were not readily available with the departments. Similarly, the balances under debt, deposits, loans and advances and remittance heads had not been carried forward in the accounts from year to year. Consequently, the figures under these heads have been brought forward in the Finance Accounts for 1975-76 of the Government of Sikkim to the extent they were available in subsidiary and departmental records.

5. A Department of Audit and Accounts under the charge of an Auditor General (with the rank of a Secretary to Government) was established in May 1971. He was required to submit his reports directly to the Ruler with a copy to the Chief Executive. Information regarding reports submitted by him and action taken thereon is not known (March 1977).

6. Prior to October 1972, payments of claims against Government were made by the departments concerned by drawing cheques on the bank. According to a modified system of payments introduced in October 1972, all bills for claims against Government were subjected to a pre-audit at the office of the Auditor General of Sikkim and after such pre-audit, they were paid centrally by the Finance Department. This system was, however, again revised in July 1973 and it was decided that payments of claims against Agriculture, Forest, Public Works, Education and Medical departments should be paid by those departments themselves, by cheques drawn on the bank and the salary bills of all departments should be paid by the respective departments similarly. This revised system was to be implemented only as and when suitable accounts staff was

available in the departments. Accordingly, the system was implemented only in four departments (Forest, Public Works, Electricity and Nationalised Transport) in November 1972. All other departments of Government adopted the system from 1976-77. The pre-audit at the office of the Auditor General of Sikkim (redesignated as Director of State Audit from 26th April 1975) was, however, applicable to certain selected categories of pay bills and contingent bills.

7. The audit of the accounts of both developmental and normal receipts and expenditure of the Government of Sikkim upto the year 1969-70 was conducted by an audit team sent periodically by the Government of India. In respect of normal receipts and expenditure, this arrangement was discontinued from May 1971 at the instance of the State Government, since the Government of Sikkim had created its own audit organisation then under an Auditor General. The audit of normal receipts and expenditure conducted by the Auditor General of Sikkim was, however, restricted to a pre-audit of the claims paid at the State headquarters with a limited local audit of the departments in and outside the headquarters. The audit of developmental expenditure, which was financed entirely by the Government of India, continued to be done by teams sent by the Government of India.

8. As mentioned earlier, from 26th April 1975, when Sikkim became a State of the Indian Union, the responsibility for the audit of all transactions of the State, both normal and developmental, devolved on the Comptroller and Auditor General of India. Important points, noticed during the test audit of the transactions of some departments, and others arising from the Appropriation Accounts and Finance Accounts for the year 1975-76, have been incorporated in this Report.

Section II

9. *Summary of transactions*

The receipts, expenditure and surplus/deficit of the Government of Sikkim for the period from 26th April 1975, when

Sikkim became a State of the Indian Union, to 31st March 1976 (hereinafter referred to as the year 1975-76) are given below :—

		(*In lakhs of rupees*)
(1)	Revenue—	
	Revenue receipts	1032.60
	Revenue expenditure	915.12
	Revenue surplus	117.48
(2)	Public Debt—	
	Loans and advances from the Central Government	
	Increase (+)	(+)9.96
(3)	Loans and advances by the State Government (net)	
	Increase (—)	(—)6.86
(4)	Public Account (net)	
	Receipts (+)	(+)83.84
(5)	Capital Expenditure	
	Net outgo (—)	(—)246.52
	Net Deficit (—)	(—)42.10
	Opening Cash Balance	(+)113.93
	Net Deficit (—)	(—)42.10
	Closing Cash Balance	(+)71.83

10. *Budget and actuals*

(*i*) The revenue receipts (Rs. 1032.60 lakhs) during 1975-76 fell short of the budget estimates (Rs. 1089.40 lakhs) by Rs. 56.80 lakhs, the percentage of shortfall being 5.2.

(*ii*) The expenditure on revenue account (Rs. 915.12 lakhs) during 1975-76 was less than the budget (Rs. 828.29 lakhs) *plus* supplementary provision (Rs. 162.16 lakhs) by Rs. 75.33 lakhs, the percentage of shortfall being 7.6.

(*iii*) The year ended with a revenue surplus of (Rs. 117.48 lakhs) against the surplus of (Rs. 261.11 lakhs) anticipated in the budget.

11. *Revenue receipts*

The revenue receipts of Rs. 1032.60 lakhs during 1975-76 are analysed below :—

	Amount (In lakhs of rupees)	*Percentage to the total revenue receipts*
A—Revenue raised by the Government		
(1) Tax Revenue	125.89	12.19
(2) Non-Tax Revenue	197.04	19.08
TOTAL ..	322.93	31.27
B—Grants from the Central Government	709.67	68.73
TOTAL REVENUE RECEIPTS	1032.60	100.00

The receipts from the Government of India during 1975-76 formed about 69 per cent of the total revenue receipts of the State.

