

**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

*for the year ended 31 March 2004*

**GOVERNMENT OF SIKKIM**

<http://cagindia.org/states/sikkim/2004>



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## **PREFACE**

1. *This Report has been prepared for submission to the Government under Article 151 of the Constitution.*
2. *Chapters I and II of this report respectively contain Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2004.*
3. *The remaining chapters deal with performance audits and audit of transaction in various departments including the Public Works and Irrigation Department, audit of stores and stock, audit of autonomous bodies, statutory corporations, Government companies and departmentally run commercial undertakings.*
4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2003-2004 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2003-2004 have also been included wherever necessary.*



# **OVERVIEW**



## OVERVIEW

This Report Contains 17 audit paragraphs and four performance audit appraisals apart from comments on the Finance Accounts and Appropriation Accounts. According to existing arrangements, copies of the draft audit paragraphs and draft performance audit appraisals were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within four weeks. In respect of 17 audit paragraphs and four appraisals included in this Report, replies were received from the concerned Secretary to the State Government for 15 paragraphs and four performance audit appraisals.

### 1. Finances of the State Government

The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classifications in the Government accounts.

During 2003-04, the assets of the Government increased by 6.96 *per cent* while the liabilities grew by 12.24 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs.59.50 crore), Small Savings, Provident Funds etc. (Rs. 21.88 crore) and reserve fund (Rs. 13.38 crore).

The revenue receipts of the year amounted to Rs. 1,341.18 crore of which tax revenue constituted 8 *per cent*, non tax revenue 40 *per cent* and grants from Government of India & Central tax transfers 52 *per cent*. Against this, the revenue expenditure of the State was Rs. 1,180.93 crore resulting in a revenue surplus of Rs. 160.25 crore. A major portion of revenue expenditure was incurred on General Services (58.35 *per cent*) while Economic Services and Social Services accounted for 19.39 and 22.26 *per cent* respectively.

There was increase in capital expenditure by Rs. 2.51 crore in 2003-04 as compared to the previous year. Its share in total expenditure increased from 5.88 *per cent* in 1999-2000 to 15.19 *per cent* in 2003-04.

Investments to the extent of Rs. 75.63 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 0.98 *per cent* during the year. No interest was received in the last five years on the loans and advances given by the Government for corporations, local bodies etc. which stood at Rs. 5.30 crore at the end of 2003-04.

The total borrowings of Rs. 202.11 crore were almost exclusively used for debt servicing which amounted to Rs. 243.91 crore.

(Paragraph 1.1 to 1.10)

### 2. Allocative priorities and appropriation

The excess expenditure of Rs. 871.99 crore for the years 2000-01 to 2002-03 under 20 grants and appropriations required regularisation under article 205 of the Constitution of India.

In 23 cases of grants/appropriations supplementary provision amounting to Rs. 58.62 crore proved unnecessary.

Against unutilised provision of Rs. 797.07 crore in 16 cases, Rs. 763.06 crore only were surrendered.

In seven cases, against the actual saving of Rs. 19.23 crore, Rs. 19.40 crore were surrendered resulting in excess surrender of Rs. 0.17 crore.

(Paragraph 2. 3.2 to 2.3.12)

## Performance audit of schemes/department

### 3. Development of major crops in Sikkim

*A review of development of major crops during the period 1999-2004 revealed deficient budgetary and financial management leading to persistent savings, disproportionately high establishment cost, non-submission of detailed contingent bills, poor implementation of various schemes, gap in technology dissemination and non-realisation of revenue on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity registered a declining trend and area under cultivation also remained more or less static, suggesting that efforts of the Department over the years, were yet to yield desired results in the form of enhanced productivity or area under cultivation.*

Department incurred a disproportionately high establishment expenditure hovering around 73 per cent as against the norm of 7.5 to 16.5 per cent.

Substantial financial support and technological intervention by the Department over last five years by incurring Rs. 117.92 crore did not yield desired results in the form of enhanced productivity or area under cultivation.

High Yielding Varieties coverage of rice, wheat and maize declined from 30,050 hectares in 1999-2000 to 20,313 ha in 2003-04, despite spending Rs. 67.67 crore.

Variety replacement of rice, barley, jowar, bajra and small millet was not achieved even after incurring Rs. 2.38 crore under Integrated Cereal Development Programme as these seeds were not distributed.

(Paragraph 3.1)

### 4. Working of Building and Housing Department

*Working of Building and Housing Department disclosed absence of adequate financial control, as there were persistent savings, unnecessary supplementary provisions and irregular expenditure in violation of Government orders. Programme management was characterised by delayed completion of works leading to non-fulfilment of intended objectives, loss of revenue on account of license fee and avoidable expenditure on payment of house rent allowance, non-realisation of tools and plants and establishment charges and execution of works without sanction and budgetary provisions. Physical verification of the stores*

*was never carried out in any of the years under review nor was adjustment of profit and loss on stock attempted.*

Despite signing Memorandum of Understanding with Government of India and assurance given by State Government, Department incurred excess expenditure of Rs. 4.26 crore towards office expenses, travel expenses, fitting/furnishings etc.

Delay in completing various works in the stipulated time led to blocking of Government funds of Rs. 11.18 crore in 17 works alone.

Establishment, tools and plant charges amounting to Rs. 8.10 crore were not realised by the Department from user organisations.

Despite ban, the Department continued to appoint work charged and muster roll employees and incurred Rs. 60.92 lakh towards their wages.

(Paragraph 3.2)

## **5. Social and Farm Forestry Schemes**

*The basic objectives of the schemes under Social and Farm Forestry (SFF) were, inter alia, to take up conservation and afforestation works with a view to augment production of fuelwood and fodder through regeneration of degraded forest, conserve, improve and increase production of non-timber forest produce including medicinal plants, and provide gainful employment and additional income to the tribals and rural poor living in the vicinity of forests. Several deficiencies were noticed in the implementation of the schemes viz. non-achievement of targets, excess and wasteful expenditure and diversion of funds. Important points noticed in Audit were as under:*

Unauthorised diversion of funds provided for various specific components under Area Oriented Fuelwood and Fodder Project towards other regular items of expenditure of the Department which were beyond the ambit of the Project: Rs. 2.83 crore.

Production of seedlings was far below the norms in Non Timber Forest Produce scheme, value of which worked out to Rs. 54.28 lakh.

Engagement of labourers on casual roll for Rs. 41.43 lakh was not justified as all other schemes were implemented by engaging existing labourers of the Department.

(Paragraph 3.3)

## **6. Management of Non-Lapsable Central Pool Grants**

*The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. Review of the scheme indicated defective financial management as there were delays in release of funds, unauthorised expenditure on unapproved works etc. Programme management was characterised by delayed execution of works, execution of unauthorised works, large scale cost escalation, execution of minor works which did not translate into infrastructure creation, undue benefit and excess payments to contractors etc.*

Inspite of specific stipulation in the guidelines to the contrary, the departments unauthorisedly incurred expenditure amounting to Rs. 1.59 crore on staff component.

There was cost escalation amounting to Rs. 55.40 crore ranging between 10 and 226 *per cent* in 13 projects.

Delay in execution and completion of the projects valuing Rs. 103.19 crore resulted in non accrual of intended benefits from the scheme.

**(Paragraph 3.4)**

### ***7. Irregular/Avoidable/Excess/Unfruitful Expenditure***

Employment of excess labour than stipulated in Analysis of Rate by Irrigation Department led to excess expenditure of Rs. 11.22 lakh.

**(Paragraph 4.1.1)**

Reckoning of higher fuel consumption norm of 12.5 litres per hour by Roads & Bridges Department led to inflation in the cost of an item of road work resulting in avoidable excess expenditure of Rs. 26.81 lakh.

**(Paragraph 4.1.2)**

Insertion of extraneous road roller component in drain works, while framing Analysis of Rate, led to excess expenditure of Rs. 7.29 lakh in execution of drain works by Roads & Bridges Department.

**(Paragraph 4.1.3)**

Inspite of clear stipulation in notification to the contrary, the Rural Management & Development Department accepted land owners' claim for higher compensation, resulting in extra expenditure of Rs. 75 lakh.

**(Paragraph 4.1.4)**

Failure of the Social Welfare Department to exercise proper checks before selecting beneficiaries for old age pension, led to conferring of benefits amounting to Rs. 29.22 lakh to ineligible persons.

**(Paragraph 4.1.5)**

Purchase of land at exorbitant rate from private party by Social Welfare Department led to excess expenditure of Rs. 16.50 lakh.

**(Paragraph 4.1.6)**

Failure of the Rural Management & Development Department to supply the required materials led to cost escalation of Rs. 19.19 lakh and time overrun of two years.

**(Paragraph 4.3.1)**

### ***8. Undue benefit/loss of Government Revenue***

Incorrect inclusion of 10 *per cent* contractor's profit in the rates of materials supplied departmentally to contractors led to undue benefit of Rs. 20.85 lakh.

**(Paragraph 4.4.1)**

Incorrectly drafted notification by Industries Department led to the conceding of Rs. 7.38 crore of Government revenue.

(Paragraph 5.6.1)

Consultancy fee totalling Rs. 8.66 lakh was not realised by the Mines & Geology Department despite a provision in the Mines and Geology Regulations 2001, for levying of the fee.

(Paragraph 5.6.2)

The Income and Sales Tax Department not only failed to notice short deposit of sales tax of Rs. 2.22 crore but was slack in taking effective steps to recover the same.

(Paragraph 5.7.1)

## **9. Loss of Government Money**

Injudicious hiring of transformers by the Power Department instead of buying them led to loss of Rs. 9.23 lakh to the Government.

(Paragraph 4.2.1)

Failure to revise the issue rate of GCI sheet by Rural Management & Development Department led to loss of Rs. 28.88 lakh to the Government.

(Paragraph 4.2.2)

Sikkim Tourism Development Corporation was rendering helicopter services to the public and tourist at a very low fare which is far below the cost of running the services and resulted in a loss of Rs. 59.60 lakh even after taking subsidy reimbursed by Government of India and State Government.

(Paragraph 6.13.1)

## **10. Diversion of funds**

Inspite of specific prohibition in the Jawahar Gram Samridhi Yojana guidelines and subsequent reiteration by Government of India, Rural Management & Development Department irregularly diverted the scheme funds towards construction of bridges and transportation of food grains aggregating to Rs. 14.05 lakh.

(Paragraph 4.3.2)

Wild Life circle of Forest Department diverted Rs. 9.16 lakh towards establishment cost and attached three vehicles valuing Rs. 14.10 lakh to the Minister and Senior Officers, which were meant for patrolling purposes.

(Paragraph 4.5.1)



## CHAPTER-I

### FINANCES OF THE STATE GOVERNMENT

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## CHAPTER – I

### FINANCES OF THE STATE GOVERNMENT

#### In Summary

Large fiscal deficits year after year indicate continued macro imbalances in the State. In Sikkim, fiscal deficit increased from Rs. 9.86 crore in 2002-03 to Rs. 50.26 crore in 2003-04.

Revenue of the State consisted mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts decreased from Rs. 1,511.83 crore in 1999-2000 to Rs. 1,341.18 crore in 2003-04 at an average trend rate of 3.90 *per cent*. While 48 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 52 *per cent* of the total revenue. However, after netting off the impact of gross receipts of Rs. 473.67 crore from state lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 442.25 crore was incurred during 2003-04, the picture of State finances changed drastically. About 77.41 *per cent* of net revenue receipts of the State was constituted by Central tax transfers and grants-in-aid from Government of India.

The total expenditure of the State decreased from Rs. 1,605.45 crore in 1999-2000 to Rs. 1,392.52 crore in 2003-04 at an average trend rate of 2.47 *per cent* per annum. The rate of decrease of total expenditure was lower than the rate of decrease of revenue receipts during this period.

In 2003-04, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased 100 *per cent*, 122 *per cent* and 47.70 *per cent* respectively as compared to 1999-2000. Interest payments increased steadily by 36.19 *per cent* from Rs. 67.92 crore in 1999-2000 to Rs. 92.50 crore in 2003-04 primarily due to ever increasing borrowings. The fiscal liabilities of the State at the end of 2003-04 was Rs. 966.45 crore, up by 8.82 *per cent* over the previous year.

State Government has not yet passed any Fiscal Responsibility Act although a Memorandum of Understanding with Government of India was entered into in April 1999 for bringing about certain fiscal reforms.

Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP could lead the State finances into a debt trap.

#### 1.1 Introduction

The Finance Accounts of the Government of Sikkim are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in **Box-1.1**.

### Box-1.1

#### Layout of Finance Accounts

*Statement No. 1 presents the summary of transactions of the State Government- receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.*

*Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.*

*Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss etc.*

*Statement No. 4 indicates the summary of debt position of the State, which includes internal debt, borrowings from Government of India, other obligations and servicing of debt.*

*Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.*

*Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.*

*Statement No. 7 gives the summary of cash balances and investments made out of such balances.*

*Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.*

*Statement No. 9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.*

*Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.*

*Statement No. 11 indicates the detailed account of revenue receipts by minor heads.*

*Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and capital expenditure major head wise.*

*Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of the current year.*

*Statement No. 14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies etc. up to the end of the current year.*

*Statement No. 15 depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.*

*Statement No. 16 gives the detailed account of receipts, disbursements and balance under heads of account relating to debt, Contingency Fund and Public Account.*

*Statement No. 17 presents the detailed account of debt and other interest bearing obligations of the Government.*

*Statement No. 18 provides the detailed account of loans and advances given by the Government of Sikkim, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.*

*Statement No. 19 gives the details of balances of earmarked funds.*

**1.2 Trend of Finances with reference to previous year**

The trend of finances of the State Government during the current year compared with the previous year was as under:

*(Rupees in crore)*

2002-03	Sl. No	Major Aggregates	2003-04
2,080.52	1	Revenue Receipts (2+3+4+5)	1,341.18
105.53	2	Tax Revenue	108.00
1,315.84	3	Non Tax Revenue	537.29
581.95	4	Other Receipts	583.56
77.20	5	State share of union taxes and others	112.33
1.28	6	Non-Debt Capital Receipts	1.08
1.28	7	Of which, Recovery of Loan	1.08
2,081.80	8	Receipts (1+5)	1,342.26
1,634.59	9	Non-Plan Expenditure (10+12+13)	934.71
1,634.59	10	On Revenue Account	934.61
89.53	11	Of which, Interest Payment	92.50
-	12	On Capital Account	-
0.06	13	On Loans disbursement	0.10
457.01	14	Plan Expenditure (15+16+17)	457.81
248.03	15	On Revenue Account	246.32
208.98	16	On capital Account	211.49
-	17	On Loans disbursement	-
2,091.66	18	Total Expenditure (9+14)	1,392.52
9.86	19	Fiscal Deficit (18-1-6)	50.26
(-)197.90	20	Revenue Deficit (10+15-1)	(-)160.25
79.67	21	Primary Deficit (-) / Surplus (+) (19-11)	42.24

**1.3 Summary of Receipts and Disbursements for the year**

Table 1 summarises the finances of the State Government of Sikkim for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from *Statement-1* and other detailed statements of Finance Accounts.

**Table -1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2003-04***(Rupees in crore)*

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section – A: Revenue							
2,080.52	I. Revenue receipts	1,341.18	1,882.62	I. Revenue Expenditure	Non Plan	Plan	Total
105.53	Tax revenue	108.00	1,405.75	General services	678.20	10.86	689.06
1,315.84	Non-tax revenue	537.29	235.41	Social Services	140.71	109.32	250.03
77.20	Share of Union Taxes/ Duties	112.33	233.66	Economic Services	108.96	95.74	204.70
581.95	Grants from Government of India	583.56	7.80	Grants-in-aid contributions	6.74	30.40	37.14
Section – B: Capital							
-	II. Miscellaneous Capital Receipts	-	208.98	II. Capital Outlay		211.49	211.49
1.28	III. Recoveries of Loans and Advances	1.08	0.06	III. Loans and Advances disbursed	0.10		0.10
78.53	IV. Public debt receipts	137.02	40.35	IV. Repayment Public Debt	84.17*		84.17
-	V. Contingency Fund	-	0.03	V. Contingency Fund	0.47		0.47
1,356.15	VI. Public account receipts	1,193.34	1,311.79	VI. Public account disbursements	1,204.82		1,204.82
144.18	Opening Balance	216.83	216.83	Closing Balance			207.47
3,660.66	Total	2,889.45	3,660.66	Total			2,889.45

**1.4 Audit Methodology**

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and, wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in **Box 1.2**

**Box-1.2****Reporting Parameters**

*Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. GSDP as published by the Bureau of Economics and Statistics Department of the State Government has been used.*

*For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in **Appendix-I**.*

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in **Box-1.3**.

\* Bifurcation of Plan and non-Plan not available

**Box – 1.3- State Government Funds and the Public Account**

<b>Consolidated Fund</b>	<b>Contingency Fund</b>	<b>Public Account</b>
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled "Consolidated Fund of State" established under Article 266(1) of the Constitution of India.	Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent and unforeseen expenditure, pending authorization by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides the normal receipts and expenditure of Government which related to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

**1.5 State finances by key indicators**

**1.5.1 Resources by volumes and sources:** Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz., market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from Public Account.

As Table 2 shows, the total receipts of the State Government for the year 2003-04 were Rs. 2,672.62 crore. Of these, the revenue receipts of the State Government were Rs. 1,341.18 crore only, constituting 50 *per cent* of the total receipts. The balance of the receipts came from borrowings and the Public Account.

**Table - 2 : Resources of Sikkim**

<i>(Rupees in crore)</i>			
I.	Revenue Receipts		1,341.18
II.	Capital Receipts		138.10
	(a) Miscellaneous Receipts	-	
	(b) Recovery of Loans and Advances	1.08	
	(c) Public Debt Receipts	137.02	
III.	Contingency Fund Receipts		-
IV.	Public Account Receipts		1,193.34
	(a) Small Savings, Provident Fund etc.	65.09	
	(b) Reserve Fund	22.01	
	(c) Deposits and Advances	24.77	
	(d) Suspense and Miscellaneous	701.62	
	(e) Remittances	379.85	
<b>Total Receipts</b>			<b>2,672.62</b>

1.5.2 Revenue Receipts: Statement – 11 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts of the State comprise mainly its own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and buoyancy of the receipts are indicated in Table-3.

**Table-3: Revenue Receipts- Basic Parameters (Values in Rupees crore and others in per cent)**

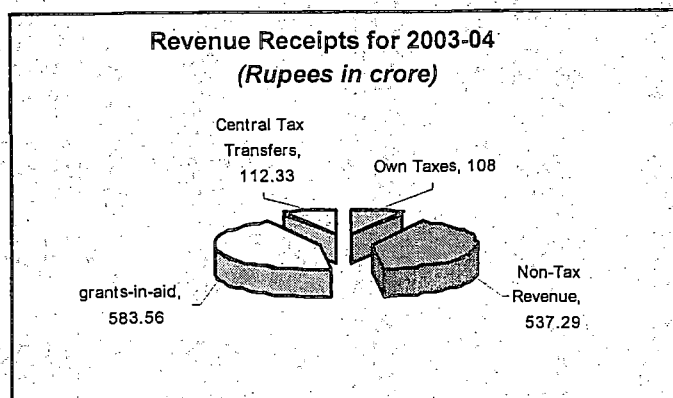
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Receipts	1,511.83	862.60	1,807.18	2,080.52	1,341.18	1,520.66
Own Taxes	49.07	65.39	80.39	105.53	108.00	81.68
Non-tax Revenue	1,042.75	289.02	1,128.21	1,315.84	537.29✓	862.62
Central tax Transfers	99.54	72.20	84.83	77.20	112.33	89.22
Grants-in-aid	320.47	435.99	513.75	581.95	583.56	487.14
Rate of Growth	4.94	(-)42.94	109.50	15.13	(-)35.54	3.90
GSDP	840.03	976.34	1,139.25	1,251.35(P)	1,358.18(Q)	1,113.03
GSDP Growth	7.44	16.23	16.69	9.84	8.54	13.26
Revenue Receipt/GSDP	179.97	88.35	158.63	166.26	98.75	25.52
Revenue Buoyancy	0.66	*	6.56	1.54	*	16.58

\* Rate of growth of Revenue Receipt was negative

P=provisional, Q=quick

The revenue receipts of the State decreased from Rs. 1,511.83 crore in 1999-2000 to Rs. 1,341.18 crore in 2003-04 at an average trend rate of 3.90 per cent. There were, however, significant inter-year variations in the growth rates. During the five-year period 1999-2004, the State had a buoyant economy with its GSDP growth averaging 16.58 per cent. There was sharp decline in revenue buoyancy due to a decrease in revenue receipts during 2003-04.

While 48 per cent of the revenue receipts during 2003-04 have come from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 52 per cent of the total revenue. Sales Tax was the major contributor (45 per cent) of State's own tax revenue followed by (State Income Tax) Taxes on Income other than Corporation Tax (25 per cent), State Excise ( 23 per cent), Stamps and Registration fees (1 per cent) and taxes on vehicles (3 per cent). Of non-tax revenue sources principal contribution was receipts from lotteries (88 per cent) followed by Road Transport and Power (3 per cent each). Central tax transfers as percentage to total revenue of the State witnessed an increase from 6.58 per cent in 1999-2000 to 8.38 per cent in 2003-04. Similarly grants-in-aid from Government of India also rose from 21.20 per cent in 1999-2000 to 43.51 per cent in 2003-04. However, after netting off the impact of gross receipts of Rs. 537.29 crore from State lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 442.25 crore was incurred during 2003-04, the picture of the State finance changed drastically. About 77.41 per cent of net revenue receipts of the State was financed by Central tax transfers and grants-in-aid from Government of India. The contribution of State lotteries was 46.81 per cent of own tax and non-tax revenue indicating vulnerability of the State's finances to the fluctuations in receipts from lotteries.



Besides, the arrears of revenue increased by 700 per cent from Rs. 2.16 crore<sup>†</sup> in 1999-2000 to Rs.15.11 crore at the end of 2003-04.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of merit goods and services by Government were 1.31 per cent for secondary education, 0.23 per cent for university and higher education, 1.14 per cent for medical and public health and 4.42 per cent for water supply and sanitation.

The source of total receipts under different heads and GSDP during 1999-2004 are indicated in Table 4.

**Table – 4: Sources of Receipts: Trends**

(Rupees in crore)

Year	Revenue receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-debt Receipts	Debt Receipts	Accruals in Public Account		
1999-2000	1,511.83	1.07	146.73	788.97	2,448.60	840.03
2000-01	862.60	1.46	69.12	823.68	1,756.86	976.34
2001-02	1,807.18	1.14	91.37	967.41	2,867.10	1139.25
2002-03	2,080.52	1.28	78.53	1,356.15	3,516.48	1,251.35(P)
2003-04	1,341.18	1.08	137.02	1,193.34	2,672.62	1,358.18(Q)

P=Provisional, Q=Quick

## 1.6 Application of resources

**1.6.1 Trend of growth:** Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State decreased from Rs. 1,605.45 crore in 1999-2000 to Rs. 1,392.52 crore in 2003-04 at an average trend rate of 2.47 per cent per annum. The rate of decrease of total expenditure was lower than the rate of decrease of revenue receipts during this period.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

<sup>†</sup> Arrear of revenue furnished by Power, SPWD (Building) and Mines and Geology.

Net Lending impct = Rec. 473.72  
Exp. 442.25  
31.47% only which is negligible

Rev. Receipts  
R/R 1341.18  
Lending (-) 473.72  
867.46

Rev. Exp.  
1341.18  
1180.93  
160.25  
738.68

**Table-5 : Total Expenditure- Basic Parameters (value in rupees crore and others in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Total Expenditure	1,605.45	914.56	1,875.17	2,091.66	1,392.52	1,575.87
Rate of Growth	1.07	(-)43.03	105.04	11.55	(-)33.43	2.47
TE/GSDP Ratio	191.12	93.67	164.60	167.15	102.53	161.87
Revenue Receipts/ TE Ratio	94.17	94.32	96.37	99.47	96.31	95.01
<b>Buoyancy of Total Expenditure with</b>						
GSDP	0.14	(-)2.65	6.29	1.17	(-)3.92	0.19
Revenue Receipts	0.22	1.00	0.96	0.76	0.94	0.63

\* Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances

Total expenditure in 2003-04 decreased by Rs. 699.14 crore over previous year. The decrease was mainly due to less expenditure on State run lotteries.

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest payments, Social and Economic Services, grants-in-aid and other contributions to institutions and loans and advances. Relative share of these components in total expenditure is indicated in Table-6.

**Table-6: Components of Expenditure- Relative Share (in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
General Services	67.04	35.36	62.13	63.05	43.76	54.27
Interest Payments	4.23	8.60	4.49	4.28	6.64	5.65
Social Services	14.48	26.55	16.00	15.41	24.95	19.48
Economic Services	13.96	28.53	16.68	16.83	21.97	19.59
Loans and Advances	0.07	0.04	0.01	0.01	0.01	0.03
Grants in aid	0.22	0.92	0.64	0.37	2.67	0.96

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. The share of General Services excluding interest payments in total expenditure declined from 67.04 *per cent* in 1999-2000 to 43.76 *per cent* in 2003-04, the relative share of interest payments, Social Services and Economic Services increased. However, interest payment and expenditure on General Services considered as non-developmental, together accounted for as much as 50.4 *per cent* of total expenditure in 2003-04 and 46.92 *per cent* of expenditure on Social and Economic Services.

**Incidence of Revenue expenditure:** In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table-7.

**Table-7: Revenue Expenditure- Basic Parameters**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Expenditure (Rupees in crore)	1,509.97	763.31	1,664.25	1,882.62	1,180.93	1,400.22
Rate of Growth (per cent)	0.96	(-)49.45	118.03	13.12	(-)37.27	0.75
RE/GSDP	171.75	78.98	146.08	150.45	86.95	1.59
RE as percentage of TE	94.05	83.46	88.75	90.01	84.81	90.54
RE as percentage of RR	99.88	88.49	92.09	90.49	88.05	94.19
<b>Buoyancy of Revenue Expenditure with (per cent)</b>						
GSDP	0.13	*	7.07	1.33	*	0.03
Revenue Receipts	0.19	*	1.08	0.87	1.05	0.07

Overall revenue expenditure of the State increased at an average trend rate of 0.75 per cent. On an average, 90.54 per cent of the total expenditure was on current consumption.

i) **High salary expenditure:** Salaries accounted for 26.54 per cent of the revenue receipts and 30.14 per cent of the revenue expenditure of the State during 2003-04. The expenditure on salaries increased from Rs. 309.83 crore in 2001-02 to Rs. 355.97 crore in 2003-04 registering an increase of 15 per cent. The details are indicated in Table 8.

**Table - 8**

Heads	2001-02	2002-03	2003-04
Salary expenditure (Rupees in crore)	309.83	329.17	355.97
As a percentage of GSDP	27.20	26.31	26.21
As a percentage of Revenue Receipts	17.14	15.82	26.54
As a percentage of Revenue Expenditure	18.62	17.48	30.14

ii) **Huge expenditure on pension payments:** Payment of pension and other retirement benefits increased by 144.89 per cent from Rs. 16.26 crore in 1999-2000 to Rs. 39.82 crore in 2003-04 (average annual rate of 22.61 per cent). Year-wise break-up of expenditure on pension payments during the years 1999-2000 to 2003-04 was as under:

**Table - 9**

(Rupees in crore)		
Year	Expenditure	Percentage to total revenue expenditure
1999-2000	16.26	1.08
2000-01	18.26	2.39
2001-02	21.29	1.28
2002-03	29.18	1.55
2003-04	39.82	3.37

Expenditure on pension in last two years has grown at an unusually high 37 per cent per annum mainly due to increased number of retirees both on superannuation and voluntary retirement scheme which is likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State Government employees.

iii) **Interest payment:** The interest payments and percentage of interest payment with reference to revenue receipts and revenue expenditure were as shown below:

Table-10

(Rupees in crore)

Year	Interest payments	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1999-2000	67.92	4.49	4.50
2000-01	78.67	9.12	10.31
2001-02	84.16	4.66	5.06
2002-03	89.53	4.30	4.76
2003-04	92.50	6.90	7.83

Interest payments increased steadily by 36.19 *per cent* from Rs. 67.92 crore in 1999-2000 to Rs. 92.50 crore in 2003-04 primarily due to ever increasing borrowings. The interest payment was on Internal Debt (Rs. 43.49 crore), loans received from Central Government (Rs. 30.12 crore) and Small Savings, Provident Fund, etc. (Rs. 18.89 crore).

### 1.7 Expenditure by Allocative priorities

The expenditure of the State in the nature of Plan expenditure, Capital expenditure and Development expenditure reflects its quality. The higher the ratio of these components to total expenditure the better is the quality of expenditure. **Table-11** below gives these ratios during 1999-2004.

Table-11: Quality of Expenditure (*per cent* to total expenditure)

Heads	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Plan Expenditure	14.27	33.56	21.51	21.85	32.88	23.54
Capital Expenditure	5.88	16.51	11.24	9.99	15.19	29.52
Development Expenditure	28.46	55.10	32.71	32.24	49.60	37.30

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure indicated inter-year variations. In the year 2003-04, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased by 100 *per cent*, 122 *per cent* and 47.70 *per cent* respectively compared to 1999-2000.

Out of developmental expenditure of Rs. 690.59 crore during the year, Social Services accounted for 52.17 *per cent* (Rs. 360.28 crore). Expenditure on General Education, Health, Medical and Family Welfare, Water Supply and Sanitation constituted 73.43 *per cent* of the expenditure on Social sector.

Table-12: Social Sector Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Education	113.81	134.09	152.44	161.19	174.15
Health, Medical and Family Welfare	35.34	34.72	41.38	43.01	42.81
Water Supply and Sanitation	36.55	27.92	36.42	40.47	47.58
<b>Total</b>	<b>185.70</b>	<b>196.73</b>	<b>230.24</b>	<b>244.67</b>	<b>264.54</b>
Expenditure on Social Sector	232.44	242.81	300.11	322.40	360.28
As a percentage of expenditure on Social sector	79.89	81.02	76.72	76.00	73.43

Similarly, the expenditure on Economic Services (Rs. 330.31 crore) accounted for 47.83 *per cent* of the development expenditure, of which, Irrigation and Flood Control, Energy and Transport accounted for 53.85 *per cent*.

**Table-13: Economic Sector Expenditure**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Irrigation and Flood Control	6.23	19.55	21.07	21.91	15.20
Energy	54.29	58.22	76.44	104.50	80.63
Transport	51.07	73.16	93.40	84.33	82.04
Total	111.59	150.93	190.91	210.74	177.87
Expenditure on Economic Sector	224.13	260.96	312.71	351.96	330.31
As a percentage of expenditure on Economic sector	50.00	57.83	61.05	60.00	53.85

### 1.7.1 Financial Assistance to Local Bodies and other Institutions

i) Extent of assistance: The quantum of assistance provided by way of grants (Rs. 37.14 crore) to different local bodies etc., during the period of 5 years ending 2003-04 was as follows:

**Table-14**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Zilla Parishads and other Panchayati Raj Institutions	-	-	2.42	4.47	24.05
Cooperative Societies	0.28	0.72	0.45	0.89	0.34
Universities and Educational Institutions	1.49	2.27	2.68	1.82	0.97
Others	1.72	5.40	6.52	0.62	11.78
Total	3.49	8.39	12.07	7.80	37.14
Percentage of increase (+)/decrease (-) over previous year	60.83	140.40	43.86	(-)35.38	376.15
Assistance as a percentage of revenue expenditure	0.22	1.00	0.04	-	3.14

The total assistance at the end of 2003-04 had grown by 964.18 *per cent* over the level of 1999-2000. The assistance to local bodies as a percentage of total revenue expenditure increased from 0.23 *per cent* in 1999-2000 to 3.14 *per cent* in 2003-04.

ii) Delay in furnishing utilisation certificates: At the end of September 2004, 83 utilisation certificates (UCs) for grants amounting to Rs. 8.61 crore released up to March 2004 were outstanding from 20 departments as detailed below:

Table -15

Sl. No	Department	Number of UCs outstanding	Amount (Rupees in crore)
1	Revenue (Relief on account of natural calamities)	-	-
2	Panchayati Raj and Rural Development	17	1.21
3	Social Welfare (including Tribal Welfare)	5	0.08
4	Panchayati Raj and Rural Development, and Municipal Administration and Urban Development (Water Supply and Sanitation)	4	6.51
5	Education (School Education)	-	-
6	Municipal Administration and Urban Development	-	-
7	Others	57	0.81
	<b>Total</b>	<b>83</b>	<b>8.61</b>

### 1.8 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land, buildings etc, owned by Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Appendix-II* gives an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India and receipts from the Public Account and Reserve Funds, the assets comprise mainly capital outlay, loans and advances given by the State Government and cash balances. *Appendix-II* shows that while the liabilities grew by 12.24 *per cent*, assets increased only by 6.96 *per cent* widening the gap between assets and liabilities and increasing the proportion of liabilities which did not have an asset back up. This shows a continuous deterioration of the financial condition of the State. The liabilities of Government of Sikkim depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retired State employees. Abstract of receipts and disbursements for the year 2003-04, Sources and Applications of Funds and the Time Series Data on State Government Finances for the period 1999-2004 are given in *Appendices III, IV and V* respectively.

**1.8.1 Incomplete projects:** As of March 2004, there were 76 incomplete projects in which Rs. 185.32 crore were blocked. This showed that Government was spreading its resources thinly. Details are given in *Appendix-VI*.

**1.8.2 Investments and returns:** As on 31 March 2004, Government had invested Rs. 75.63 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. Government's return on this investment was less than 2.53 *per cent* in the last three years. With an average interest rate of 11.31 *per cent* being paid by Government on its borrowings, the average annual subsidy amounted to 10.13 *per cent* and the implicit subsidy during the period 2001-2004 was Rs. 21.08 crore.

**Table -16: Return on Investment**

	2001-02	2002-03	2003-04	Average
Investment (Rupees in crore)	64.37	69.56	75.63	69.85
Returns (Rupees in crore)	0.011	1.76	0.74	0.84
Percentage of returns	0.02	2.53	0.98	1.18
Average interest rate paid by Government	12.14	11.47	10.32	11.31
Difference between interest rates and return	12.12	8.94	9.34	10.13
Implicit subsidy (Rupees in crore)	7.80	6.22	7.06	7.03

**1.8.3 Loans and advances by State Government:** In addition to investments in co-operatives, corporations and companies Government has also been providing support in terms of loans and advances to many of these bodies. Total outstanding balance as on 31 March 2004 was Rs. 5.30 crore. Interest on these was not received in any of the years 1999-2004 (Table-17). Total implicit subsidy during 2001-2004, on such loans was Rs. 2.60 crore.

**Table-17: Average interest received on loans advanced by the State Government**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	9.88	9.95	8.45*	7.50	6.28
Amount advanced during the year	1.14	0.33	0.19	0.06	0.10
Amount repaid during the year	1.07	1.46	1.14	1.28	1.08
Closing Balance	9.95	8.82	7.50	6.28	5.30
Net Addition	0.07	(-)1.13	(-)0.95	(-)1.22	(-)0.98
Interest Received	nil	nil	nil	nil	nil
Interest Received as per cent to Loans advanced	nil	nil	nil	nil	nil
Average interest paid by the State (per cent)	NA	NA	12.14	11.47	10.32
Difference between interest paid and received (per cent)			12.14	11.47	10.32
Implicit subsidy			1.09	0.86	0.65

\* The variation of opening balance for 2001-02 is due to proforma correction in the Finance Accounts

**1.8.4 Commercial activities- Lack of accountability in the use of public funds in departmental commercial undertakings:** Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government Departments. These undertakings are required to prepare annually proforma accounts in prescribed formats showing the results of financial operations so that Government can assess their functioning. The Heads of departments in Government are to ensure that undertakings funded by budgetary releases prepare the accounts in time and submit them to Accountant General for Audit.

As of 31 March 2004, there were two departmentally managed commercial and quasi-commercial undertakings under the control of Government of Sikkim. However, the preparation of proforma accounts for these units was in arrears for one year as follows:-

Table -18

Sl. No.	Name of departmentally managed commercial and quasi-commercial undertakings	Proforma Accounts received upto	Proforma Accounts due
1	Temi Tea	2002-03	2003-04
2	Government Fruit Preservation Factory	2002-03	2003-04

### 1.8.5 Undercharged liabilities

i) **Fiscal liabilities- public debt and guarantees:** The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no such law has been passed by the State to lay down any such limit. **Table-19** below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-19: Fiscal Liabilities-Basic Parameters

	(Value in rupees crore and ratios in per cent)					
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Fiscal Liabilities*	702.37	744.12	827.22	888.14	966.45	825.66
Rate of Growth	35.15	5.94	11.17	7.36	8.82	8.49
<b>Ratio of Fiscal Liabilities to</b>						
GSDP	83.61	76.22	72.61	70.97	71.16	74.18
Revenue Receipt	46.46	86.26	45.77	42.69	72.06	54.19
Own Resources	64.33	209.96	68.44	62.48	149.77	86.81
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP	4.72	0.37	0.67	0.75	1.03	0.66
Revenue Receipt	5.91	1.20	-0.26	0.07	0.58	2.18
Own resources	15.54	-0.09	0.05	0.42	-0.16	0.83

\*Includes internal debt, loans and advances from GOI and other obligations

Overall fiscal liabilities of the State increased from Rs. 702.37 crore in 1999-2000 to Rs. 966.45 crore in 2003-04 with an average growth rate of 8.49 per cent during 1999-04. The ratio of these liabilities to GSDP decreased from 83.61 per cent in 1999-2000 to 71.16 per cent in 2003-04.