12. *Expenditure on revenue account*

Broad details of the expenditure on revenue account during 1975-76 are given below :—

	Actual expenditure (In lakhs of rupees)	*Percentage to the total expenditure on revenue account*
A—General Services—		
(a) Organs of State	15.59	1.70
(b) Fiscal Services	8.84	0.97
(c) Administrative Services	57.85	6.32
(d) Pensions and Miscellaneous General Services	6.87	0.75
B—Social and Community Services	244.29	26.70
C—Economic Services	581.68	63.56
TOTAL ..	915.12	100.00

13. *Capital Expenditure*

(*a*) The capital expenditure (Rs. 246.52 lakhs) during 1975-76 was more than the budget *plus* supplementary provision (Rs. 234.93 lakhs) by Rs. 11.59 lakhs, the excess being 4.9 per cent.

(*b*) An analysis of the capital expenditure is given below:—

Capital expenditure on		*(In lakhs of rupees)*
(*i*) Public Works	..	17.64
(*ii*) Social and Community Services	..	59.41
(*iii*) General Economic Services	..	7.08
(*iv*) Agriculture and Allied Services	..	32.41
(*v*) Industry and Minerals	..	14.59
(*vi*) Water and Power Development	..	5.69
(*vii*) Transport and Communications	..	109.70
TOTAL—CAPITAL EXPENDITURE	..	246.52

Further details of capital expenditure are given in Statement Nos. 2 and 12 of the Finance Accounts, 1975-76.

(*c*) The sources from which the capital expenditure (Rs. 246.52 lakhs) and the net outgo under loans and advances (Rs. 6.86 lakhs) were met during 1975-76 are given below:—

		(*In lakhs of rupees*)
(*i*) Loans and advances from the Central Government	..	9.96
(*ii*) Deposits received by the Government (less amounts refunded), remittances, etc.	..	113.84
(*iii*) Decrease in cash balance	..	42.10
(*iv*) *Deduct* Increase in investments	..	(—) 30.00
(*v*) Revenue surplus	..	117.48
Net resources available	..	253.38

14. *Loans and advances*

(*a*) Against the budget *plus* supplementary provision of Rs. 28.85 lakhs, the actual disbursement of loans and advances by the State Government during 1975-76 was Rs. 17.64 lakhs. Recoveries of loans and advances during the year amounted to Rs. 10.78 lakhs against Rs. 11.98 lakhs estimated in the budget.

(*b*) The outstanding balances under loans and advances as at the end of March 1976 are analysed below:—

		Amount outstanding on 31st March 1976 (In lakhs of rupees)
(*i*)	Loans to General Financial and Trading Institutions	8.00
(*ii*)	Loans for Economic Services—	
	(*a*) General Economic Services	11.63
	(*b*) Agriculture and Allied Services	33.22
	(*c*) Industry and Minerals	59.54
(*iii*)	Loans to Government servants	13.12
(*iv*)	Loans for miscellaneous purposes	65.59
	TOTAL ..	191.10

Further details of loans and advances are given in Statement Nos. 4 and 17 of the Finance Accounts 1975-76.

15. *Debt position*

The total debt outstanding at the end of the year comprised entirely of the loans received from the Government of India. Six loans aggregating Rs. 9.96 lakhs were obtained by the State Government from the Government of India during 1975-76. The total amount of loans from the Government of India outstanding at the end of 1975-76 was Rs. 129.70 lakhs. No interest on any of these loans was paid during the year, the amount of interest due for the year being Rs. 3.44 lakhs.

16. *Guarantees given by the State Government*

A guarantee has been given by the State Government in August 1975 to the State Bank of Sikkim for giving 'advance facility' (overdraft) to the Sikkim Mining Corporation, in which the Government holds 51 percent of the share capital. The maximum amount guaranteed is Rs. 10 lakhs against which the amount of overdraft availed of by the Corporation as on 31st March 1976 was Rs. 4.61 lakhs.

17. *Investments*

In 1975-76, Government invested Rs. 7.08 lakhs in a Government commercial undertaking (Rs. 4.00 lakhs) and a co-operative institution (Rs. 3.08 lakhs). The total investment in the share capital of different concerns at the end of 1975-76 was Rs. 102.99 lakhs. The dividend received and credited to the Government during the year was Rs. 13.46 lakhs which worked out to about 13 percent of the total investment.