In addition to these liabilities, Government have guaranteed loans raised by various corporations and others which at the end of 2003-04 stood at Rs. 86.10 crore. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State.

Fiscal liabilities had grown faster than the revenue receipts. Average buoyancy of the liabilities with respect to revenue receipts was 2.18 indicating that for each one per cent increase revenue receipts fiscal liabilities were growing at the rate of 2.18 per cent.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in the case of Sikkim, increasing interest rates and declining trend of GSDP growth resulted in negative interest spread in four out of five years (**Table-20**). This negative spread of interest may endanger debt sustainability.

**Table-20: Debt Sustainability- interest Rate and GSDP Growth (in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Weighted Interest Rate	11.12	10.88	10.71	10.44	9.98	10.62
GSDP Growth	7.44	16.23	9.84	7.49	8.54	12.85
Interest spread	(-)3.67	5.35	(-)0.88	(-)2.94	(-)1.44	2.23

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. **Table 21** below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including Public Account) became negative in 2003-04 from 59.37 *per cent* during 1999-2000, as depicted in the following table.

**Table -21: Net Availability of Borrowed Funds***(Rupees in crore)*

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>Internal debt</b>						
Receipt	82.76	32.94	39.10	34.81	75.96	53.11
Repayment (Principal + Interest)	26.70	35.41	37.83	45.33	59.96	41.05
Net Fund Available	56.06	(-)2.47	1.27	(-)10.52	16.00	3.2
Net Fund Available ( <i>per cent</i> )	67.74	-	3.25	-	21.07	4.21
<b>Loans and advances from GOI</b>						
Receipt	63.97	36.18	52.27	43.73	61.06	51.44
Repayment (Principal + Interest)	34.68	55.97	60.49	64.71	97.83	62.74
Net Fund Available	29.29	(-)19.79	(-)8.22	(-)20.98	(-)36.77	5.86
Net Fund Available ( <i>per cent</i> )	45.79	-	-	-	-	-
<b>Other obligations</b>						
Receipt	83.10	79.75	92.09	114.85	65.09	86.98
Repayment (Principal + Interest)	32.01	51.95	62.94	81.12	86.12	62.83
Net Fund Available	51.09	27.8	29.15	33.73	(-)21.03	41.16
Net Fund Available ( <i>per cent</i> )	61.48	34.86	31.65	29.37	-	-
<b>Total liabilities</b>						
Receipt	229.83	148.87	183.46	193.39	202.11	191.53
Repayment (Principal + Interest)	93.39	143.33	161.26	191.16	243.91	166.61
Net Fund Available	136.44	5.54	22.2	2.23	(-)41.80	33.28
Net Fund Available ( <i>per cent</i> )	59.37	3.72	12.10	1.15	-	-

## 1.9 Management of deficits

**1.9.1 Fiscal imbalances:** The deficit in Government accounts represents the gap between its receipts and expenditure. The extent of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The fiscal deficit representing the total borrowings of

the Government and the total resource gap decreased from Rs. 92.55 crore in 1999-2000 to Rs. 50.26 crore in 2003-04 (Table-22).

**Table-22: Fiscal Imbalances- Basic Parameters (Values in rupees crore and ratios in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Surplus	1.86	99.29	142.93	197.90	160.25	120.45
Fiscal Deficit	(-)92.55	(-)50.50	(-)66.85	(-)9.86	(-)50.26	(-)54.00
Primary Deficit/Surplus	(-)24.63	28.17	17.31	79.67	42.24	33.48
RD/GSDP	0.22	10.17	13.33	17.17	11.80	10.54
FD/GSDP	(-)11.02	(-)5.17	(-)6.23	(-)0.86	(-)3.70	(-)5.40
PD/GSDP	(-)2.93	2.89	1.61	6.92	3.11	2.91
RD/FD	*	*	*	*	*	

(Negative figure indicates deficit)

### 1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 23 below presents a summarised position of Government finances over 1999-2004, with reference to certain key indicators that help assessing the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important features.

**Table -23: Indicators of Fiscal Health (in per cent)**

Fiscal Indicators	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>I. Resource Mobilisation</b>						
Revenue Receipt/ GSDP	179.97	88.35	158.63	166.26	98.75	25.52
Revenue Buoyancy	0.66	*	6.56	1.54	*	16.58
Own tax/ GSDP	5.84	6.70	7.06	8.43	7.95	7.34
<b>II Expenditure Management</b>						
Total Expenditure/GSDP	191.12	93.67	164.60	167.15	102.53	161.87
Revenue Receipt/ Total Expenditure	94.17	94.32	96.37	99.47	96.31	95.01
Revenue Expenditure/ Total Expenditure	94.05	83.46	88.75	90.01	84.81	90.54
Plan Expenditure/ Total Expenditure	14.27	33.56	21.51	21.85	32.88	24.81
Capital Expenditure/ Total Expenditure	5.88	16.51	11.24	9.99	15.19	11.76
Development Expenditure/ Total Expenditure	28.46	55.10	32.71	32.24	49.60	39.62
Buoyancy of TE with RR	0.22	1.00	0.96	0.76	0.94	0.63
Buoyancy of RE with RR	0.19	1.15	1.08	0.87	1.05	0.19
<b>III. Management of Fiscal Imbalances</b>						
Revenue Surplus (Rupees in crore)	1.86	99.29	142.93	197.90	160.25	120.45
Fiscal Deficit (Rupees in crore)	(-)92.55	(-)50.50	(-)66.85	(-)9.86	(-)50.26	(-)54.00
Primary Deficit/Surplus (Rupees in crore)	(-)24.63	28.17	17.31	79.67	42.24	33.48
Revenue Deficit/ Fiscal Deficit	\$	\$	\$	\$	\$	

Fiscal Indicators	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>IV. Management of Fiscal Liabilities (FL)</b>						
Fiscal Liabilities/ GSDP	83.61	76.22	72.61	70.97	71.16	74.18
Fiscal Liabilities/ RR	46.46	86.26	45.77	42.69	72.06	54.19
Buoyancy of FL with RR	46.46	86.26	45.77	42.69	72.06	54.19
Buoyancy of FL with OR	64.33	209.96	68.44	62.48	149.77	86.81
Interest spread	(-)3.67	5.35	5.97	(-)0.60	(-)1.44	2.23
Net Funds Available	59.37	3.72	12.10	1.15	-	
<b>V. Other Fiscal Health Indicators</b>						
Return on Investment	2	0.03	0.02	2.53	0.98	1.11
BCR ( <i>Rupees in crore</i> )	(-)167.87	(-)22.33	(-)38.83	77.84	(-) 15.64	(-) 33.37
Financial Assets/ Liabilities	1.59	1.66	1.73	1.88	1.97	1.77

\* Rate of growth of Revenue Receipt was negative.

\$ State had a revenue surplus in all these years

The ratio of own taxes to GSDP had shown continuous improvement in the five-year period. The ratio of revenue receipts to GSDP and its buoyancy also were on a rising trend from 1999-2000 to 2002-03, but the revenue buoyancy steeply declined in 2003-04. Various ratios concerning expenditure indicated quality of expenditure and sustainability in relation to resources. The total expenditure to GSDP was not buoyant. Revenue expenditure was on the increasing trend over the four-years period 1999-2003 but slightly decreased in 2003-04 and comprised 84.81 *per cent* of total expenditure in 2003-04 leaving very little for capital formation or asset creation. Increasing fiscal deficit over the last five years indicated growing fiscal imbalances of the State.

The average interest paid by the State on its borrowings during 1999-2004 also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There was a sharp decline (negative) in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's insignificant return on investment indicated huge implicit subsidy and utilisation of high cost borrowing for investments that yielded little. The balance from current revenue of the State also continued to be negative indicating continued dependence on borrowings for plan or developmental expenditure.

### 1.11 Impact of Government Policies

*Appendix-VII* depicts the progress achieved during 2003-04 as compared to 2002-03 in various sectors according to information furnished by Secretaries, Chief Engineers, etc. of various departments of the State Government.



## CHAPTER-II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

PARAGRAPH	PARTICULARS	PAGE
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## CHAPTER-II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### APPROPRIATION ACCOUNTS 2003-2004 AT A GLANCE

The summarised position of original and supplementary grants/ appropriations and expenditure thereto is given below:

Appropriation Accounts : Government of Sikkim  
 Total Number of Grants : 45 (43 Grants, 2 Appropriations)  
**Total provision and actual expenditure**

Table-2.1

(Rupees in crore)

Provision		Expenditure	
Original	2,193.27	Expenditure	1,488.87
Supplementary	164.03		
<b>Total Gross provision</b>	<b>2,357.30</b>	<b>Total Gross expenditure</b>	<b>1,488.87</b>
Deduct-Estimated recoveries in reduction of expenditure	13.51	Deduct-Actual recoveries in reduction of expenditure	12.17
<b>Total Net provision</b>	<b>2,343.79</b>	<b>Total Net expenditure</b>	<b>1,476.70</b>

#### Voted and Charged provision and expenditure

Table-2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1,880.04	109.09	1,085.60	107.50
Capital	284.00	84.17	211.59	84.18
<b>Total Gross</b>	<b>2,164.04</b>	<b>193.26</b>	<b>1,297.19</b>	<b>191.68</b>
Deduct-recoveries in reduction of expenditure	13.51	-	12.17	-
<b>Total Net</b>	<b>2,150.53</b>	<b>193.26</b>	<b>1,285.02</b>	<b>191.68</b>

#### ALLOCATIVE PRIORITIES AND APPROPRIATION

##### 2.1 Introduction

2.1.1 The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-à-vis

those authorised by the Appropriation Act in respect of charged as well as voted items of the budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whether the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

## 2.2 Summary of Appropriation Accounts

2.2.1 The summarised position of actual expenditure during 2003-04 against 45 grants/appropriations was as follows:

Table-2.3

*(Rupees in crore)*

Name of Expenditure		Original grant / Appropriation	Supplementary grant / Appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	1,806.55	73.49	1,880.04	1,085.60 <sup>ψ</sup>	(-)794.44
	II. Capital	245.53	38.16	283.69	211.49	(-)72.20
	III. Loans and Advances	0.31	Nil	0.31	0.10	(-)0.21
<b>Total Voted</b>		<b>2,052.39</b>	<b>111.65</b>	<b>2,164.04</b>	<b>1,297.19</b>	<b>(-)866.85</b>
Charged	IV. Revenue	108.65	0.44	109.09	107.50	(-)1.59
	V. Capital	Nil	Nil	Nil	Nil	Nil
	VI. Public Debt	32.23	51.94	84.17	84.18	(+)0.01
<b>Total Charged</b>		<b>140.88</b>	<b>52.38</b>	<b>193.26</b>	<b>191.68</b>	<b>(-)1.58</b>
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
<b>Grand Total</b>		<b>2,193.27</b>	<b>164.03</b>	<b>2,357.30</b>	<b>1,488.87<sup>Ω</sup></b>	<b>(-)868.43</b>

## 2.3 Fulfilment of Allocative Priorities

### *Appropriation by Allocative Priorities*

2.3.1 Out of overall savings of Rs. 868.43 crore major savings of Rs. 838.53 crore (96 per cent) occurred in 7 grants as mentioned below:

<sup>ψ</sup> These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure of Rs. 12.17 crore

<sup>Ω</sup> At the end of March 2004 detailed contingent bills were not received as required under Rules from the DDOs in support of Rs. 35.77 crore drawn on abstract contingent bills. In the absence of DC bills, the genuineness of the expenditure could not be vouchsafed.

Table-2.4

(Rupees in crore)

Grant No. & name	Grant		Total	Actual Expenditure	Saving
	Original	Supple- mentary			
7- Education (R)	146.87	0.61	147.48	137.55	9.93
7- Education (C)	22.11	6.33	28.44	21.12	7.32
10 -Finance (R)	1,308.48	27.13	1,335.61	594.50	741.11
17- Industries (C)	4.78	0.00	4.78	1.90	2.88
30- Planning & Development (R)	18.97	0.01	18.98	3.67	15.31
30- Planning & Development (C)	3.50	7.50	11.00	3.12	7.88
32- Power (C)	57.91	0.13	58.04	44.77	13.27
35- Roads & Bridges (R)	29.68	0.52	30.20	19.62	10.58
35- Roads & Bridges (C)	53.93	5.92	59.85	34.44	25.41
40- Sports & Youth Affairs (C)	8.55	4.58	13.13	8.29	4.84
<b>Total</b>	<b>1,654.78</b>	<b>52.73</b>	<b>1,707.51</b>	<b>868.98</b>	<b>838.53</b>

R= Revenue, C= Capital

Reasons for savings as intimated by the departments were as follows:

- (a) The saving under Education grant (Revenue) was due to partial implementation of integrated computer literacy training scheme in 50 schools and that of Capital grant was due to non-achievement of the target for civil works.
- (b) The saving under Finance grant (Revenue) was due to steep reduction in printing and sale of lottery tickets owing to ban on sale of lottery tickets in Tamilnadu and hike of sales tax by various other Governments on sale of lottery tickets.
- (c) Saving under Industries grant (Capital) was due to surrender of provision as per direction of Government without assigning any reason.
- (d) The saving under Planning & Development grant (Revenue) was due to reappropriation for meeting supplementary grants of other departments during the year followed by surrender of fund. The surrender was due to non sanction of Grants in aids to State Planning Board and non sanction of Rastria Sam Vikash Yojana by Planning Commission, Government of India.
- (e) The savings under Roads & Bridges grant (Revenue and Capital) were due to non-receipt of expenditure statement from Border Road Task Force and non finalisation of the scheme by the Civil Aviation Department due to which necessary book adjustment for construction of road was not carried out.
- (f) The saving under Power grant (Capital) was due to reduction in provision by Rs. 153.83 lakh, with a net effect of decreasing the provision by Rs. 9.79 lakh through reappropriation and further reduction of Rs. 141.04 lakh through surrender to match the expenditure with the Government of India sanction for Centrally sponsored scheme. Further, reduction in provision by Rs. 1,054.72 lakh by means of surrender in March 2004 was due to late receipt of allocation of Government of India and restricting the expenditure on the basis of allocation made during the fiscal etc.

(g) The saving under Sports & Youth Affairs grant (Capital) was due to change of pattern of funding of the construction of Palzor Stadium by Government of India and Sikkim.

Areas in which major savings occurred in these 7 grants are given in the *Appendix-VIII*.

*Excess over provision relating to previous years requiring regularisation*

2.3.2 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs. 871.99 crore for the years 2000-01 to 2002-03 was yet to be regularised.

**Table-2.5**

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/ Appropriation No(s)	Amount of excess	Amount for which explanations not furnished to PAC
2000-01	05	1,36,39 Public Debt & Governor	0.74	0.74
2001-02	06	10,5,20,30,41 & Governor	868.50	868.50
2002-03	09	5,10,12,14,19,20,23,30,38	2.75	2.75
<b>Total</b>			<b>871.99</b>	<b>871.99</b>

*Excess over provision during 2003-04 requiring regularisation*

2.3.3 In Revenue Section, there was an excess of Rs. 1,07,57,830 in three grants and in Capital Section, there was an excess of Rs. 13,48,651 in three grants. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

**Table-2.6**

(In Rupees)

Sl. No.	Number and name of grant / appropriation	Total grant / appropriation	Actual expenditure	Excess
1	<b>REVENUE</b>			
2	15-Home	11,81,02,000	11,81,82,630	80,630
3	23 - Land Revenue	24,06,49,000	25,06,48,690	99,99,690
4	32- Power	37,06,85,000	37,13,62,510	6,77,510
	<b>Total Revenue</b>			<b>1,07,57,830</b>
	<b>CAPITAL</b>			
5	2-Animal Husbandry	33,90,000	34,29,947	39,947
6	20 - Irrigation & Flood Control	1,53,00,000	1,64,36,087	11,36,087
7	31-Police	1,24,00,000	1,25,72,617	1,72,617
	<b>Total Capital</b>			<b>13,48,651</b>
	<b>Grand Total</b>			<b>1,21,06,481</b>

*Savings*

2.3.4 The ultimate net savings of Rs. 868.43 crore was the result of total gross savings of Rs. 869.64 crore marginally reduced by excess of Rs. 1.21 crore. The details of savings and excesses are as shown below:

Table-2.7

(Rupees in crore)

Section	No. of Grants/ Appropriation	Amount of Savings	No. of Grant/ Appropriation	Amount of Excess	Net amount of Savings
Revenue	42	797.10	3	1.08	796.02
Capital	24	72.54	3	0.13	72.41
Total		869.64		1.21	868.43

**Unnecessary/Excessive Supplementary provision**

2.3.5 Supplementary provision made during the year constituted 7.48 *per cent* of the original provision as against 13.8 *per cent* in the previous year. Supplementary provision of funds amounting to Rs. 58.62 crore was made in 23 cases during the year where the expenditure did not even come up to the level of original provision. Details are in *Appendix-IX*.

**Unutilised Provision and surrender thereof**

2.3.6 For the year 2003-04, against net savings of Rs. 868.43 crore, the amount surrendered at the fag end of financial year was Rs. 830.19 crore.

**Anticipated savings not surrendered**

2.3.7 Unutilised provisions of funds amounting to Rs. 5.46 crore in four cases were not surrendered during the year. The details are given below:

Table-2.8

(Rupees in crore)

Sl. No.	Grant No.	Name	Amount
<b>Revenue</b>			
1.	3	Building & Housing	0.04
2.	20	Irrigation & Flood Control	0.48
<b>Capital</b>			
1.	23	Land Revenue	0.10
2.	40	Sports & Youth Affairs	4.84
<b>Grand Total</b>			<b>5.46</b>

**Non-receipt of explanations for Savings/ Excess**

2.3.8 After the closure of accounts each year, the Detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the controlling officers (COs) who are required to explain the variations in general and those under important sub-heads in particular. The State budget manual requires the COs to furnish promptly all such information to the Deputy Accountant General (A&E) for preparation of the Appropriation Accounts.

Appropriation Accounts 2003-04 included 43 Grants and two Appropriations involving 681 sub-heads. Of this 367 sub-heads required comments from

Government for excess/savings. Explanations for variations were not received for 38 sub-heads. The replies received in respect of 125 sub-heads were incomplete.

***Surrender in excess of actual savings***

2.3.9 Against the actual savings of Rs. 19.23 crore in seven cases, an amount of Rs. 19.40 crore was surrendered by the Government during the year i.e., an amount of Rs. 0.17 crore was surrendered in excess as detailed in ***Appendix-X***.

***Unutilised Provision***

2.3.10 Savings in the grants/appropriations were indicative of inaccurate budget estimation and a tendency of the concerned departments to overestimate their requirement of funds. Scrutiny of Appropriation Accounts revealed that in the Revenue section in nine Grants and in the Capital section in 14 Grants, the approved budget provisions were excessive and there were savings of more than Rs. 10 lakh and also more than 10 per cent of the total provision in each case. Details are in ***Appendix-XI***.

***Injudicious/irregular/inadequate re-appropriation***

2.3.11 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. Financial Rules enjoin that re-appropriation of funds shall be made only when it is known or anticipated that the re-appropriation from the unit from which funds are to be transferred will not be utilised in full. Further, funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings became available under other units later in the year.

Scrutiny of re-appropriation orders revealed non-observance of the rules resulting in incorrect re-appropriation. Some important instances are given in ***Appendix-XII***.

***Trend of recoveries and credits***

2.3.12 Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are being shown separately in the budget estimates.

During the year 2003-04, against the estimated recoveries of Rs. 13.51 crore, actual recoveries were Rs. 12.17 crore as shown in ***Appendix-XIII***.

## CHAPTER-III

### PERFORMANCE AUDITS

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## CHAPTER-III

## PERFORMANCE AUDITS

AGRICULTURE AND HORTICULTURE  
DEPARTMENTS

## 3.1 Development of major crops in Sikkim

## Highlights

*A review of development of major crops during the period 1999-2004 revealed deficient budgetary and financial management leading to persistent savings, disproportionately high establishment costs, poor implementation of various schemes, gap in technology dissemination and non-realisation of revenue on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity registered a declining trend and the area under cultivation also remained more or less static, suggesting that efforts of the Department over the years were yet to yield desired results in the form of enhanced productivity or increase in the area under cultivation.*

**Poor programme management led to persistent savings ranging between 15 and 44 per cent aggregating Rs. 30.19 crore during 1999-2004 under Plan schemes.**

(Paragraph 3.1.6)

**Department incurred a disproportionately high establishment expenditure hovering around 73 per cent as against the norm of 7.5 to 16.5 per cent.**

(Paragraph 3.1.7)

**Substantial financial support and technological intervention by the Department over the last five years involving expenditure of Rs. 117.92 crore did not yield desired results in the form of enhanced productivity or increase in the area under cultivation.**

(Paragraph 3.1.10)

**Coverage of High Yielding Varieties of rice, wheat and maize declined from 30,050 ha in 1999-2000 to 20,313 ha in 2003-04, despite spending Rs. 67.67 crore.**

(Paragraph 3.1.12)

**Replacement of varieties of rice, barley, jawar, bajra and small millet was not achieved even after expenditure of Rs. 2.38 crore under Integrated Cereal Development Programme as the seeds were not distributed.**

**(Paragraph 3.1.24)**

**Despite restriction in National Pulses Development Programme, Department procured 68.95 quintals of certified seeds valuing Rs. 1.11 crore for distribution to farmers.**

**(Paragraph 3.1.25)**

### **Introduction**

3.1.1 Agriculture Department is responsible for increasing agricultural production to meet the increasing demand, through dissemination of scientific knowledge, ensuring availability of quality seeds, fertilisers and other related inputs to the farmers. To attain this goal, the Department implemented various programmes/schemes for development of crops by promoting the latest technology in high yielding varieties of seeds and educating the farmers on optimum farming techniques through demonstration and distribution of mini-kits, seeds and fertilisers etc.

### **Organisational set-up**

3.1.2 The overall responsibility of planning, implementing and monitoring the financial and physical progress relating to 'Development of Crops', both in Agriculture and Horticulture sector in the State is vested with the Secretary, Agriculture and Horticulture Department, who is assisted by Principal Directors (2), Directors (4), Additional Directors(6), Additional Secretary/Deputy Secretary (1), Deputy Director(Accounts) and Accounts Officer in the head office and by Joint Directors (12), Deputy directors (26) in the district offices beside other field staff.

### **Audit Coverage**

3.1.3 A review of various programmes/schemes relating to 'Development of Major Crops' for the period 1999-2004 was conducted during February 2004 and April 2004, with reference to the records maintained by the Secretary, Agriculture and Horticulture Department and in all the four districts of the State.

### **Financial management**

3.1.4 The budget provision and expenditure relating to 'Development of Major Crops' in Agriculture and Horticulture Department for the period 1999-2004 were as under:

Table – 3.1

(Rupees in crore)

Year	Grant			Actual Expenditure	Savings	Surrender
	Original	Supplementary	Total			
1999-2000	21.56	3.86	25.42	22.98	2.44(10)	1.00
2000-01	31.31	2.94	34.25	23.87	10.38(30)	8.84
2001-02	29.02	0.79	29.81	24.13	5.68(19)	4.31
2002-03	31.01	1.08	32.09	23.58	8.51(27)	7.44
2003-04	26.31	0.22	26.53	23.35	3.18(12)	2.72
<b>Total</b>	<b>139.21</b>	<b>8.89</b>	<b>148.10</b>	<b>117.91</b>	<b>30.19</b>	<b>24.31</b>

Source: Detailed Appropriation Accounts.

Figures in brackets represent percentage.

Scrutiny in Audit revealed persistent savings, high establishment cost, non-submission of detailed contingent bills etc. as indicated in the succeeding paragraphs.

### Unnecessary supplementary provision

3.1.5 Supplementary provisions of Rs. 5.03 crore obtained during 2000-2004 were unnecessary as there were substantial savings of Rs. 27.75 crore and the expenditure during any of the above years did not come up even to the original provision. Similarly, the amount of Rs. 3.86 crore obtained as supplementary provision during 1999-2000 was in excess of actual requirement as there was an ultimate saving of Rs. 2.44 crore. These cases indicate that the need for supplementary provisions was not closely examined by the spending department or the Finance Department.

While accepting the observation, the Department intimated (September 2004) that the supplementary provisions were surrendered due to non-receipt of funds from Government of India for Centrally sponsored schemes.

### Poor programme management leading to persistent savings

3.1.6 There were persistent savings during the period 1999-2004 ranging between 15 and 44 per cent primarily attributed to non-receipt of funds from Government of India for Centrally sponsored schemes. It was seen in Audit that entire savings of Rs. 30.19 crore upto 2003-04 were on the Plan side and surrenders were also from Plan outlays. The details are given below:

Table – 3.2

(Rupees in crore)

Year	Grant		Expenditure		Savings (-)/Excess (+)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
1999-2000	15.67	9.75	13.37	9.61	(-) 2.30 (15)	(-) 0.14
2000-01	25.68	8.57	14.46	9.41	(-) 11.22 (44)	(+) 0.84
2001-02	20.47	9.34	12.91	11.22	(-) 7.56 (37)	(+) 1.88
2002-03	23.58	8.51	13.28	10.31	(-) 10.30 (44)	(+) 1.79
2003-04	16.75	9.78	13.65	9.70	(-) 3.10 (18)	(-) 0.08
<b>Total</b>	<b>102.15</b>	<b>45.95</b>	<b>67.67</b>	<b>50.25</b>	<b>(-) 34.48 (34)</b>	<b>(+) 4.29</b>

Source: Detailed Appropriation Accounts.

Figure in brackets represent percentage.

The Department contended (September 2004) that there were no shortcomings in programme management as the programmes were implemented on the basis of receipt of funds from Government of India for Centrally sponsored schemes. The persistent savings indicated the Department's inability to interact appropriately with Government of India for release of the required amount of funds in time.

***High establishment cost***

3.1.7 According to the manpower management and planning norms prescribed by Government of India, establishment expenditure should be between 7.5 *per cent* and 16.5 *per cent* of total expenditure. It was noticed that establishment expenditure hovered around 73 *per cent* of total expenditure in the scheme under review.

While accepting the fact, the Department intimated (September 2004) that high establishment cost was due to upward revision of wages and non-feasibility of reducing cadre strength.

***Non-submission of detailed contingent bills***

3.1.8 Finance Department circular dated 12 December 1983 which was reiterated in September 1996 stipulated that at the time of drawal of amount under abstract contingent bills, the Drawing and Disbursing Officer must certify that detailed contingent bills for all abstract contingent bills drawn more than three months ago have been submitted to the Accountant General by the controlling officer of each department nominated for the purpose. A test check of records revealed that huge amounts of advances were drawn by the Department without submitting the detailed contingent bills for the earlier advances to the Accountant General. Consequently, a sum of Rs. 1.31 crore remained unadjusted at the end of 2003-04. Non-submission of detailed bills in time is fraught with the risk of diversion of funds from the intended purpose, and possible misappropriation and fraud.

***Impact on productivity and area under cultivation***

3.1.9 Sikkim became the 22<sup>nd</sup> State of the Indian Union in April 1975. It has net cultivable area of 79,000 hectares (11.13 *per cent*) with 64 *per cent* of the people directly or indirectly dependent upon land resources for their livelihood. There have been substantial investment and expenditure by the Government of Sikkim and the Government of India towards development of crops in Sikkim during the period 1999-2004 to make the State self-reliant in production of food grains.

Scrutiny in Audit revealed that despite substantial investment, the desired impact in the form of enhanced productivity or increase in the area under cultivation was not achieved, as indicated below.

**No impact on agricultural productivity**

3.1.10 A check of the data on productivity and area under cultivation of agricultural produce of major crops revealed that neither had the area under cultivation nor productivity increased during the period covered under review as can be seen from following table:

**Table-3.3***(Area in '000 hectare, production in '000 MT, yield in kg per hectare)*

Crops	Particulars	Year				
		1999-2000	2000-01	2001-02	2002-03	2003-04
Rice	Area	15.90	15.22	14.90	14.79	14.74
	Production	23.44	21.36	21.37	18.33	21.19
	Yield	1,473	1,403	1,434	1,239	1,438
Maize	Area	39.40	39.90	40.11	39.44	36.70
	Production	52.83	59.61	57.01	45.96	57.25
	Yield	1,341	1,494	1,421	1,165	1,554
Wheat	Area	8.10	7.22	6.70	6.33	5.74
	Production	12.85	10.10	9.19	8.75	8.09
	Yield	1,586	1,400	1,372	1,382	1,409
Mustard	Area	5.76	5.76	5.80	5.37	6.00
	Production	4.16	3.94	3.79	3.70	4.20
	Yield	723	684	654	690	700
Soyabean	Area	4.15	4.15	4.15	3.88	3.89
	Production	3.41	3.41	3.31	2.99	3.21
	Yield	821	822	799	771	825

Source: Annual Reports of the Department.

It would be seen from above that yield per hectare declined in 2002-03 for rice, maize, wheat, mustard and soybean by 16, 13, 13, 5 and 6 *per cent* respectively compared to 1999-2000. Similarly, production in absolute terms also fell from 23,439 to 21,190 MT for rice and from 3,407 to 3,210 MT for soybean during the 1999-2004, recording a decline of 10 and 6 *per cent* respectively. The area under cultivation also came down for all the above crops except mustard. Thus, there was little improvement, either in agricultural productivity or in the area brought under cultivation during the last five years despite an expenditure of Rs. 117.92 crore by the Department.

Reply of the Department (September 2004) that area under various crops vary due to choice of crops by the farmers and fluctuation in productivity is due to climatic factor is not acceptable as area under cultivation remained almost static over the review period. Similarly, productivity also had registered a declining trend except for maize and mustard during the last five years.

**Substantial shortfall in production**

3.1.11 It was further noticed that not only did the productivity of crops decline over the period of last five years but the Department could not achieve the production as per norms.

Table- 3.4

(Quantity in '000 MT, Rupees in crore)

Crops	Production		Shortfall	
	As per norms	Actual	Quantity	Value
Rice	191.04	105.69	85.35 (45)	47.93
Maize	395.69	272.66	123.03 (31)	72.10
Soyabean	19.53	16.33	3.20 (16)	10.42
Total				130.45

Source: Trainer's manual issued by Department.

Figures in brackets represent percentage.

Shortfall in production amounting to Rs. 130.45 crore<sup>#</sup> was indicative of the fact that financial support and technology transfer efforts by the Department over the years did not yield the desired result in the form of enhanced productivity.

Contention (September 2004) of the Department that productivity in the farmers' fields would obviously be less than what is reflected in the trainer's manual as the farmers can not manage the desired quantity of inputs in time due to financial constraints, is not acceptable as the shortfall was large, ranging between 16 and 45 per cent which was far below the norms.

#### *Decline in coverage of high yielding crop varieties*

3.1.12 One of the prime objectives of the Department was enhancement of coverage of high yielding varieties (HYV) year after year. However, it was seen that the total as well as crop-wise coverage of HYV declined from 30,050 hectare in 1999-2000 to 20,313 hectare during 2003-04 in case of three major crops of rice, wheat and maize, as detailed below:

Table – 3.5

(Area in hectare)

Year	Crop	Districts				Total area	
		East	West	North	South	Crop-wise	Overall
1999-2000	Rice	2,400	2,220	580	860	6,060	30,050
	Wheat	2,490	2,500	990	1,940	7,920	
	Maize	3,930	5,510	1,200	5,430	16,070	
2000-01	Rice	2,580	2,320	580	1,000	6,480	28,472
	Wheat	1,740	1,240	1,010	1,940	5,930	
	Maize	3,728	5,579	1,260	5,495	16,062	
2001-02	Rice	2,500	2,190	570	1,070	6,330	27,037
	Wheat	2,000	2,007	840	1,480	6,327	
	Maize	3,400	5,340	1,210	4,430	14,380	
2002-03	Rice	2,150	1,900	570	970	5,590	26,698
	Wheat	1,980	1,928	840	1,480	6,228	
	Maize	2,900	5,370	1,210	5,400	14,880	
2003-04	Rice	Nil	1,200	570	980	2,750	20,313
	Wheat	589	1,928	840	1,480	4,837	
	Maize	2,362	3,750	1,210	5,405	12,727	

Source: Annual Reports of the Department.

<sup>#</sup> Calculated on the basis of sale price of 1999-2000 (the seeds sold as grain)

Thus, there was gross failure in enhancing the coverage of high yielding varieties despite spending Rs. 67.67 crore during the period under review.

In reply, the Department stated (September 2004) that the figure of area coverage reflected in the table pertains to HYV seeds distributed by the Department only and did not take into account the area covered by farmers. The reply was not correct as the Department catered to only a part of the total area under HYV coverage that has been shown in table 3.5. The area for which seeds were distributed by the Department have been shown in *Appendix-XIV*

### **Programme implementation**

3.1.13 Technology transfer and availability of quality seeds and fertilisers at subsidised rate are critical inputs to enhance productivity in making the State self-reliant in agricultural production. Keeping this in view, the Department has been investing funds in purchase and supply of quality seeds and fertilisers at subsidised rates through various programmes for progressive use by the farmers. It was noticed during the course of review that deficiencies in programme implementation like gap in technology dissemination and shortfall in certified seed production were factors contributing to the non-achievement of the programme objectives.

### **A. Seeds**

#### ***Gap in technology dissemination***

3.1.14 Government of India announced (1988) a seed policy to secure high quality seeds of various crops available anywhere in the world to maximise the yield and enable the farmers to increase their farm income. Subsequent to this, while circulating individual scheme guidelines, Government of India stressed that seed varieties older than 10 years should not be used by the farmers and announced, as a deterrent measure, that failure to do so will invite non-release of financial assistance. In Sikkim, the Department procured paddy (PD-10), wheat (sonali/sonalika), maize (pro-agro), potato (Kufri Jyoti) and soyabean (PK-1042) seeds for Rs. 9.86 crore and distributed them to the farmers during the period 1999-2004. These varieties were found to be more than 10 years old and, thus, not permissible as per the Government of India stipulation. Procurement and use of more than 10 years old varieties could be one of the reasons for not attaining the envisaged maximum yield of various crops.

While accepting the fact that the Sonalika and Sonali wheat seeds were more than 10 years old, the Department informed (September 2004) that the other seeds mentioned above were replacement of old varieties.

#### ***Shortage of certified seeds production***

3.1.15 The seed policy of the State Government stipulated growing of seeds in the State in such a manner as to make the State self-reliant. It was noticed that

production of certified seeds in the State fell short by 57 to 97 per cent of seed requirements during 1999-2004 as detailed below:

**Table -3.6**

Crops	Seeds			(Quantity in quintals)
	Procured	Produced	Total	Shortfall in production (in percentage)
Paddy	1,784.99	659.10	2,444.09	73
Wheat	10,382.94	382.02	10,764.96	96
Maize	968.57	709.91	1,678.48	57
Mustard	1,217.88	40.16	1,258.04	97

Source: Annual Reports of the Department.

Thus, despite spending Rs. 58.82 lakh towards production of certified seeds, the Department was far behind in production of seeds to make the State self-reliant. The shortfall in seed production, which makes the State dependent upon other States for import of seeds at a high cost, year after year, was also pointed out in the CAG's Audit Report in 1990-91 on which the Public Accounts Committee recommended (March 1999) that all out efforts should be made to achieve the targeted production of seeds. However, till date, the position had not improved. Persistent shortfall in production of seeds indicated the Department's failure to initiate suitable steps to make the State self-reliant.

In reply, the Department informed (September 2004) that shortage was due to non-availability of foundation seeds in time and reduction of area under Government farms.

### ***Wasteful expenditure on Seed Village Programme***

3.1.16 Government of India approved Seed Village Programme under Oilseeds Production Programme (OPP) and National Pulses Development Programme (NPDP) to meet the demand for certified seeds locally and to ensure timely availability of seeds. Agriculture Department was to identify the fields in which certified seeds could be produced. Only progressive farmers with adequate infrastructure were to be involved in production of certified seeds under the programme. An assistance of Rs. 500 per quintal on certified seeds produced by the farmers was provided. Despite the anticipated production and the financial incentive offered there was no contribution of certified seeds from seed villages during 1999 to 2004. The Department had, thus, failed in its objective to make the State self-reliant in meeting its seed requirement.

## **B. Fertiliser**

### ***Excess Consumption of fertiliser in demonstration programme***

3.1.17 Recommended doses of fertilisers are to be used for demonstration purposes to obtain maximum possible yield in the most economical manner. For this, 45 kg/ha each of urea and muriate of potash (MOP) is recommended for rice, millet, wheat, maize and 11kg/ha and 33kg/ha of urea and MOP respectively for

buck wheat. Similarly, 90kg/ha of Di Ammonium Phosphate (DAP) for rice, wheat, maize and 85kg/ha for buck wheat is recommended. Test check of consumption of fertiliser in demonstration programme during 2001-03 revealed that the Department incurred excess expenditure of Rs. 34.96 lakh due to procurement and use of more fertilisers than required for demonstration, as detailed below:

Table-3.7

(Quantities in MT, Rupees in lakh)

Year	Urea			MOP			DAP			Excess Exp. <sup>a</sup>
	Purchased	Reqd.	Excess	Purchased	Reqd.	Excess	Purchased	Reqd.	Excess	
2001-02	302	84	218	99.15	87	12.15	254	177	77	19.63
2002-03	197.7	57	140.7	119.9	60	59.9	172.78	122	50.78	15.33
Total	499.7	141	358.7	219.05	147	72.05	426.78	299	127.78	34.96

Source: (i) Trainer's manual of the Department and  
(ii) Administrative Report of the Department.