Further particulars of investments are given in Statement No. 13 of the Finance Accounts 1975-76.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

18. *Summary*

(*a*) The following table compares the total expenditure during the year with the totals of grants and charged appropriations :

		Grants/ Charged appropriations	*Expenditure*	*Excess + Savings —*	*Percentage*
Voted		(*In lakhs of rupees*)			
Original 1086.87 Supplementary 201.61		1288.48	1324.44	(+)35.96	3
Charged					
Original	9.50	9.50	9.32	(—) 0.18	2
TOTAL	..	1297.98	1333.76	(+)35.78	3

The overall excess of Rs. 35.78 lakhs was the net result of excess of Rs. 151.73 lakhs in six grants (Rs. 121.87 lakhs) and one appropriation (Rs. 0.91 lakh) in the Revenue section and in six grants (Rs. 28.95 lakhs) in the Capital section and saving of Rs. 115.95 lakhs in twenty-four grants (Rs. 86.29 lakhs) and three appropriations (Rs. 1.09 lakhs) in the Revenue section and in ten grants (Rs. 28.57 lakhs) in the Capital Section.

(*b*) Further details are given below :

	Revenue	*Capital*	*Loans and advances*	*Transfer to the Contingency Fund*	*Total*
			(*In lakhs of rupees*)		
Authorised to be spent (grants and charged appropriations)					
Original	845.04	223.85	27.48	—	1096.37
Supplementary	164.16	11.08	1.37	—	176.61
Amount transferred to the Contingency Fund under the Sikkim Contingency Fund Act, 1975	—	—	—	25.00	25.00
TOTAL	1009.20	234.93	28.85	25.00	1297.98
Actual expenditure (grants and charged appropriations)	1044.61	246.52	17.63	25.00	1333.76
Excess (+)/ Saving (—)	(+)35.41	(+)11.59	(—)11.22	—	(+) 35.78

19. *Excess over grants/charged appropriations requiring regularisation*

(*a*) *Grants*

(*i*) *Revenue :* The excess of Rs. 121.87 lakhs in the following six grants requires regularisation under Article 205 of the Constitution.

Serial number	*Number and name of the grant*	*Total grant Rs.*	*Expenditure Rs.*	*Excess Rs.*
1.	9 Electricity	62,04,000	65,89,856	3,85,856
	Reasons for the excess have not been intimated (March 1977).			
2.	12 Finance Department	2,28,000	2,38,074	10,074
	The excess was stated to be due to revision of pay scales.			
3.	16 Forest, Fisheries and Soil Conservation	71,13,800	75,14,517	4,00,717
	The excess was attributed mainly to purchase of vehicles at the close of the year, unforeseen additional works of afforestation and additional works of emergent nature for protection of forests from damage due to drought conditions.			
4.	19 Home Department	29,36,500	31,88,586	2,52,086
	The excess was due mainly to salaries of Ministers and their staff being met from this grant in the beginning of the year instead of from Grant No. 2 relating to Cabinet.			

Serial number	*Number and name of the grant*	*Total grant* Rs.	*Expenditure* Rs.	*Excess* Rs.
5.	27 Press, Publicity and Cultural Affairs	13,25,900	14,43,255	1,17,355
	The excess was due mainly to special repairs to the building of the Community Centre, organisation of a cultural troupe, grants to cultural troupes and expenditure on Republic Day celebrations for which no provision was made.			
6.	28 Public Works, Roads, Bridges and Water Supply	1,90,41,900	3,00,62,986	1,10,21,086
	The excess was due mainly to purchase of more stores and more expenditure on construction and maintenance of district and other roads.			

(*ii*) *Capital* : The excess of Rs. 28.95 lakhs in the following six grants requires regularisation under Article 205 of the Constitution :—

1.	3 Agriculture	92,000	1,24,312	32,312
	The excess was due mainly to construction of staff quarters for which no provision was made.			
2.	4 Animal Husbandry and Dairy Development	5,20,000	5,24,931	4,931
	Reasons for the excess have not been intimated (March 1977).			
3.	6 Co-operation	5,45,000	7,88,630	2,43,630
	The excess was due mainly to expenditure on centrally sponsored schemes towards the close of the year, for which no provision had been made.			

Serial number	*Number and name of the grant*	*Total grant*	*Expenditure*	*Excess*
		Rs.	*Rs.*	*Rs.*
4.	8 Education	24,04,000	30,36,446	6,32,446

The excess was due mainly to payment of more carriage charges for building materials than anticipated and increased expenditure on construction due to increased cost of materials.

5.	18 Sikkim Nationalised Transport	2,65,000	3,82,418	1,17,418

Reasons for the excess have not been intimated (March 1977).

6.	28 Public Works, Roads, Bridges and Water Supply	1,16,54,000	1,35,18,340	18,64,340

The excess was due mainly to more expenditure than anticipated on Makha-Dickchu Road and Rakdong-Dickchu Road.