In reply (September 2004), the Department stated that the actual utilisation was far less as compared to the recommended doses of urea, DAP and MOP at 96 kg/ha, 87 kg/ha and 50 kg/ha respectively for rice. Similarly, for other crops also recommended doses are far more than the actual consumption. Reply of the Department is incorrect as the recommended doses of fertilisers were reckoned from the Trainer's manual issued by the Department. Further, Department's circular (3 November 2000) issued to field functionaries for demonstration purpose also stipulated requirement<sup>o</sup> of fertilisers which was even below the requirement reflected in the Trainer's manual.

### Scheme implementation

3.1.18 Out of 17 Centrally sponsored schemes implemented by the Department, Audit conducted a test check of seven schemes<sup>2</sup> and the results are indicated in the succeeding paragraphs.

#### A. Demonstration of certified seeds

3.1.19 Demonstration is a tool for effective dissemination of improved technologies evolved through research, in respect of use of recommended dose of fertilisers, weed control and plant protection measures - all tailored for local conditions and also rhizobium culture which helps in the fixation of free nitrogen from the atmosphere and increases the production of various crops. Scientists and

Product	(Rupees/MT)		
	MRP from 1.4.97 to 28.02.00	MRP from 29.02.00	MRP from 28.02.02
DAP	8,870	9,926	10,088
MOP	4,163	4,802	4,802
Urea	4,274	5,125	5,208

<sup>o</sup> Urea & MOP=32 Kg. per hectare for rice, wheat, maize

DAP = 64 Kg per hectare for rice, wheat, maize.

<sup>2</sup> National Pulses Development Programme (NPDP), Integrated Cereal Development Programme (ICDP), Oil Seed Production Programme (OPP), Establishment of Agency for reporting Agricultural Statistics (EARAS), Accelerated Maize Development Programme, Macro management in Agriculture, National Wasteland Development Programme for Rain fed Area

extension functionaries were expected to closely supervise these demonstrations, results of which were to be compiled by executing agencies to assess the impact. Department incurred Rs. 2.77 crore in demonstration of certified seeds during 1999-04 in NPDP, ICDP, OPP, AMDP and macro management schemes. The following shortcomings were noticed in execution of the demonstration programmes in the State.

***Piece meal approach of the Department in Demonstration Programmes***

3.1.20 For successful demonstration and to obtain optimum result, seeds and all other basic inputs like fertilisers, pesticides, weedicides etc., are required to be supplied. However, the Department adopted a piece meal approach. In 64 Blocks, the Department distributed inputs worth Rs. 2.77 crore during 1999-2004 for two schemes\*, without providing seeds for demonstrations. In one case, only seeds were distributed without other inputs, thereby vitiating the demonstrations. The details regarding periodical inspection of the plots by designated officers and the technical advice rendered to the farmers and their compliance or otherwise, fertiliser and pest control measures adopted, yield obtained etc were not documented and kept on record.

***Impermissible use of chemical fertilisers***

3.1.21 Though the demonstration in ICDP was to be conducted on use of new variety of micronutrients, bio fertiliser and green manures only, the Department procured 256 MT of chemical fertiliser valuing Rs. 12.36 lakh, which was not permissible as per the guidelines.

Contention of the Department (September 2004) that the demonstration can not be conducted without chemical fertilisers and accordingly the same were used as supplementary input is not acceptable in view of the prohibition in the scheme guidelines.

***No impact of demonstration in oil seeds***

3.1.22 In spite of considerable expenditure of Rs. 1.53 crore towards demonstration in OPP during the period 1999-2004, production of oil seeds decreased from 7,605MT (yield-761 Kg/ha) during the year 1999-2000 to 6,733MT (yield- 722 kg/ha) as against the national average of 1,126kg/ha. This was indicative of the fact that the demonstration exercise did not yield desired result.

Contention (September 2004) of the Department that the national average of yield cannot be equated with that of Sikkim due to different climatic condition is not tenable as the average yield of the State compared quite poorly (64 per cent) with that of all India average.

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\* NPDP and OPP

**B. Integrated Pest Management Demonstration*****Ineffective demonstration in Accelerated Maize Development Programme (AMDP)***

3.1.23 As per the pattern of assistance for the AMDP scheme, the demonstration programme would be implemented @ Rs. 1,000 per acre and Integrated Pest Management (IPM) demonstration would be @ Rs. 6,000 per 40 ha each or the entire village. In spite of demonstration expenditure Rs. 78.61 lakh incurred during the period 1999 – 2000, production increased only marginally from 1,341 kg/ha to 1,554.50 kg/ha as compared to the national average yield of 1,721 kg/ha. This indicated that the demonstration exercise conducted at an expenditure of Rs. 78.61 lakh has not fully yielded the desired result.

**C. Distribution of seeds, mini kits etc.*****Variety replacement not achieved***

3.1.24 As against the ICDP norm of distribution of different varieties of rice, wheat, barley, jawar, bajra and small millet, only wheat seeds were distributed in 64 blocks at a cost of Rs. 2.38 crore, which not only restricted the growth of other crops but also defeated the objective of variety replacement of new germplasma for different crops.

In reply (September 2004), the Department stated that jowar, bajra and millet were not taken up in the programme as the first two are not grown in Sikkim and for the third the locally grown variety is most suitable. The reply reinforces the Audit observation that the variety replacement, as contemplated in scheme guidelines, was not achieved although the other crops like rice and barley are cultivated in Sikkim.

***Purchase of certified seeds for propagation***

3.1.25 According to the pattern of expenditure of National Pulses Development Programme (NPDP), the Department should purchase breeder seeds and manipulate the same either in the farmer's field or in the Government farms for production of foundation seeds and certified seeds. In spite of the fact that the scheme guidelines nowhere stipulate purchase of seeds for distribution under this component, the Department procured and distributed 68.95 quintal of seeds from the Sikkim State Co-Operative Supply and Marketing Federations Limited (SIMFED) valuing Rs. 1.11 crore during the period from 1999 to 2004.

Contention (September 2004) of the Department that there are no provisions for purchase of foundation and breeder seeds under NPDP scheme and, therefore, certified seeds were procured and distributed is not acceptable as the scheme guidelines do not prescribe purchase of seeds from the market for distribution. The seeds should have been procured from the selected farmers and Government farms through the process of multiplication of seeds from breeder seeds to foundation seeds, certified seeds and truthfully labelled seeds.

***Excess reimbursement to farmers***

3.1.26 As per the pattern of assistance in Oilseeds Production Programme (OPP), 50 *per cent* of the cost of the material i.e. Pyrite, Gypsum, and Dolomite along with transportation limited to Rs. 500 per ha was to be provided to the farmer. It was noticed that 2,005 ha were covered by spending Rs. 32.40 lakh, resulting in excess expenditure of Rs. 22.37 lakh (Rs. 32.40 lakh- 2,005 x Rs. 500).

Reply (September 2004) of the Department that the cost of the dolomite becomes very high when it reaches farmer's field due to transportation cost is not acceptable as transportation cost was taken into consideration to arrive at the maximum permissible amount of reimbursement to the farmers.

***Ten per cent cost not recovered***

3.1.27 As per ICDP guidelines issued by Government of India, sprinkler irrigation sets were to be distributed to small, marginal, SC and ST as well as women farmers at a subsidised rate of 10 *per cent* of the cost of the set or Rs. 25,000 whichever was less; and to others at a subsidised rate of 30 *per cent* of cost limited to Rs. 25,000. It was noticed that the Department procured all the sets at a maximum price of Rs. 25,000 each without inviting tenders in all the years under review. Further, all the beneficiaries were categorised as either small or marginal or SC & ST or women farmers and accordingly 10 *per cent* of the cost of sprinkler set i.e. Rs. 2,500 only was realisable from the beneficiaries. However, even this partial cost amounting to Rs. 6.35 lakh was not actually recovered from the farmers.

Reply (September 2004) of the Department that 10 *per cent* of the total cost i.e. Rs. 2,500 was used by the farmers for source development with the approval of the Minister in-charge is not tenable in view of the scheme guidelines which categorically stipulate recovery of 10 *per cent* of the cost from the beneficiary farmers.

***D. Other points***

***Agricultural data not captured***

3.1.28 Establishment of Agency for Reporting Agricultural Statistics (EARAS), a 50:50 sharing scheme between Government of India and the State Government, was implemented in the State since 1997 with the objective of enumeration and identification of agricultural land holdings in the State. Government of India released Rs. 16.57 lakh for the purpose during the period 1997-2001. The work was entrusted to erstwhile Bureau of Economics & Statistics, now renamed (June 2004) Directorate of Economics, Statistics, Monitoring and Evaluation and an expenditure of Rs. 11.61 lakh was incurred towards establishment expenditure upto March 2002 but the objective of identifying and enumeration of agricultural data was not carried out till March 2002. Thus, the funds spent were wasteful.

### ***Avoidable expenditure***

3.1.29 The Department purchased 2,005 MT of Dolomite from a local supplier through SIMFED under the OPP scheme at the rate of Rs. 1,500/MT during the period 1999-2004 and spent Rs. 31.05 lakh. However, the Government of India notified MRP ranging between Rs. 150 and 250/MT during 1999-2004, as ascertained from the Mines & Geology Department (M&G). It was also held that good quality dolomite was available in plenty in Sikkim itself. Thus, the Department's action to procure dolomites from SIMFED without finding out the rates from Mines and Geology Department and the Sikkim Mining Corporation led to avoidable expenditure of at least Rs. 25.06 lakh.

### **Monitoring and evaluation**

3.1.30 Systematic and result oriented monitoring is necessary for effective implementation of crop development programme. The Agriculture Department is vested with the responsibility of continuous monitoring and evaluation of various programme and to take timely corrective measures. Various guidelines issued by the Government of India from time to time envisaged intensified field monitoring of activities through visits by Agriculture Officers and supervision by technical staff, scientists of the Indian Council for Agricultural Research and the State Agricultural Universities. Monitoring mechanism by the Department was not up to the mark as the Department had not drawn up any formal field visit programme and also not attempted any evaluation till date.

### **Conclusion**

3.1.31 Various programmes of seed production and other crop developmental activities undertaken by the Department were yet to show concrete results by boosting agricultural production mainly due to the manner in which the schemes were implemented without undertaking adequate efforts for dissemination of the latest improved technology. The yield of various crops in the State was far less than the accepted norms and the area under cultivation also remained static over the last five years. This indicated that the efforts of the Department involving a huge cost of Rs. 117.92 crore to popularise improved seeds, modern techniques of cultivation etc. were yet to percolate down to the cultivators.

### **Recommendations**

3.1.32 Efforts may be initiated to:

- Strengthen budgetary and financial management.
- Curtail disproportionately high establishment cost.
- Make available the latest technological know-how to the farmers to enhance the productivity.
- Enhance coverage of high yielding crop varieties.

## BUILDING & HOUSING DEPARTMENT

### 3.2 Working of Building and Housing Department

#### Highlights

*Working of Building and Housing Department disclosed absence of adequate financial control, as there were persistent savings, unnecessary supplementary provisions and irregular expenditure in violation of Government orders. Programme management was characterised by delayed completion of works leading to non-fulfilment of intended objectives, loss of revenue on account of license fee and avoidable expenditure on payment of house rent allowance, non-realisation of tools and plants and establishment charges and execution of works without sanction and budgetary provisions. Physical verification of the stores was never carried out in any of the years under review nor was adjustment of profit and loss on stock attempted.*

**Despite signing Memorandum of Understanding with Government of India and assurance given by State Government, Department incurred excess expenditure of Rs. 4.26 crore towards office expenses, travel expenses, fitting/furnishings etc.**

(Paragraph 3.2.7)

**Delay in completing various works within the stipulated time led to blocking of Government funds of Rs. 11.18 crore in 17 works alone.**

(Paragraph 3.2.9)

**Establishment, tools and plant charges amounting to Rs. 8.10 crore were not realised by the Department from user organisations.**

(Paragraph 3.2.12)

**Despite ban, the Department continued to appoint work charged and muster roll employees and spent Rs. 60.92 lakh towards their wages.**

(Paragraph 3.2.18)

#### Introduction

3.2.1 The Building and Housing Department (BHD) is responsible for construction and maintenance of all residential and non-residential Government buildings and allotment of Government quarters.

#### Organisational Set-up

3.2.2 The Department is headed by the Principal Chief Engineer cum Secretary, who is assisted by Chief Engineer, Chief Architect, Additional Chief Engineer, Joint Secretary, Superintending Engineers (3), Divisional Engineers (6), Assistant Engineers (11) and Assistant Architects (2).

### Audit Coverage

3.2.3 Audit covering administration, financial management, programme and material management of the Department for the period 1999-2004 was conducted during March-April 2004 with reference to the records maintained at the Secretariat, which included Planning, Project, North-East and Headquarters' divisions at Gangtok and other divisional offices in South and West districts. 25 per cent of the total expenditure (Rs. 46.37 crore out of Rs. 185.48 crore) was examined in the review.

### Financial Management

3.2.4 The Budget allocation and expenditure thereon during the period covered under Audit were as under:

Table – 3.8

(Rupees in crore)

Year	Budget Provision							Expenditure			Savings		
	Revenue			Capital				Revenue	Capital	Total	Revenue	Capital	Total
	Orig	Supl	FG	Orig	Supl	FG	Total						
1999-2000	28.58	0.15	28.73	26.82	0.47	7.25	56.02	17.94	13.32	31.26	10.79	13.97	24.76
2000-2001	11.68	6.27	17.95	49.04	5.60	4.64	72.59	17.00	33.11	50.11	0.95	21.53	22.48
2001-2002	5.63	1.44	7.07	8.00	1.71	9.71	16.78	6.89	9.63	16.52	0.18	0.08	0.26
2002-2003	5.98	0.05	6.03	10.15	2.72	2.87	18.90	5.92	12.00	17.92	0.11	0.87	0.98
2003-2004	6.26	0.18	6.44	10.90	3.85	4.77	21.19	6.40	14.64	21.04	0.04	0.11	0.15
Total	58.13	8.09	66.22	104.91	14.35	19.2	185.46	54.15	82.70	136.85	12.07	36.56	48.63

NB: Orig=Original, Supl= Supplementary, FG= Final Grant

Source: Appropriation accounts.

The BHD executed the works of other departments, sometimes by operating on the budgets of these departments and sometimes as deposit works. Out of Rs. 43.66 crore received during 2001-2004 from other departments an expenditure of Rs. 42.07 crore was incurred towards the execution of such works.

The irregularities noticed in Audit are brought out in the succeeding paragraphs.

#### Unnecessary / excessive supplementary provision

3.2.5 In revenue sector, the expenditure of Rs. 17.94 crore in 1999-2000 did not even come up to the original provision of Rs. 28.58 crore and, therefore, supplementary provision of Rs. 15 lakh obtained in March 2000 proved unnecessary. Similarly, during 2002-03, the expenditure of Rs. 5.92 crore did not even come up to the level of original budget provision of Rs. 5.98 crore. Further, in view of the ultimate saving of Rs. 11 lakh in the grant, supplementary provision of Rs. 5 lakh obtained during the year proved unnecessary.

While no reason for 1999-2000 was put forth, the Department stated (September 2004) that during 2002-03 Rs. 9 lakh was surrendered due to vacant post of Additional Chief Engineer and Rs. 5 lakh was obtained under supplementary grant to pay the arrear bills as re-appropriation under salary head was not permissible.

*Persistent savings and surrender thereof*

3.2.6 Rules required that anticipated savings should not be held in reserve for possible future requirement of funds but surrendered forthwith. Persistent savings were noticed in all the years under review in both Revenue and Capital sectors. The above savings, however, were surrendered at the end of the respective years, which was not only contrary to the rules but also indicated Department's laxity in keeping a watch over the progress of expenditure.

Reply (September 2004) of the Department that provision for Centrally sponsored scheme was kept every year and was surrendered at the year end if no Central funds were received was not acceptable in view of the specific provision in the Sikkim Financial Rules that anticipated savings should be surrendered forthwith.

*Irregular excess expenditure in violation of Government orders and commitment made to the GOI*

3.2.7 In pursuance of Memorandum of Understanding (MOU) signed by the State Government with Government of India (April 1999) for correcting fiscal imbalance in the State, the State Government was to reduce its non-Plan revenue expenditure in a time bound manner. In pursuance of MOU, the Chief Secretary of the State instructed (June 1999) all the Secretaries/Heads of departments to comply with the ban on creation of posts, purchase of vehicles, expenditure on fittings/furnishings and reduction of establishment expenditure. As a follow up action on the MOU, the State Government intimated (March 2000) Government of India about imposing reduction to the extent of 10 per cent on office expenses, 25 per cent on travel allowances and a complete ban on fitting and furnishings from the year 2000-01.

However, scrutiny of records revealed that in total disregard of the MOU and the assurance given to the Government of India, the Department continued to incur expenditure in excess of the permissible limit by Rs. 4.26 crore in respect of office expenses, travel allowance and fitting and furnishings during 2000-04. No reasons for such excess expenditure were furnished to Audit.

Contention (September 2004) of the Department that the expenditure was incurred within the budget provision as passed by the State Legislature was not acceptable as provision of funds as well as incurring of expenditure in excess of permissible limit was contrary to the MOU and assurance given by the State Government to the Government of India.

**Programme Implementation**

3.2.8 Time is of the essence in programme management to see that various works taken up by the Department are completed as scheduled, with due regard to economy and effectiveness. For this, the Department should ensure timely initiation of tender procedure, finalisation of contract, availability of required stock materials, prompt payment of bills to the contractor etc. However, the BHD was far behind in completion of works within the stipulated time, mainly due to non-availability of stock materials and change in scope of work. This indicated

that the planning at the initial stage suffered from infirmities, leading to delayed completion of works and deferment of intended benefits from various programmes. Other irregularities noticed in Audit are indicated in the succeeding paragraphs.

***Blocking of funds due to non-completion of works in time***

3.2.9 BHD's main responsibility was to execute both residential and non-residential Government buildings on behalf of various departments in an efficient manner. However, the Department was not able to execute various works, as scheduled, primarily due to non-availability of stock materials and revision of design and scope of works. It was noticed that 17 works, valuing Rs. 11.18 crore, were completed after delays ranging between seven months and four years as detailed below.

**Table – 3.9**

*(Rupees in lakh)*

Particulars	Periodicity of delay in months			
	7 to 12	13 to 24	25 to 48	49 and more
No. of works	4	7	4	2
Amount blocked	245.81	151.90	355.37	365.36

*Source: Progress Report*

Out of the above completed works, six works valuing Rs. 1.59 crore pertained to construction of residential buildings. The delayed completion of the works resulted in avoidable payment of house rent allowance and loss of license fees aggregating Rs. 6.36 lakh. Inordinate delay in completion of works also resulted in escalation of cost from Rs. 2.85 lakh to Rs. 24.60 lakh.

While acknowledging the shortcomings pointed out by Audit the Department informed (September 2004) that delay in most cases had arisen due to non-finalisation of schemes in time by the user departments coupled with their failure to make available required funds. The reply indicated a certain lack of coordination between user departments and Building and Housing Department.

***Inordinate delay in completion of Community Health Centre, Gyalsing***

3.2.10 Construction of a four storey 100 bed Community Health Centre at Gyalsing at an estimated cost of Rs. 3.95 crore was taken up (June 1994) by the State Government based on approval from the Planning Commission, Government of India. Due to financial constraints the scope of work was reduced to a three storey building at an estimated cost of Rs. 3.20 crore. The work was awarded (June 1996) to the contractor for execution of civil works, valuing Rs. 1.96 crore at 35 per cent above the estimated cost, to be completed by February 1999.

It was seen that the contractor stopped (March 1999) the work after executing 85 per cent of work on the plea of non-supply of stock materials by the Department. Cabinet approved (January 2001) the revised estimate of Rs. 4.64 crore (inclusive of 24.60 lakh as escalation charges) to bring it to four storey, as envisaged in the original plan, on the request of Health and Family Welfare Department. The

work was awarded (June 2001) to the same contractor at the existing rate of 35 per cent above the estimated cost, with extension of time to complete the work by March 2002. When the work was not completed in stipulated time (March 2002), the BHD proposed (August 2002) a revised estimate of Rs. 4.90 crore to user department and incurred an expenditure of Rs. 4.70 crore till October 2004.

Audit observed following lapses in planning and execution of the above work.

- Absence of firm planning led to extra expenditure of Rs. 24.60 lakh towards escalation charges.
- Planning at the initial stage, both by user department and BHD was far from satisfactory leading to frequent revision of scope, design, estimate etc.
- BHD failed to ensure availability of required quantity of stock materials leading to non execution of work from March 1999 to June 2001 and therefore, the rural populace was deprived of the intended health care facility.
- The revision in scope and design of the building in January 2001 further delayed the completion of work besides extra expenditure being incurred.

Similarly, another work relating to construction of food godown cum class III and IV quarter at Ravangla taken up (June 1996) for construction at an estimated cost of Rs. 24.11 lakh was inordinately delayed by 49 months. This was primarily due to defective planning, inadequate survey, hastily drawn estimate and the inability of the Department to compel the contractor to complete the work in time.

The Department stated (September 2004) that while the construction of Community Health Centre was delayed due to delay in finalisation of tender and inadequate release of resources from time to time, construction of food godown cum quarters at Ravangla was delayed due to change of site.

### *Execution of work without sanction and budgetary provision*

3.2.11 During the visit of Prime Minister in May 2003, a special package of Rs. 350 crore for the developmental works to be taken up in Sikkim was announced. The package included Rs. 20 crore for developmental works at Raj Bhavan. Although no formal sanction by Government of India was issued till date (November 2004) an estimate for Rs. 53.65 crore for construction of Annexe including staff quarters was approved by the State Cabinet (September 2003) and tenders were called for. The offer of a Kolkata based firm which was 22.41 per cent lower than the estimate was accepted (December 2003) and work orders issued (January 2004). However, the work was taken up departmentally in October 2003 itself as could be verified from the issue of 4.5 MT of steel and 1,150 bags of cement from the store between October 2003 and February 2004 and an expenditure of Rs. 99.85 lakh was incurred up to March 2004 against the allotment of Rs. 1.00 crore provided by State Government. The departmental execution of work without obtaining funds from Government of India and also simultaneously awarding the work to a contractor were irregular.

It was also seen that Department took up another nine works valuing Rs. 12.58 crore for execution during March 2003 to March 2004 without ensuring the availability of funds, resulting in non-payment of bills and creation of liability to

the tune of Rs. 2.59 crore as at the end of 2003-04. It was further seen that in seven out of nine works, the revision of initial estimates from Rs. 6.23 crore to Rs. 8.03 crore (29 *per cent* increase) was done, without obtaining sanction of the competent authority. Creation of liability despite persistent savings over the years was indicative of lack of financial management besides improper implementation. The Department, while emphasizing the urgency to undertake renovate/alteration of 116 years old Raj Bhavan and staff quarters, accepted (September 2004) that work order was given in anticipation of formal sanction from Government of India. They further added that approval of the State Government was obtained to take up the connected works departmentally and Rs. one crore was sanctioned during 2003-04.

#### *Non-realisation of establishment, tools and plant charges*

3.2.12 According to Public Works Department Code (Rule 336 and **Appendix II**) when works are executed on behalf of other departments recovery for the cost of establishment and tools and plants should be effected in all cases on percentage basis unless there are special orders of the Government to the contrary.

It was noticed that the Department had executed works valuing Rs. 38.14 lakh during the period under review on behalf of Defence organisations but establishment and tools and plant charges amounting to Rs. 5.34 lakh (13.75 *per cent*) were not realised from the beneficiary departments, resulting in loss to the Government. Reasons for non-realisation of establishment and tools and plants charges, in contravention of codal provision were not on record. Similarly, establishment and tools and plant charges (@ 11.75 *per cent*) amounting to Rs. 8.05 crore on 103 works, valuing Rs. 68.53 crore, executed on behalf of other departments of the State Government were also not realised by the Department.

Instances of non-realisation of establishment and tools and plants charges were reported in earlier Audit Report (vide para 4.7) of 2000-01 on which Public Accounts Committee recommended (March 2004) that the necessary charges should, invariably, be recovered from user departments/agencies in future. In spite of this, the Department failed to levy and realise such charges.

The Department informed (September 2004) that levy of such charges has been started by the Department.

#### *Non-recovery of lease rent*

3.2.13 An agreement was entered (February 2001) between BHD and Sikkim Tourism Development Corporation (STDC) for running the Sikkim Guest House at Kolkata for 10 years for which STDC shall pay lease rent of Rs. 1 lakh for 1<sup>st</sup> year, Rs. 2 lakh for 2<sup>nd</sup> year, Rs. 3 lakh for 3<sup>rd</sup> year and so on within 30 days of signing of agreement for the 1<sup>st</sup> year and within 30 days in advance in each of the subsequent years.

Even after lapse of four years (since February 2001) STDC had not paid the lease amount aggregating to Rs. 6 lakh, in spite of repeated reminders from BHD. In March 2003, the STDC represented for condoning the lease rent upto July 2002 on the plea that the Corporation (STDC) had invested huge amount on

refurbishing of the building. The proposal was not accepted by the Government (June 2003). Despite this, STDC had not paid the lease rent due nor had the BHD initiated effective steps for recovery of the lease rent.

The Department informed (September 2004) that the matter had been taken up with the State Finance Department and a final reminder to STDC had also been issued.

However, as of November 2004, lease rent was not paid by STDC.

### Material Management

3.2.14 The procurement of materials by BHD is made in two ways *i.e.* (i) charged to the works directly and (ii) through stock suspense. Year-wise budget provision, expenditure, savings and excesses under stock suspense during the year 1999-2004 were as under:

Table – 3.10

(Rupees in lakh)			
Year	Budget provision	Expenditure	Savings(-) Excess(+)
1999-2000	125.00	35.39	(-) 89.61 (71.69)
2000-01	50.00	50.03	(+) 0.03 (0.06)
2001-02	40.00	38.09	(-) 1.91 (4.77)
2002-03	50.00	49.99	(-) 0.01 (0.02)
2003-04	50.00	46.99	(-) 3.01 (6.02)

Source: Appropriation and Finance Accounts.

Figure in brackets denote percentages.

Material management was characterised by non-adjustment of profit and loss on stock and absence of physical verification, as detailed below:

- Adjustment of profit and loss on stock arising out of difference between the issue rate and the cost of acquisition, as contemplated in SPWD Code (Para 142) was not carried out in any of the years under review.
- In spite of stipulation in SFR and SPWD code, physical verification of stores were not carried out.
- Critical areas of material management such as assessment of requirement, acquisition of stores, reserve stock limit, timely issue of materials and recovery of cost thereof could not be verified as records pertaining to above were not produced to Audit even after repeated reminders.

The Department informed (September 2004) that adjustment of profit/loss on stock was being examined and physical verification was carried out during July 2004.

### Asset Management

3.2.15 The Department was neither maintaining any building/asset register for the assets/buildings created by the Department nor had it fixed any norm for expenditure on maintenance of assets. However, as intimated (March 1998) to the Finance Commission by the Department, it was adopting an expenditure norm of 3 per cent on non-residential and 5 per cent on residential building. The actual

expenditure on maintenance hovered between 1.76 and 2.37 *per cent*, which was far below the norms adopted by the Department for ensuring proper upkeep of the assets created.

The Department informed (September 2004) that required registers were being printed and would be maintained henceforth.

### ***Allotment of Government residential accommodation***

3.2.16 Allotment of Government residential accommodation and its proper upkeep is one of the prime responsibilities of BHD. It was observed that BHD did not have consolidated record of total number of residential accommodations under its possession, the quantum of fitting and furnishings provided to various quarters, periodical repairs carried out etc. While 60 Government quarters were found to be unoccupied in West (21) and South (39) districts as there were no takers, the Department went ahead and purchased 48 readymade flats during 1995-96 in South (18) and West (30) districts from Sikkim Housing Development Board at a cost of Rs. 1.29 crore, of which only 38 units were occupied as of March 2004.

These cases indicated that the BHD's quarter allotment and its new acquisition were not based on scientific assessment.

In reply, the Department intimated (September 2004) that class I and II quarters (7) are post specific earmarked quarters, of which one had been occupied, two were under repair and the rest would be allotted as and when incumbents were posted to the place. Of the class III and IV quarters (53), four needed major repairs and the balance were in the process of allotment.

### **Quality Testing Facilities**

3.2.17 One Material Testing Laboratory for testing cement and iron rods was set up (1995-96) at Nirman Bhavan, Gangtok with a view to assuring use of quality material for the construction. While the iron rod testing machine remained defunct during the entire period under review, the cement-testing machine tested cement for three\* works. Despite spending Rs. 7.85 lakh towards running the laboratory, the objective of ensuring utilisation of quality materials for execution of works remained largely unfulfilled as one machine remained defunct and the other was not utilised to carry out the tests.

The Department intimated (September 2004) that action was being initiated to utilise the testing machines for all major schemes.

### **Manpower Management**

3.2.18 Manpower management in the Department was found to be inadequate as the Department continued to engage work charged (11 appointed during December 2000 to September 2003) and muster roll employees (35 appointed during September 1995 to September 2003) in violation of Government ban

\* Construction of (i) VIP qtr; (ii) Banquet hall and (iii) Paljor stadium.

(August 1995) and incurred expenditure of Rs. 60.92 lakh towards payment of wages to these irregular appointees during September 1995 to March 2004. Further, the Department had on its rolls 141 employees against the norm of 103 in non-technical grades and 68 employees against the sanctioned strength of 88 in technical grade recording an excess of 56 *per cent* in non-technical grade and shortfall of 23 *per cent* in technical grade.

### Monitoring and evaluation

3.2.19 The programme of construction and maintenance of residential and non-residential buildings, being implemented by the Department was never evaluated by any independent body, to assess the status of fulfilment of targeted objective from time to time. Progress reports of works through which the monitoring of execution was done suffered from infirmities as the critical inputs like date of commencement, scheduled date of completion, name of works etc., were not found recorded in some cases. There was no standardised form of progress report in use.

The Department while informing (September 2004) that all Centrally sponsored schemes were being monitored by the concerned department, intimated that schemes would be implemented as per Programme Evaluation and Review Technique/ Critical Path Method in future.

### Conclusion

3.2.20 Financial management and control system were deficient leading to time overrun in completion of works and lack of adequate control over expenditure. System of periodical monitoring and evaluation by senior officers were also not in place.

### Recommendations

3.2.21 Efforts may be initiated to:

- Strengthen financial management and control system.
- Complete the works within the stipulated period and avoid time and cost over-run.
- Carry out physical verification of stores on annual basis.

## FOREST DEPARTMENT

### 3.3 Social and Farm Forestry Schemes

#### Highlights

*The basic objectives of the schemes under Social and Farm Forestry (SFF) were, inter alia, to take up conservation and afforestation works with a view to augmenting production of fuelwood and fodder through regeneration of degraded forest, conserve, improve and increase production of non-timber forest produce including medicinal plants, and provide gainful employment and additional income to the tribals and rural poor living in the vicinity of forests. Several deficiencies were noticed in the implementation of the schemes viz. non-achievement of targets, excess and wasteful expenditure and diversion of funds. Important points noticed in Audit were as under:*

**Unauthorised diversion of funds provided for various specific components under Area Oriented Fuelwood and Fodder Project towards other regular items of expenditure of the Department which were beyond the ambit of the project: Rs. 2.83 crore.**

(Paragraph 3.3.5)

**Production of seedlings was far below the norms in Non Timber Forest Produce scheme, value of which worked out to Rs. 54.28 lakh.**

(Paragraph 3.3.8)

**Doubtful collection of seedlings from the wild in violation of sound forestry practices: Rs. 50.58 lakh.**

(Paragraph 3.3.9)

**Discrepancy between number of seedlings issued from nursery and shown as planted: Rs. 49.69 lakh.**

(Paragraph 3.3.10)

**Engagement of labourers on casual roll for Rs. 41.43 lakh was not justified as all other schemes were implemented by engaging existing labourers of the Department.**

(Paragraph 3.3.17)

#### Introduction

3.3.1 The Forest Department is the custodian of over 81 per cent of the total geographical area of the State. Social and Farm Forestry is an important activity of the Department, under which several schemes were undertaken with a view to conserving forest resources and checking excessive exploitation of forests due to increasing demand for fuelwood, fodder and non-timber forest produce including medicinal plants.

**Organisational Set-up**

3.3.2 Principal Chief Conservator-cum-Secretary is in-charge of the Forest Department, and is assisted by Additional Principal Chief Conservator of Forest (1), Chief Conservator of Forest (3), Additional Chief Conservator of Forest (2) and Conservator of Forest (3) in head office and Divisional Forest Officers (11) in district offices.

**Audit coverage**

3.3.3 The performance of the Department in fulfilling the objective with reference to the operational guidelines of the Central and the State Governments during the period 1997-2004 was taken up for review in February and March 2004. Out of the total expenditure of Rs. 21.64 crore, an expenditure of Rs. 8.66 crore (40 per cent) was covered in Audit.

**Budget Provision and expenditure**

3.3.4 Social and Farm Forestry sector implemented nine schemes of which two were fully funded by Central Government while one was funded with 50 per cent Central grant. One scheme was funded by the user agency on whose behalf forest lands were diverted for non-forest uses. The expenditure on the remaining five schemes was borne by the State Government. Out of nine schemes under the Social Forestry Sector, seven schemes were selected for this review.

The budget provision and expenditure, scheme-wise, of the seven schemes covered by this review during the period 1997-2004 are given below:

**Table 3.11***(Rupees in crore)*

Sl No	Name of Scheme	Period	Budget provision	Expenditure	Excess (+)/ Savings (-)
1	Area oriented fuel-wood and fodder project (50:50 CSS)	1997-98 to 2003-04	7.12	7.05	(-) 0.07
2	Non-Timber Forest Produce including medicinal plants (100 % CSS)	1998-99 to 2003-04	6.39	6.40	(+) 0.01
3	Association of ST and Rural poor in Regeneration of Forest Resources in usufruct sharing basis	2001-02 to 2003-04	0.71	0.40	(-) 0.31
4	Compensatory Afforestation scheme	1998-99 to 2003-04	5.65	4.54	(-) 1.11
5	Greening of eco-fragile areas	1997-98 to 2003-04	2.00	1.89	(-) 0.11
6	Rehabilitation of fire damaged forest	1997-98 to 2002-03	1.44	1.28	(-) 0.16
7	Regeneration of conifer area	1997-98 & 2003-04	0.11	0.08	(-) 0.03
	<b>Total</b>		<b>23.42</b>	<b>21.64</b>	<b>(-) 1.78</b>

Source: *Furnished by Department.*

Scheme-wise Audit findings are given in the succeeding paragraphs:

**Area Oriented Fuelwood and Fodder Project (AOFFP)*****Diversion of earmarked funds- Rs. 2.83 crore***

3.3.5 According to the scheme guidelines specific allocation of funds was made for different activities. It was noticed that a sum of Rs. 2.83 crore was diverted towards payment of salary of regular establishment (Rs. 196.05 lakh), watch and ward (Rs. 26.38 lakh), muster roll staff (Rs. 24.60 lakh), maintenance of Indira Gandhi Arboretum (Rs. 19.55 lakh), and travelling allowances, office expenditure etc. (Rs. 16.86 lakh) which were outside the ambit of the project. This unauthorised diversion of funds adversely affected the achievement of prescribed target also. Against the approved target of 5,834 hectares under the project only 4,348.29 hectares were achieved, the shortfall being 1,485.71 hectares corresponding to 25 per cent.

The Department replied (October 2004) that some of the components of the scheme viz., extension/entry point activities etc., were not considered necessary by the Department and, hence, the earmarked provision for these activities was spent on salary, travelling allowance etc. of regular employees. It was also contended that the Government of India did not release the balance of Rs. 37.91 lakh and, hence, there was shortfall in the achievement. The reply is not tenable as the Government of India released Rs. 3.29 crore towards its share against the approved project cost of Rs. 6.93 crore; the shortfall being only Rs. 17 lakh.

***Non-execution of weeding works***

3.3.6 No weeding was carried out in West Division in 107.50 hectares of plantations created at a cost of Rs. 6.75 lakh under the AOFFP scheme during 1997-98. Similarly, out of 171 hectares of plantations created at a cost of Rs. 5.56 lakh during 2000-01 weeding works were carried out in 98 hectares only. Weeding works in respect of the East, South and North Divisions could not be verified due to improper maintenance of records.

In reply the Department stated (October 2004) that weeding works were not carried out due to meeting of committed liability, mainly for payment of salaries.

**Non - Timber Forest Produce including medicinal plants (NTFP)*****Regeneration of perennial herbs and shrubs of medicinal value******Non-adherence to plantation norms of seedlings resulting in excess expenditure of Rs. 32.45 lakh***

3.3.7 Under this model, the Department took up 1,000 hectares and 200 hectares of plantation in Project II and Project IV (Pilot Project) respectively, in the high altitude areas during the period 1999-2002. As against the norm of 2,000 plants per hectare laid down by Government of India, the Department worked out the cost norms for 2,500 plants per hectare. In actual execution, plantation was done at the rate of 1,600 plants per hectare, resulting in less plantation of seedlings to

the extent of 4,80,000 seedlings in 1,200 hectares of plantation. The plantation cost, however, was not reduced proportionately with regard to the number of seedlings actually planted. Thus, besides deviating from the norms laid down by Government of India, there was excess expenditure of Rs. 32.45<sup>\*</sup> lakh. The Department stated (October 2004) that it is making efforts to reconcile and update the records so as to avoid recurrence of such discrepancies in future.

***Production of seedlings below the norms resulting in infructuous expenditure: Rs. 54.28 lakh***

3.3.8 A test check of 14 nursery journals revealed that the total production of seedlings during the period 1998-2002 was 29.26 lakh against the norm of 56.40 lakh at 1.20 lakh seedlings per annum per hectare vide details in **Appendix-XV**. Thus, there was lesser production of 27.14 lakh seedlings (48 per cent) valuing Rs. 54.28 lakh at the rate of Rs. 2 per seedling.