(*b*) *Charged appropriation* (*Revenue section*) : The excess over the charged appropriation in the following case also requires regularisation :

Name of charged appropriation	*Total appropriation*	*Expenditure*	*Excess*
	Rs.	*Rs.*	*Rs.*
Governor	5,60,500	6,52,176	91,676

The excess was stated to be due mainly to more expenditure on furnishings and on maintenance and repairs of buildings.

20. *Supplementary grants*

Supplementary provisions of Rs. 164.16 lakhs (20 per cent of the original provision) in the Revenue section and Rs. 37.45 lakhs (15 per cent of the original provision) in the Capital section were obtained under twenty-four grants and five grants respectively. The details of significant cases of unnecessary, excessive and inadequate supplementary grants are given below :

(*i*) *Unnecessary supplementary grants* :

In the following 4 cases in the Revenue section and 2 cases in the Capital section, supplementary grants obtained in March 1976 (exceeding Rs. 1 lakh each) of Rs. 15.14 lakhs and Rs. 9 lakhs respectively, remained wholly unutilised.

Serial number	*Number and name of the grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
		(*In lakhs of rupees*)			
REVENUE					
1.	3 Agriculture	43.66	2.00	36.56	9.10

Reasons for the saving have not been intimated (March 1977).

2.	6 Co-operation	2.52	1.03	1.99	1.56

Reasons for the saving have not been intimated (March 1977).

3.	14 Other expenditure of the Finance Department	90.37	1.30	85.18	6.49

Saving was due mainly to anticipated expenditure on scholarships, cultural visits, etc., not being incurred during the year.

Serial number	*Number and name of the grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
		(*In lakhs of rupees*)			
4.	24 Medical, Public Health and Sanitation	51.17	10.81	46.51	15.47

Saving was due mainly to non-payment of arrears of pay arising from revision of pay scales and less purchase of furniture, linen and dietary articles.

CAPITAL

1.	15 Food Supplies and Fair Price Shops	34.00	5.00	32.41	6.59

Saving was attributed mainly to non-payment of final amounts in respect of certain godowns under construction.

2.	21 Police	—	4.00	—	4.00

Reasons for the saving have not been intimated (March 1977).

(*ii*) *Supplementary grants which proved excessive :*

In the following 6 cases in the Revenue section, the supplementary grants (exceeding Rs. 1 lakh each) proved excessive; against the supplementary provision of 43.09 lakhs in these cases, Rs. 20.41 lakhs were actually utilised.

REVENUE

1.	4 Animal Husbandry and Dairy Development	20.67	3.54	21.14	3.07

Saving was due mainly to non-availability of trained staff and non-payment of bills for supply of equipments.

Serial number	*Number and name of the grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
		(*In lakhs of rupees*)			
2.	5 Bazar	4.54	2.66	5.43	1.77

Saving was due mainly to vacant posts, non-payment of compensation for land acquired and non-execution of work of construction of *Hat* sheds.

3.	8 Education	62.82	15.72	71.49	7.05

Saving was due mainly to vacant posts, non-purchase of equipment, non-execution of minor works and non-payment of stipends and scholarships to students.

4.	21 Police	27.19	5.15	27.80	4.54

Reasons for the saving have not been intimated (March 1977).

5.	22 Land Revenue	8.72	3.70	9.62	2.80

Reasons for the saving have not been intimated (March 1977).

6.	25 Panchayat and Rural Works	46.50	12.32	55.37	3.45

Saving was stated to be due mainly to late sanction to works.

(*iii*) *Inadequate grants:* In the following 3 cases in the Revenue section and 1 case in the Capital section, supplementary grants (exceeding Rs. 1 lakh each) of Rs. 48.08 lakhs and Rs. 2.45 lakhs respectively proved inadequate, the final uncovered excesses (reasons to the extent received mentioned in paragraph 19), being Rs. 116.59 lakhs and Rs. 2.44 lakhs respectively.

Serial number	Number and name of the grant	Original grant	Supplementary grant	Expenditure	Excess
REVENUE		(In lakhs of rupees)			
1.	9 Electricity	35.64	26.40	65.90	3.86
2.	19 Home Department	25.10	4.27	31.89	2.52
3.	28 Public Works, Roads, Bridges and Water Supply	173.01	17.41	300.63	110.21
CAPITAL					
1.	6 Co-operation	3.00	2.45	7.89	2.44

21. *Unutilised provision*

(*i*) Rupees 115.95 lakhs remained unutilised in 24 grants (Rs. 86.29 lakhs) and 3 appropriations (Rs. 1.09 lakhs) in the Revenue section and in 10 grants (Rs. 28.57 lakhs) in the Capital section.