The Department (October 2004) admitted that the nurseries were not properly maintained and the seedlings were kept in the nursery for one to three years due to which there was variation in the production of seedlings. The reply was not tenable as the seedlings attaining height/age within permissible limit should have been periodically removed for plantation making way for raising new seedlings.

***Collection of seedlings from the wild for plantation works.***

3.3.9 A test check of the plantation journals revealed that the Department, in addition to using seedlings produced in the nurseries, also collected seedlings from the wild for plantation works. During 1998-2002, a total of 7,85,352 seedlings were collected from the wild for plantation in various locations under the different models of plantation. In terms of the Department's norms (July 2001), uprooting naturally grown wild seedlings for taking up plantations in other areas was detrimental to the natural propagation of forests, as wildy grown seedlings uprooted from forest area had less chance of survival in plantation areas. Such collection and replantation of naturally grown seedlings from the wild by the Department involved an expenditure of Rs. 50.58 lakh.

The Department attributed (October 2004) the reason for collection of seedlings from the wild to late approval of some of the schemes and delay in release of funds due to which the number of plantable seedlings in the nurseries was limited and of certain species only. However, the collection of wild seedlings, in violation of sound forestry practices advocated by the Government, could not be verified and there was less chance of survival of such plants.

***Discrepancy between number of seedlings issued and shown as planted: Rs. 49.69 lakh***

3.3.10 A cross verification of the plantation journals (PJs) with the nursery journals (NJs) revealed discrepancies between the figures of seedlings shown as

<sup>\*</sup> 4,80,000 x Rs. 6.76 per plant

issued from the nurseries in the NJs and the corresponding number of seedlings shown as planted in the PJs. Although only 1,29,000 seedlings were shown as issued from the Kyongnosla Nursery during 2000-01, 2,72,000 seedlings were shown as sourced from the Kyongnosla Nursery for plantation in eight locations of East Range during the year resulting in a discrepancy of 1,43,000 seedlings. Similarly, there was a discrepancy of 2,69,500 seedlings during 2001-02 from the same Nursery. There were similar discrepancies of 1,02,450 seedlings during 2000-01 in the North Range and 74,000 seedlings during 2001-02 in the West Range. Thus, Audit could not verify the plantation of the extra 5,88,950 seedlings at an expenditure of Rs.49.69 lakh<sup>1</sup>, beyond what were issued from the nurseries. Details are shown in **Appendix-XVI**.

The Department while attributing (October 2004) the discrepancy to absence of skilled persons in the nursery to keep proper records, stated that the irregularities pointed by Audit have been noted and proper system will be devised to avoid such lapses in future.

#### **Association of Scheduled Tribes and Rural Poor in Regeneration of Degraded Forests on Usufruct Sharing Basis**

3.3.11 The Scheme "Association of Scheduled Tribes and Rural Poor in Regeneration of Degraded Forests on Usufruct Sharing Basis (100 per cent CSS)" was sanctioned for implementation in North and East Divisions of Sikkim during 2001-02 at a total cost of Rs. 64 lakh which included Model I for nursery raising, soil working and plantation in 350 hectare at a cost of Rs. 35 lakh.

Although advance works were taken up on 223 acres prior to actual plantation of seedlings at a cost of Rs. 9.47 lakh, no plantation was taken up during 2001-02 under Model I. However, while reporting to Government of India, 'planting' was also mentioned in the Progress Report. Government of India, accordingly, released Rs. 5.90 lakh during March 2003 towards cost of maintenance of the plantations carried out during 2001-02. Out of the above amount, Rs. 3.80 lakh was shown as spent during 2003-04 on maintenance of the plantations under Model I. Since no plantation under Model I was carried out during 2001-02, the expenditure of Rs. 9.47 lakh on advance works during 2001-02 was infructuous besides doubtful expenditure of Rs. 3.80 lakh shown as incurred on maintenance of plantation under Model I during 2003-04. The Department stated (October 2004) that the plantation process against the advance works of 223 hectare was completed by using labourers from all divisions including nursery maintained under the scheme. However, no documentary evidence was furnished with the reply, neither were any records produced to Audit to substantiate the claim.

<sup>1</sup> Calculated on the basis of cost of plantation of 1,600 seedlings @ Rs. 13,500.00 per hectare (Rs. 6,000.00 on advance works + Rs.7,500.00 on creation)

**Compensatory Afforestation Schemes**

3.3.12 Compensatory Afforestation Schemes (CAS) relate to afforestation works undertaken in lieu of forest lands diverted for non-forest purposes such as construction of roads, power transmission lines, hydel projects, mining, irrigation works etc., in accordance with the provisions of the Forest (Conservation) Act 1980. Funds for compensatory afforestation were provided by the user agencies on whose behalf forest lands were allotted for non-forest purposes.

***Fund stipulation vis-à-vis deposit by user agency***

3.3.13 Against the stipulated amount of Rs. 5.59 crore payable by the user agencies during the period 1998-2004 they deposited Rs. 4 crore only. Outstanding balance of Rs. 1.59 crore was due mainly from the 17 Mountain Division (Army) (Rs. 1.58 crore). Reasons for non-deposit of the amount were not furnished to Audit.

The Department stated (October 2004) that it is regularly pursuing the case with the user agency for early settlement of the outstanding dues.

**Delay in taking up of afforestation works**

3.3.14 A test check of the records relating to CAS undertaken during 1998-2004 revealed that there was delay ranging from one to three years in taking up of afforestation works even after deposit of funds of Rs. 2.37 crore by the user agencies and the clearance from Government of India. Details are shown in the table below:

Table – 3.12

*(Rupees in lakh)*

Number of cases	Delay in years		
	1 year	2 years	3 years
	9 cases	4 cases	2 cases
Amount blocked	83.30	122.32	31.46

The Department attributed (October 2004) the delay in taking up of afforestation works mainly to late receipt of funds from user agencies, delay in obtaining administrative approval for the works, time taken in procedural mutation of non-forest lands and in selection of plantation sites.

**Greening of ecologically fragile areas**  
**Rehabilitation of fire damaged and highly degraded areas**  
**Restocking of conifer forests**

3.3.15 The schemes (i) Greening of ecologically fragile areas, (ii) Rehabilitation of fire damaged and highly degraded areas, and, (iii) Restocking of conifer forests are ongoing plantation schemes implemented by the Territorial Circle of the Department with a view to providing fodder, fuelwood and small timber to the people, restoration of green cover, providing effective protection from biotic

interference, and improvement of regeneration of forest by soil preparation and removing debris.

### ***Abnormal casualty of seedlings***

3.3.16 According to the norms for these State schemes, 5,10,000 seedlings were required for 204 hectares of plantations created in South division during 1997-98 to 2003-04. Against this, 10,30,180 seedlings, including two years' casualty filling, were utilised. Thus, there was an abnormal casualty of 5,20,180 seedlings. In respect of 12 plantation journals\* verified in Audit there was a casualty of 3,755 plants corresponding to 4.28 per cent<sup>†</sup>. Even after allowing casualty at the maximum of 30 per cent noticed in some other plantations, the abnormal excess casualty was 3,67,180 seedlings, the cost of which worked out to Rs. 7.34 lakh<sup>‡</sup>. The abnormal casualty of seedlings resulted in wasteful expenditure on seedlings, planting and maintenance. The Department did not give any reason for the abnormal casualty.

### ***Non-engagement of existing labourers for plantation***

3.3.17 Creation of 500 hectares new plantations during 1996-97, 1997-98 and 2000-01 were carried out by engaging existing labourers of nurseries. It was, however, observed that the Department carried out 518 hectares of new plantations during 1998-99, 1999-2000, 2001-02 and 2002-03 at a cost of Rs. 41.43 lakh by engaging new labourers. When large scale plantations in other years could be carried out by engaging existing labourers, reasons for using new labourers during 1998-99, 1999-2000 and 2001-02 could not be justified. In reply the Department stated (October 2004) that engaging the existing labourers from the nurseries badly affected the basic work of maintenance of nurseries. The contention of the Department was not tenable considering the fact that 518 hectares of plantation could have been easily managed with existing labourers when 500 hectares of plantations were done with existing labourers in earlier years.

## **Common irregularities**

### ***Improper maintenance of Plantation and Nursery Journals and records.***

3.3.18 Plantation journals in 203 out of 334 cases in respect of the AOFFP scheme were not produced to Audit. In 131 cases produced to Audit the same were not maintained properly as the names of the nurseries from where seedlings were transplanted, expenditure incurred for plantation and weedings, number of

\* Shown to Audit

† No. of seedlings planted = 87,643

No. of seedlings used for casualty filling 3,755

Therefore  $3,755 \times 100 / 87,643 = 4.28$  per cent

‡ 30% of 5,10,000 = 1,53,000

$5,20,180 - 1,53,000 = 3,67,180 \times \text{Rs. } 2.00 = 7,34,360$

weedings carried out, details of survival of plants, remarks of inspecting officer, etc. were not recorded. Nursery journals of only 5 hectare (consisting of 3 nurseries) pertaining to Dzongu range in the North Division were produced to Audit. In the absence of the journals of the remaining 37 nurseries, the correctness of the number of seedlings produced, seedlings transplanted etc. could not be verified.

Improper maintenance of the plantation and nursery journals was also observed in case of Aided Natural Regeneration (Model-II) under the scheme of Association of Scheduled Tribes and Rural poor in regeneration of degraded forest, Compensatory Afforestation scheme and Greening of eco-logically fragile areas scheme. Only in respect of the NTFP scheme, the same were maintained satisfactorily.

The improper maintenance of plantation journals defeated the very purpose of having a control record to assess progress of plantation and remedial action taken from time to time. While agreeing to the Audit observations, the Department stated (October 2004) that fresh guidelines shall be issued for proper maintenance of records and the finalisation of the Department's own manual will address the deficiency.

### **Monitoring and Evaluation**

3.3.19 Barring in the case of the Non Timber Forest Product scheme, the Department could not provide any records relating to the periodical monitoring and evaluation of the plantations created. No periodical returns/reports from the executing divisions to the nodal office indicating the progress of growth of plants and their survival percentage were prescribed in order to watch and assess the progress of the schemes. This indicated that the schemes were not implemented in a properly organised manner. In reply, the Principal Chief-Conservator of Forest stated (February 2004) that monitoring and evaluation of the plantations are proposed to be carried out shortly and reports in this respect will be made available on its completion. In a further reply the Department stated (October 2004) that Regional office, Government of India periodically monitors all Centrally sponsored schemes including schemes under Compensatory Afforestation Schemes. Further, Senior Supervisory Officers of the Department also carry out frequent inspections. However, Department could not furnish documentary evidence in support of the above claim.

### **Recommendations**

3.3.20 Efforts may be initiated to:

- Maintain Nurseries as per actual requirement to avoid both excess expenditure on maintenance and collection of seedlings from the wild for plantation.
- Maintain vital records such as plantation and nursery journals in complete shape.
- Carry out monitoring and evaluation of the schemes at regular intervals.

## PLANNING AND DEVELOPMENT DEPARTMENT

### 3.4 Management of Non-Lapsable Central Pool Grants

#### Highlights

*The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. Review of the scheme indicated defective financial management as there were delays in release of funds, unauthorised expenditure on unapproved works etc. Programme management was characterised by delayed execution of works, execution of unauthorised works, large scale cost escalation, execution of minor works which did not translate into infrastructure creation, undue benefit and excess payments to contractors etc.*

**In spite of specific stipulation in the guidelines to the contrary, the departments unauthorisedly incurred expenditure amounting to Rs. 1.59 crore on staff component.**

(Paragraph 3.4.7)

**Funds amounting to Rs. 14.76 crore were irregularly utilised towards supplementing normal State Plan Programme.**

(Paragraph 3.4.9)

**There was cost escalation amounting to Rs. 55.40 crore ranging between 10 and 226 per cent in 13 projects.**

(Paragraph 3.4.10)

**Unapproved minor works valuing Rs. 4.10 crore were executed by three departments.**

(Paragraph 3.4.11)

**Delay in execution and completion of the projects valuing Rs. 103.19 crore resulted in non-accrual of intended benefits from the scheme.**

(Paragraph 3.4.12)

#### Introduction

3.4.1 The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. The Central pool became operational from the financial year 1998-99. The broad objective of the scheme is to ensure the speedy development of infrastructure in the region by increasing the flow of budgetary financing for specific viable

infrastructure projects/schemes in various sectors and to reduce the critical gaps in the basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc.

### Organisational Set-up

3.4.2 The responsibility for implementation of NLCPR scheme in the State is primarily vested with Planning and Development Department (PDD) headed by the Development Commissioner who is assisted by a Special Secretary and Deputy Secretary. The head of the department (HOD) of sectoral departments assisted by the nodal officer nominated for the purpose are responsible for execution of the scheme at departmental level. List of the departments implementing the scheme, name of HODs, nodal officers, number of projects sanctioned and taken up in each department, funds released, expenditure incurred etc. are given in *Appendix -XVII*.

### Audit Coverage

3.4.3 Implementation of the scheme in the State for the first five years of its operation (1999-2004) was reviewed during November-December 2003 and April-May 2004 through test check of records in PDD. Records relating to implementation of the scheme in various departments viz. Irrigation, Education, Power, Sikkim Public Works (R&B), Sports & Youth Affairs, Rural Development (RDD), Public Health Engineering (PHE) and Culture were test checked to the extent of 40 *per cent* of the total expenditure (Rs. 82.71 crore out of Rs. 206.78 crore) during the course of review.

### Financial outlay and expenditure

3.4.4 NLCPR is funded by Ministry of Development of North Eastern Region (DoNER), Government of India in the form of 90 *per cent* grant and 10 *per cent* loan. Details of funds received and utilised by the State during the period covered under review are as under.

Table 3.13

(Rupees in crore)

Year	Opening Balance	Receipt	Total	Expenditure	Closing Balance
1998-1999	Nil	10.00	10.00	3.14 (31)	6.86
1999-2000	6.86	32.01	38.87	5.92 (15)	32.95
2000-2001	32.95	23.78	56.73	46.48 (82)	10.25
2001-2002	10.25	48.21	58.46	44.03 (75)	14.43
2002-2003	14.43	44.18	58.61	72.77 (-)	(-) 14.16
2003-2004	(-) 14.16	53.26	39.10	34.44 (88)	4.66
Total	-	211.44		206.78	

Source: Information furnished by Department

Figure in bracket represent percentage

Details of department wise release of funds and expenditure thereon are shown in *Appendix - XVIII*.

Actual expenditure ranged between 15 and 88 *per cent* of the available fund during these years except in 2002-03 where it exceeded available funds. This was mainly due to the departments of Rural Development, Roads & Bridges, Education and Irrigation & Flood Control not being ready to execute various schemes/ works despite availability of funds. This resulted in accumulation of balances at the year-end of 1999-2000 (Rs. 32.95 crore) and 2003-04 (Rs. 4.66 crore) corresponding to 85 and 12 *per cent* of available funds during the respective year.

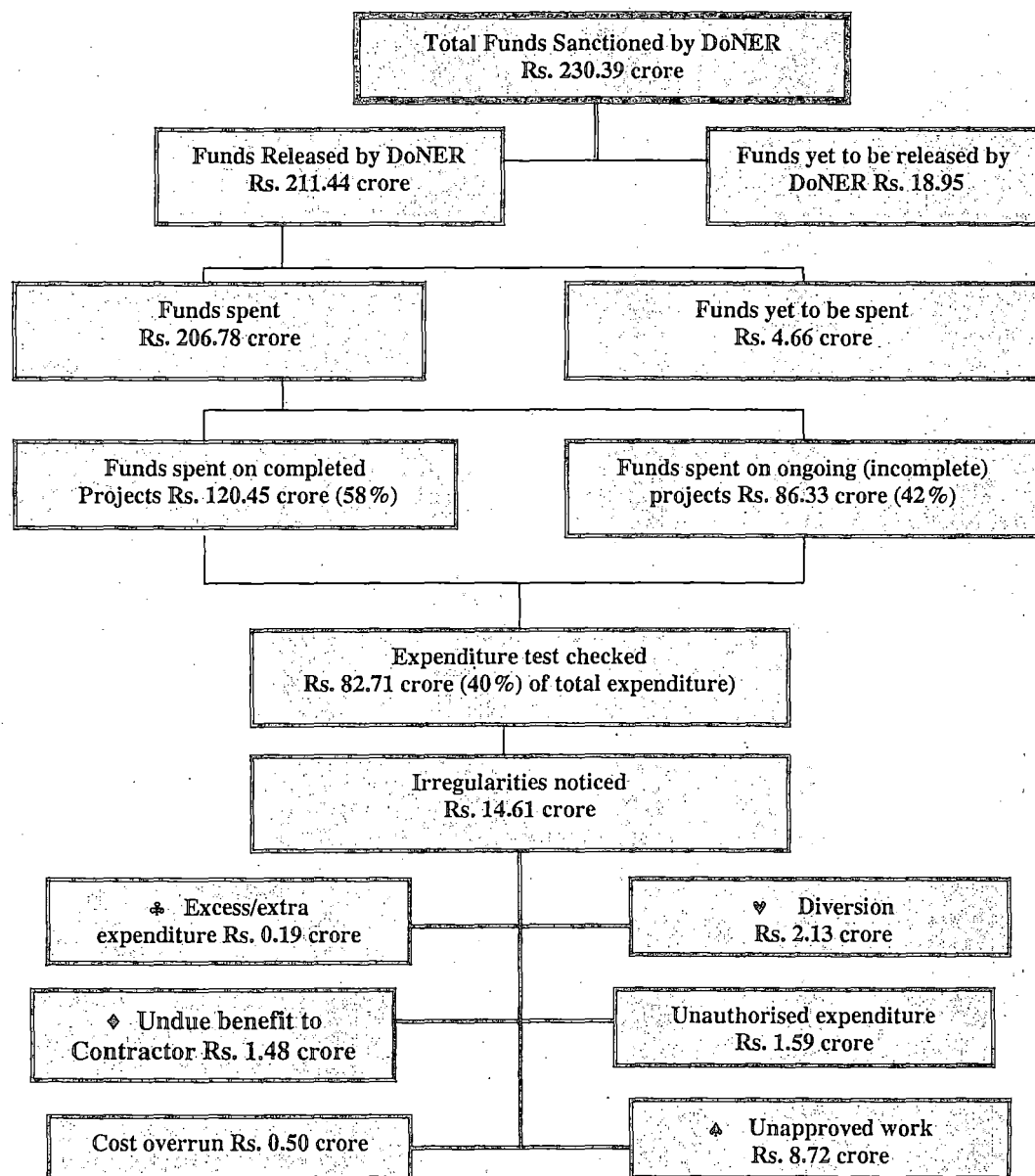
### Financial Management

3.4.5 Against the total available fund of Rs. 211.44 crore under the scheme, the reported expenditure by the PDD, based on information furnished by various sectoral departments, was Rs. 206.78 (98 *per cent*). Deficiencies noticed during the course of test check have been dealt with in the succeeding paragraphs.