(*ii*) In 12 grants in the Revenue section and 6 grants in the Capital section, the savings (more than Rs. 1 lakh in each case) were more than 10 per cent of the total provision. The details of these grants are given in the Appendix.

22. *Reappropriations*

The schedules to the Appropriation Acts indicated separate amounts for Revenue and Capital expenditure against some grants. As such, reappropriation between Revenue and Capital in such cases would be irregular. In the following 8 cases, reappropriations have been made by Government from Revenue to Capital and *vice-versa* within the grants concerned:—

Serial number	*Number and name of the grant*		*Amount reappropriated*
REVENUE TO CAPITAL			(*In lakhs of rupees*)
1.	3	Agriculture	3.53
2.	8	Education	2.00
3.	18	Sikkim Nationalised Transport	1.65
4.	27	Press, Publicity and Cultural Affairs	0.06
CAPITAL TO REVENUE			
5.	6	Co-operation	0.56
6.	9	Electricity	5.50
7.	24	Medical, Public Health and Sanitation	1.78
8.	28	Public Works, Roads, Bridges and Water Supply	2.50

The Government stated (August 1976) that "in accordance with the practice being followed there is no bar for reappropriation of funds from Revenue to Capital and vice-versa."

CHAPTER III

RESULTS OF AUDIT

Section I—Civil Departments

FINANCE DEPARTMENT

23. *Non-recovery of dues from a firm*

A private firm, carrying on the business of banking and other business in Sikkim, was also the banker to the State Government till September 1968, when the responsibility was taken over by the newly established State Bank of Sikkim. As on the date of take-over, the investments in fixed deposits and balances of the Government, its undertakings and agencies with the firm were estimated to be about Rs. 85 lakhs. An agreement was entered into by the then Government of Sikkim with the firm on 3rd September 1968 according to which the amount of Rs. 85 lakhs would be repayable in 15 stipulated annual instalments, with interest at 7 per cent per annum which was payable half-yearly. The first instalment of Rs. 0.50 lakh was to be paid by 31st March 1969 and the last of Rs. 8.50 lakhs by 31st March 1983. In the event of default in the payment of any instalment by the due date, the whole of the principal would become due at once, entitling the Government to enforce the payment of the whole amount by suit or otherwise. The firm had agreed to deposit, with the Solicitors to the Government, the title deeds of all its properties as security for the repayment of the amounts due; information about the title deeds deposited and their value is not known (March 1977).

The firm defaulted in the repayment of the principal and payment of interest. It was, thereupon, decided by the Government in February 1970 that all payments due to the firm for supplies and services rendered by it to Government departments and undertakings should also be applied towards liquidation of the outstandings against it. At the close of the year 1974-75, as against a total sum of Rs. 26.50 lakhs due from the firm till then towards the stipulated instalments of the principal, a total sum

of Rs. 15.23 lakhs only had been realised, partly by withholding the amounts of the bills of the firm for supplies of goods made by it to various departments. According to an estimate made by the Government in December 1975, the interest due from the firm upto 31st March 1975 amounted to Rs. 35.94 lakhs. The instalment of Rs. 5.50 lakhs due on 31st March 1976 had also not been deposited by the firm (December 1976) but a sum of Rs. 2.78 lakhs had been applied during 1975-76 towards the outstandings by recoveries from the bills of the firm for supplies during the year.

No action had been taken (December 1976) to recover the outstanding amount by a civil suit or otherwise. On a representation made by the firm in June 1976, the Government instead decided that payments for supplies made by the firm to Government departments would be made to the firm instead of being adjusted towards the outstandings. In granting this concession, no assurance was taken from the firm either about the overdues or about the timely payment of future instalments.

The matter was referred to the Government in September 1976; reply is awaited (March 1977).

INDUSTRIES DEPARTMENT

24. *Unfruitful expenditure*

Preparation of a feasibility report for copper mining in the State was entrusted (1972) to a firm (a private limited company) of Bombay which was paid a sum of Rs. 0.50 lakh in January 1973. The firm went into voluntary liquidation shortly thereafter (February 1973). The department stated (December 1975) that a claim for the amount was lodged with the liquidator but there was hardly any likelihood of any part of it being recovered.

The matter was referred to the Government in July 1976; reply is awaited (March 1977).

25. *Loans to cottage and small scale industries*

A loan not exceeding a sum of Rs. 2 lakhs could be sanctioned by the Government as aid to any cottage or small scale

industry under the "Sikkim Durbar Rules for advance of loans for the promotion, encouragement and development of cottage and small scale industries". The terms and conditions for the grant of these loans, specifying the security to be furnished for the loan, the manner of repayments, interest leviable, etc., are specified in individual agreements entered into by the Government with the beneficiaries. Upto the end of 1975-76, 85 such loans amounting to Rs. 20.38 lakhs had been sanctioned by the Government out of which Rs. 20.05 lakhs were disbursed (July 1976). In 32 of these cases no recoveries were due during 1975-76 towards principal or interest. In the remaining 53 cases, the recoveries had not been made as stipulated in the relevant agreements. Out of a total sum of Rs. 6.16 lakhs (Rs. 5.36 lakhs as principal and Rs. 0.80 lakh as interest) due in these cases as on 31st March 1976, only a sum of Rs. 3.39 lakhs (Rs. 3.07 lakhs towards principal and Rs. 0.32 lakh towards interest) had been recovered. In 26 of these cases involving Rs. 2.76 lakhs no recoveries had been made at all either towards principal or interest, though some of these loans were disbursed in 1968, 1969 and 1970. The agreements entered into with the loanees provided for the overdue instalments of repayments being realised from the property given as security for the loan; no action has been taken to enforce the recovery even in cases in which the repayments had not been made for a long time.

A sum of Rs. 1.50 lakhs was drawn in March 1971 by a Secretary to Government towards loan sanctioned to a firm for the manufacture of transistor radios. This amount was not disbursed to the firm immediately but invested in June 1971 in a fixed deposit for a period of 3 months with a bank in the personal name of the Secretary. The fixed deposit with interest accrued thereon was renewed from time to time till June 1972, when a sum of Rs. 0.50 lakh was transferred to the firm as a loan, the balance being continued to be retained in fixed deposit. In October 1972, the firm wanted a further instalment of Rs. 0.50 lakh but a sum of Rs. 1.00 lakh was transferred from the fixed deposit to the account of the firm. No action had been not take ascertain from the bank or the officer, who has since

retired, about the disposal of the interest accrued on the fixed deposit.

In November 1972, the firm wanted another loan of Rs. 1.00 lakh, which was disbursed to it on 5th December 1972. No agreement was entered into by the Government with the firm stipulating the terms and conditions of the loan, (December 1976).

The matter was referred to the Government in September 1976; reply is awaited (March 1977).

Section II—Revenue Receipts

26. *Bazar Licence Fees*

There are 43 big and small bazars in the State under the control of the Government. The rights to manage, control and collect tolls and rents from the shops in all these bazars are auctioned by Government every two years; the last auctions covering the years 1974-75 and 1975-76 were held in February 1974. The right is generally settled on the highest bidder, in each case. On acceptance of a bid, a bazar licence agreement is entered into by Government with the successful bidder (called the licensee), laying down the amount to be paid to Government as licence fee, the terms and conditions of the licence and the rules for collection of the tolls and rents from the shop owners and other traders in the bazar. The rates of tolls and rents which the licensee may levy and collect for different trades or commodities are also fixed in the agreement.

27. *Trend of revenue*

The amounts collected as licence fees from the licensees under these agreements, and other receipts during the three years ending 1975-76 were as under :

1973-74	Rs. 5.73 lakhs
1974-75	Rs. 6.82 lakhs
1975-76	Rs. 10.38 lakhs

Some interesting points noticed during test audit are given below :

In terms of the notice inviting bids in the auctions, the person whose bid is accepted has to deposit 10 percent of the "contract amount" as security deposit along with the first quarterly instalment immediately on acceptance of his bid, failing which the right is liable to be settled on the second highest bidder, the resultant loss being recoverable from the former. It was noticed in audit (September 1976) that in 14 cases of auctions for the two years 1974-75 and 1975-76, licences had been granted to the successful bidders even without realising security deposits amounting to Rs. 15,293. Government stated (January 1977) that in 6 of these cases, the total amount of the licence fee had since been realised and hence the question of realising security deposits did not now arise and that in the remaining 8 cases, efforts were being made to realise the amounts due from the defaulters.

According to the terms of licence, if the licensee fails to pay the licence fee regularly, the settlement could be revoked and the rights auctioned afresh, the loss to Government on this account being recoverable from the original licensee. In 5 cases of such re-auctions covering the period May 1975 to March 1976, the loss to Government amounting to Rs. 17,219 had not been recovered from the original licensees. In two of these cases, no security deposit had been recovered at the time of granting the licences. Government stated (January 1977) that action was being taken to recover the loss.

28. *Uncollected licence fees*

According to the information furnished by the department (September 1976) the arrears in the collection of the licence fees amounted to Rs. 8.62 lakhs as on 31st March 1976. No yearwise analysis of the outstanding amount was available but it was noticed in audit (September 1976) that a sum of about Rs. 1.46 lakhs had been outstanding

from 1964 to 1968 from 7 persons, three of whom had no property in the State and the remaining four had left the State. In addition, a sum of about Rs. 1.04 lakhs representing ground rent for shops in four Government owned markets in the State is pending realisation, out of which a sum of Rs. 0.62 lakh is stated (January 1977) to have been realised upto 31st October 1976.

29. *State Excise*

The import, export, manufacture, possession, sale and transport of alcoholic liquors and intoxicating drugs in Sikkim are governed by the Sikkim Excise (Abkari) Act, 1971. The duty, license fee and vend fee for sale, or consumption of these goods are levied by executive orders issued from time to time. The distillery at Rangpo manufactures various brands of Sikkim made foreign liquor as well as country spirit. Excise duty and/or vend fee are assessed and realised by the Excise department at the time of despatch of the liquors outside the distillery. In addition, licences are issued for manufacture of country spirit by the outstill process. In these cases no duty is levied on production but a licence fee, determined on the basis of auctions, is levied. Eighteen such licences were issued in 1975-76.

30. *Trend of Revenue*

The estimate of collections of State excise duty and the actual receipts for the years 1974-75 and 1975-76 are given below:

	1974-75	*1975-76*
	(*In lakhs of rupees*)	
Estimates	29.48	32.00
Actuals	44.38	56.41

31. *Supervisory control*

No detailed control is prescribed for or exercised over the production or processing of the liquors by the Excise Department either in the case of the distillery or in the case of outstills. In the case of the distillery, the department issues transport passes after realising the duty and vend fee for the quantities of

liquor actually despatched from the distillery. In the case of outstills, the licence fee is required to be paid in quarterly instalments and monthly returns of sales have to be rendered to the department.

No records had been maintained by the Excise Department showing the actual production of excisable goods and the stocks held from time to time in the distillery and in the outstills with the result that proper checks could not be exercised by the department to prevent evasion of duty or fee payable to Government.

On this being pointed out in audit (September 1976), the department has agreed (September 1976) to institute such controls in future.

In the course of audit of the levy, assessments and collection of excise duty and licence fees during the year 1975-76, the following irregularities were noticed:

Permits are issued by the excise authorities to vendors for import of Indian made foreign liquors and beer into Sikkim for sale, use or consumption in the State. Duty is leviable on all these imports at rates notified by Government from time to time. No reports of actual quantities imported by the vendors against these permits are received by the department nor has any action been taken to allow the imports only on bond, subject to realisation of duty in due course. In the case of 19 such permits issued during 1975-76, the duty payable amounting to Rs. 1.25 lakhs had not been assessed and realised (January 1977) although the period of validity of permits had expired and the permits had not been got cancelled. On this being pointed out in audit (September 1976) the department stated (September 1976) that "action on realisation of duty in advance has been initiated" and that "the exporters will be requested to intimate the excise office as soon as the consignment is despatched".

During the year 1975-76, a total quantity of 1,16,603 gallons of country spirit of different strengths was issued from the distillery to various retail vendors in the State. The total amount of duty recoverable on this quantity at the rates prescribed by Government in March 1975 amounted to Rs. 5,98,755 while

only a sum of Rs. 5,43,140 had actually been assessed and collected from the distillery. No reasons were recorded for the short recovery of duty amounting to Rs. 55,615. On this being pointed out in audit (August 1976) the department agreed (September 1976) to examine the matter.

Under the Sikkim Excise (Abkari) Act, 1971 there is no provision for allowing losses in transit of excisable commodities. Consequently, duty is payable at full rate on the losses in transit of such commodities. In twentyfour cases, relating to imports of beer from outside the State during the year 1975-76, no duty was however levied on losses in transit. The non-levy of duty in these cases resulted in loss of revenue to the extent of Rs. 20,282. In one of these cases, an import permit for 800 cartons containing 9600 bottles of beer was issued to a local vendor in June 1975. According to the information available to the department, 800 cartons were supplied by the Brewery but the vendor is reported to have received 171 gunny bags containing 8550 bottles of beer. The loss in transit was neither reported by the vendor to the department nor was any investigation made by the department into the circumstances leading to the heavy loss in transit. The vendor was not assessed to duty either on the short receipt of 1050 bottles or on a further quantity of 2080 bottles reported by the vendor to have been lost owing to breakages and leakages in transit. The excise duty involved in these shortages worked out to Rs. 1565.

On this being pointed out in audit (September 1976) the department agreed (September 1976) to consider levy of duty on transit losses.

The points mentioned above, were reported to Government October 1976, reply is awaited (March 1977)

Section III—Government Commercial and Trading Activities.

32. This section deals with Statutory Corporations, Government Companies and departmentally managed commercial and *quasi*-commercial undertakings in which Government has invested funds.

A. STATUTORY CORPORATIONS

33. On 31st March 1976, there were two Statutory Corporations and a Bank in the State, each of which was established by a special proclamation of the erstwhile Ruler, issued prior to 26th April 1975. These are :

(1) The Sikkim Mining Corporation.

(2) State Trading Corporation of Sikkim.

(3) State Bank of Sikkim.

The table below shows the working of these Corporations for the year 1975-76 (1975 in the case of the Bank) as per accounts certified by private firm of auditors :—

	Sikkim Mining Corporation	*State Trading Corporation of Sikkim*	*State Bank of Sikkim*
	(*In lakhs of rupees*)		
Date of incorporation ..	27th February 1960	30th March 1972	24th June 1968
Authorised share capital ..	100.00	400.00	100.00
Paid-up capital ..	57.35	4.00	20.35
Investment by State Government in :—			
(*a*) Share capital ..	29.25	4.00	13.00
(*b*) Long-term loans ..	—	8.00	—
TOTAL ..	29.25	12.00	13.00
Profit (+)/Loss(—) ..	(—) 2.00	(+) 2.60	(+)24.86
Accumulated losses upto the end of 1975-76.	(—) 23.89	—	—
Share of profit received by Government during 1975-76.	—	—	1.17

B. Government Company

34. On 31st March 1976, there was one Company in the State, *viz*. Sikkim Jewels Limited (incorporated on 22nd June 1972), in which Government's participation in the share capital (Rs. 4.10 lakhs) exceeded 51 percent. Government has also given a loan of Rs. 42.63 lakhs to the Company upto 1975-76. The Company suffered loss of Rs. 2.02 lakhs during the year 1975-76 and the accumulated loss upto the end of 1975-76 amounted to Rs. 2.97 lakhs.

Audit of the accounts of the Company for the year 1975-76 was conducted by a private firm of auditors.

C. Departmentally Managed Commercial/Quasi-Commercial Undertakings

35. The table below shows the summarised financial results of three commercial/quasi-commercial undertakings as per the latest *pro forma* accounts audited by private firms of auditors :—

	Sikkim Nationalised Transport	*Sikkim Wood Working Centre*	*Government Fruit Preservation Factory*
	(*In lakhs of rupees*)		
Year of accounts	1974-75	1974-75	1975-76
Capital invested as at the end of the year (in the form of loans)	93.10	7.24	10.82

	Sikkim Nationalised Transport	*Sikkim Government Wood Working Centre*	*Sikkim Government Fruit Preservation Factory*
	(*In lakhs rupees*)		
Reserves and Surplus	283.53	0.26	15.69
Net profit (+)/loss (—) during the year ..	(—) 1.78	(+)0.21	(+) 3.56

(U. DEVIDAS ACHARYA)
Accountant General

Calcutta,
The

Countersigned

(A. BAKSI)
Comptroller and Auditor General of India

New Delhi,
The

APPENDIX

Statement showing cases in which savings (more than Rs. 1 lakh each) were more than 10 percent of the total provision

(Referred to in paragraph 21 on page 18)

Serial Number	*Number and name of the grant*	*Total grant*	*Expenditure*	*Saving*	*Percentage*
		(In lakhs of rupees)			
REVENUE					
1.	1 State Legislature ..	3.23	1.79	1.44	45
2.	3 Agriculture ..	45.66	36.56	9.10	20
3.	4 Animal Husbandry and Dairy Development	24.21	21.14	3.07	13
4.	5 Bazar ..	7.20	5.43	1.77	25
5.	6 Co-operation ..	3.55	1.99	1.56	44
6.	7 Ecclesiastical Department ..	3.20	1.57	1.63	51
7.	11 Excise (Abkari) ..	2.94	1.83	1.11	38
8.	20 Administration of Justice ..	3.13	1.45	1.68	54
9.	21 Police ..	32.34	27.80	4.54	14
10.	22 Land Revenue ..	12.42	9.62	2.80	23
11.	24 Medical, Public Health and Sanitation	61.98	46.51	15.47	25
12.	30 Trade, Industries and Commerce ..	48.13	31.47	16.66	35
CAPITAL					
1.	7 Ecclesiastical Department	2.00	..	2.00	100
2.	9 Electricity	10.00	5.69	4.31	43
3.	15 Food Supplies and Fair Price Shops	39.00	32.41	6.59	17
4.	21 Police ..	4.00	..	4.00	100
5.	24 Medical, Public Health and Sanitation	10.70	6.38	4.32	40
6.	29 Tourism ..	11.01	7.58	3.43	31

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