#### 3.4.6 Finance Inverse tree

Finance Inverse Tree is a diagrammatic representation of the analysis of utilisation of the resources made available for a programme. It facilitates a comparison of the budgeted resources with the actual utilisation and discloses among other things, diversion of resources, use of resources for unapproved proposes etc.

**Finance Inverse tree** in respect of the scheme for the period under review is given below:



♣ Rs. 0.19 crore = Rs. 10.65 lakh + Rs. 8.52 lakh. ♦ Rs. 1.48 crore = Rs. 26.24 lakh + Rs. 7.61 lakh + Rs. 20.40 lakh + Rs. 74.20 lakh + Rs. 19.29 lakh. ♥ Rs. 2.13 crore = Rs. 1.44 crore + Rs. 0.64 crore. ♠ Rs. 8.72 crore = Rs. 4.10 crore + Rs. 4.62 crore.

### Unauthorised expenditure on staff component

3.4.7 Guidelines issued by the Ministry of Development of North Eastern Region (DoNER) [(Para 4 (ix))], forbade incurring of expenditure from scheme fund towards staff component both work charged and regular. It was noticed that despite this specific stipulation in the scheme guidelines, departments executing NLCPR schemes incurred an expenditure of Rs. 1.59 crore towards payment on staff component such as payment of muster roll (Rs. 1.35 crore), salary of work charged establishment (Rs. 5.03 lakh) and regular employees (Rs. 19.31 lakh). It

was also noticed that these staff were never deployed towards execution of the works relating to the NLCPR schemes but were engaged in the head offices of the departments concerned, divisional offices, stores etc.

Utilisation of scheme fund towards payment of staff salary particularly in view of the fact that the staff were never deployed towards execution of the scheme was unauthorised as per the guidelines and lacked justification.

### **Planning**

3.4.8 Meaningful and effective implementation of the scheme depends upon proper planning, prioritisation of activities, adequacy of organisational set-up etc. For this, the State Government and PDD in particular was required to ensure that the essential requirements and the criteria listed hereunder were fulfilled prior to forwarding of proposals to DoNER.

- The proposals should be accompanied by a detailed project report and should be cleared from all administrative and regulatory agencies.
- The projects should be in infrastructure sector, which can be implemented within two to three years.
- A shelf of projects should be created for implementation.

It was noticed that the State Government had not prepared any shelf of projects till 2002-03. It is only from 2003-04 that the shelf of projects is being maintained by them. Projects, not fulfilling the criterion of falling under infrastructure sector as indicated in Para 3.4.11, were also forwarded by the PDD for funding under the scheme, which were accepted by DoNER. There were also delays in completion of projects ranging between three and sixty-three months. These cases reveal laxity in planning as well as implementation.

### **Implementation**

#### ***Irregular utilisation of funds***

3.4.9 Guidelines (Para 2.3) stipulate that funds available under NLCPR are not meant to supplement the normal plan programme of the State Government. NLCPR funds would be an additionality to ongoing programmes. They were not to substitute for a budgeted ongoing scheme.

Test check of records revealed that State Government had utilised NLCPR funds for budgeted ongoing projects to the extent of Rs. 14.76 crore. It was noticed that 22 projects valuing Rs. 14.76 crore pertaining to Education (Rs. 5.41 crore), Roads & Bridges (Rs. 7.85 crore) and Power (Rs. 1.50 crore) departments, which were earlier approved (May 1999) by the State Cabinet for execution under normal plan programme during the period 1999-2000, were later executed during 1999-2004 from the funds available under the NLCPR scheme. Out of 22 projects, four projects relating to Education (2) and Power (2) were ongoing and an amount of Rs. 5.72 crore was already spent from State Plan, prior to submission of proposals to DoNER. Utilisation of NLCPR funds towards financing State Plan schemes was not only irregular as prescribed in the

guidelines but also, in effect, resulted in downsizing the overall plan fund to that extent.

### *Escalation of Projects Costs*

3.4.10 According to the guidelines (Para 6), escalation in cost of the sanctioned projects is not acceptable except, in cases where the enhancement of the cost is due to change in scope of the works that was envisaged at initial stage. Financing of such increased cost upto a limit of 20 *per cent* of the originally approved cost was to be shared equally between the DoNER and the State Government.

Test check of 25 projects of nine departments revealed cost escalation of Rs. 55.40 crore ranging from 10 to 226 *per cent* of the estimated cost in 13 projects involving five departments. Failure of the implementing departments to prepare the estimates of the projects duly considering the scope of the works in its entirety and workability, led to unanticipated burden on the State exchequer. Details are shown below:

**Table 3.14**

(Rupees in crore)

Department		Scheme	Final cost	Approved by DoNER	Escalation	Borne by DoNER	% of cost escalation
Power.	1	Lower Lagyap Hydel Project	21.40	19.51	1.89	Nil	10
	2	132 KV Rangit-Melli Power line	39.79	27.65	12.14	Nil	44
	3	66 KV D/C line –Bulbuley – Sichey	23.61	12.97	10.64	Nil	82
Education	4	Constt. of 198 school building	26.82	21.72	5.10	Nil	23
	5	Constt. of 3 college buildings	9.14	5.00	4.14	Nil	83
Urban Development & Housing	6	Ropeway Project	13.90	9.68	4.22	0.92	83
Road & Bridges	7	Phongla-Mamring Road	7.65	2.35	5.30	Nil	226
	8	Kaluk-Dentam Road	3.10	2.73	0.37	Nil	14
	9	Rabongla-Legship Road	3.54	2.34	1.20	Nil	51
	10	GLVC (Temi-Rabongla Road)	3.30	2.45	0.85	Nil	35
	11	Makha-Lingmoo Road	1.91	1.74	0.17	Nil	10
	12	Sikkip-Vok Road & suspension Bridge	1.79	1.20	0.59	Nil	49
Building & Housing and Sports & Youth Affairs	13	Up-gradation of Palzor Stadium	19.75	10.96	8.79	4.40	80
Total			175.70	120.30	55.40	5.32	

### *Execution of unapproved minor works*

3.4.11 The broad objective of the NLCPR scheme is to ensure speedy development of infrastructure in the region by increasing the flow of budgetary financing for specific viable infrastructure project/scheme, capital projects or improving utilisation of existing assets.

Test check of records of implementing departments revealed that three departments viz. Education, Irrigation and Roads & Bridges executed 151 projects

in five years valuing Rs. 4.10 crore which were neither approved by the DoNER nor led to creation of infrastructure or improvement in utilisation of existing assets and were, thus, not qualified to be taken up under the NLCPR.

### *Delay in completion of work*

3.4.12 Scrutiny of project execution files and Quarterly Progress Report forwarded by the Department to the DoNER revealed that in respect of six implementing departments viz. Education, Roads & Bridges, Building & Housing, Power, Urban Development & Housing and Rural Development, the projects were not completed in the scheduled time. The delay in execution and completion of the projects valuing Rs. 103.19 crore (49 per cent of the total funds received from the DoNER) ranged between three months and 63 months, as detailed below, and led to considerable delay in accrual of intended benefit from the scheme.

Table 3.15

(Rupees in crore)

Sl.	Department	Delay in completion of project (in months)					Expenditure incurred
		3 to 6	7 to 12	13 to 24	25 and more	Total projects	
1	Education	2	4	11	1	18	13.91
2	Roads & Bridges	2	3	4	5	14	3.49
3	Power	2	--	1	2	5	61.33
4	Rural Management & Development	8	7	10	8	33	2.90
5	Urban Development & Housing	--	--	--	1	1	10.60
6	Building & Housing and Sports & Youth Affairs	1	--	--	--	1	10.96
	<b>Total</b>	<b>15</b>	<b>14</b>	<b>26</b>	<b>17</b>	<b>72</b>	<b>103.19</b>

Source: Progress Reports of the departments.

In reply, Education Department intimated (September 2004) that delay was due to non-supply of materials by supplying agencies due to frequent changes in rates, dispute regarding land etc. Sports & Youth Affairs Department informed (September 2004) that the delay was due to additional work.

### **Irregularities in execution of Non-Lapsable Central Pool of Resources project by implementing departments**

3.4.13 Test check of records of various departments implementing NLCPR projects revealed a number of inconsistencies, as indicated in the succeeding paragraphs.

### Education Department

#### *Excess expenditure on brick partition*

3.4.14 Estimates for execution of NLCPR schemes were framed by the Department on the basis of Schedule of Rate 1997. It was noticed (April 2003) that for "Providing and laying first class brick work in ½ brick partition in 1:5 cement mortar" – a non schedule item, the Department allowed (September 2000) Rs. 234.20 per sqm, rate applicable to 1:3 cement mortar. No rate analysis for 1:5 cement mortar was done by the Department. As the requirement of cement in case of 1:3 would be more in the case of 1:5 and accordingly cost per unit of the item comprising 1:5 will be less than in case of 1:3. Since the Department had allowed the contractor the rate of Rs. 234.20/sqm, applicable to 1:3 instead of Rs. 221.98/sqm (worked out by Audit) for 1:5, the contractor was unduly benefited by Rs. 7.61 lakh in execution of 42 numbers of works alone. This amount of undue benefit to contractors would be higher if all works related to construction of 198 school buildings were taken into consideration.

The contention of the Education Department (September 2004) that the work was actually executed in 1:3 cement mortar ratio but was wrongly mentioned as 1:5 was misleading in view of the fact that brick partition work is invariably done at 1:5 ratio.

### Roads & Bridges

#### *Excess Payment on carriage of stone*

3.4.15 The Public Works Department Code (Sub Rule 10 and 14 of Rule 202) stipulates that where the agreement provides for supply of materials by Government for use on works by the contractors, the agreement should contain a schedule specifying the quantity, rate and place at which materials are to be supplied and rate for carriage of materials in the agreement should be taken to include all leads and lifts, loading and unloading and stacking in the prescribed form. In spite of this specific stipulation, the Department in the course of execution of four projects implemented in East and South districts paid to the contractors towards carriage of stone amounts higher than that stipulated in the Agreement and the Schedule of Rate, resulting in excess payment of Rs. 74.24 lakh, as detailed in *Appendix-XIX*.

While no reason for 'Yangang- Makha road' was given by the Department, it stated (September 2004) that the higher rate was paid to the contractors due to following reasons:

- In case of Sikkip-Wok road, material had to be diverted from Namchi to work site in view of ban on quarrying of stone etc from Sikkip river-bed by the Forest Department.
- In case of 'Ravangla-Leship' and 'Phongla – Mamring' roads, estimates were revised due to non-availability of required quality and quantity of stone.

The reply of the Department is not tenable in view of fact that

- In case of 'Sikkip-Wok road, the contractor was paid at different rates for different distances i.e. Rs. 148/cum (10 to 15 kms), Rs. 343/cum (40-50 kms), and Rs. 287/cum (30-40 kms.) and no documentary proof was attached for the ban imposed by Forest Department.
- In case of 'Ravangla-Leship' and 'Phongla – Mamring' roads, the contractors had agreed to execute the work at 37 per cent above the estimated cost after taking into account the availability of stones etc.

### **Building & Housing and Sports & Youth Affairs Department**

#### ***Extra payment to the Contractor***

3.4.16 Buildings & Housing Department (BHD) was assigned the responsibility of execution of 'Construction of Paljor stadium' in Gangtok in East Sikkim on behalf of the Sports & Youth Affairs Department. Estimate for one component of the project i.e. "Providing Reinforced Earth Wall using Geo-Grid Terramesh System" comprising various items\* was prepared for Rs. 1.16 crore. It was seen that for five items (out of ten), rates were based as per SOR 2002 whereas for other non-scheduled items, the rates worked out by the Department were approved (March 2003) and the contractor was, accordingly, paid Rs. 1.16 crore (March 2003) towards execution of the above work.

Scrutiny of records revealed that estimate for five items, prepared as per SOR 2002, was enhanced by 16.5 per cent on account of over head machinery (5 per cent), water tax etc (1.5 per cent) and contractor's profit (10 per cent) over and above SOR. This enhancement resulted in inflation of rate by 16.5 per cent and accounted for an extra expenditure to the tune of Rs. 10.65 lakh on five items of work (value-Rs.64.57 lakh). Enhancement of the rate was not justified since the SOR rates had overhead, water tax and contractor's profit elements built into it.

In reply, the Building and Housing Department informed (September 2004) that the differential amount of Rs. 10.65 lakh would be deducted from next running bill of the contractor. However, as of November 2004, amount had not been realised from the contractor.

### **Power Department**

#### ***Undue benefit to contractor***

3.4.17 The work of 'Sub Transmission & Distribution – construction of 2 X 10 MVA Sub station at Bulbuley and drawing of 66 Kv D/C line for Lower Lagyap hydel project to Bulbuley-Sichey' of Power Department was split into three sub

\* Such as earthwork in excavation in foundation trenches in mixed soil and throwing of spoils; mixed filling in layers with available earth complete; providing and laying hand packed stone filling in boxes; carriage of stone among other items

works and approved (August 2000) for execution by three contractors at 33, 35 and 47 *per cent* above SOR 1997. The above higher tender rate was justified by the Department on the ground that the estimate was based on SOR 1997. It was, however, noticed that the rate for cement was wrongly taken as Rs. 183 per bag in the estimate plus higher rate of tender as against the rate of Rs. 163.73 per bag in SOR 1997. This had the effect of increasing the work value by Rs. 19.29 lakh and resulted in undue benefit to the contractors.

In reply, the Power department stated (September 2004) that the estimate for the work was prepared as per SOR 1997 except for concreting works of towers, in which prevalent market rate of cement was taken. The reply is not acceptable as rates as per prevailing SOR should be applied invariably on all items of work to arrive at the estimated value.

### **Rural Management and Development Department (RMDD)**

#### ***Deviation in execution of approved scheme***

3.4.18 35 Steel Foot Bridges (SFB) at a cost of Rs. 8.90 crore were sanctioned (February 2002) by the DoNER and an amount of Rs. 2 crore was released (March 2002) to take up the work on priority basis. The Department, however, took up execution of only 12 works at an estimated cost of Rs. 2.60 crore as late as February 2003 with the stipulation to complete the work by November 2003. 25 more works were taken up by the Department between October 2003 and January 2004. It was noticed that the Department not only took up execution of 37 works against the sanction of 35 works but also largely deviated from the original approved works as no works were taken up in East district against the sanction of 10 works, only five works (Rs. 1.00 crore) were executed in North district against the sanction of 10 works, 11 works (Rs. 2.14 crore) in South district against three works sanctioned and 21 works in West district against sanctioned 12 works. Further, out of 37 works executed, 21 works worth Rs. 4.62 crore in South (nine works for Rs. 1.45 crore) and West districts (12 works for Rs. 3.17 crore) were not approved by the DoNER. Thus, Rs. 4.62 crore were spent on projects, which not only did not have Government of India's approval but were taken up in preference to more important and prioritised projects of the Department.

Reply of the RMDD (September 2004) that the revised list of 37 SFB was prepared on the basis of urgency and actual need is not acceptable as the original 35 SFBs were also approved by the State Government based on actual requirement.

#### ***Inconsistent percentage towards wastage/overlapping***

3.4.19 Test check of execution 25 SFB schemes revealed that additional quantity of 38mm/25mm dia steel core cable and 15mm dia cable suspender were allowed on account of wastage/overlapping in order to arrive at the estimated value of the work. Based on the estimated quantity, materials were issued to the contractors. It

was noticed that the Department was not observing any uniformity in framing estimates on account of wastage/overlapping. Extra allowance on account of this up to 40 per cent was allowed by the Department, the value of which worked out to Rs. 8.52 lakh in 22 works alone.

The Department, while accepting the fact (September 2004) that there was no specific norms fixed by the Department, stated that savings, if any, would be accounted for based on actual measurement on completion of work.

### **Monitoring and evaluation**

3.4.20 Guidelines prescribed following measures for monitoring and evaluation of the various projects sanctioned under NLCPR scheme.

- The project wise progress of implementation should be reported in the Quarterly Progress Report prescribed by the DoNER, which should reach Joint Secretary, NLCPR within three weeks after the end of the quarter under report.
- Chief Secretary of the State shall hold quarterly meeting to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meeting to the DoNER.
- State Government would also get the projects field inspected periodically.

It was seen that these basic parameters for monitoring and evaluation of the schemes were not in place both at the State level and also at the departmental level as detailed below.

- There were only two review meetings convened (July 2001 and May 2003) during the last five years at Chief Secretary's level.
- Only four projects were inspected (January 2002, June 2003, October 2003 and February 2004) during the last financial year.
- Monitoring at the State level was not taken up at all. Evaluation/impact study of the scheme was also not attempted as yet inspite of DoNER's advise (March 2004).
- Proposals forwarded to DoNER did not mention mode and source of meeting probable maintenance cost of assets created under NLCPR Schemes.

### **Recommendations**

3.4.21 Efforts need to be initiated to:

- Strengthen financial management with a view to avoid delay in release of funds, unauthorised expenditure etc.
- Avoid large scale cost escalation by preparing the estimates duly considering the scope of works in its entirety and workability.
- Avoid execution of minor works which may not lead to specific viable infrastructure creation.
- Avoid delay in completion of works.



## CHAPTER-IV

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## CHAPTER IV

### AUDIT PARAGRAPHS

#### 4.1 Excess/extra expenditure

#### IRRIGATION DEPARTMENT

##### 4.1.1 Excess expenditure on labour

##### Excess expenditure of Rs. 11.22 lakh on labour component.

The Schedule of Rate (SOR) of the State applicable to the Irrigation Department is used to calculate the cost per unit of each item of work comprising three components, viz, (i) material cost, (ii) labour cost, and, (iii) contractor's profit. For each item of work, the cost and quantity of labour required per unit are specified in the Analysis of Rate (AOR) on the basis of which the SOR is prepared. The actual cost and quantity of labour required for execution of a particular quantity of work can, thus, be worked out from the AOR.

Scrutiny of records (December 2003) of the Irrigation Department revealed a systemic flaw in the execution of works taken up departmentally. The cost and quantity of labour required in such works were not worked out separately and included in the abstract of estimates as prescribed under para 56 of the Sikkim Public Works Manual. Thus, there was no way to check the engagement of excess labourers in the works during the course of their execution.

On the basis of AOR, Audit worked out the requirement of labour and labour cost in respect of 11 works executed departmentally during 2002-03 and 2003-04. It was seen that the Department was incurring more expenditure on labour than was actually required due to engagement of excess labourers. The excess expenditure on labour was met from the savings on account of (i) contractor's profit, (ii) cost overheads included in the work estimates and (iii) savings in the material component of the works due to procurement of materials at a lower cost (Details in *Appendix-XX*).

In the case of 11 works examined, the expenditure on labour component was Rs. 20.60 lakh against Rs. 9.38 lakh as worked out in Audit indicating an excess expenditure of Rs. 11.22 lakh.

Reply (October 2004) of the Government/Department that prevailing local rate of labourers was Rs. 75 to Rs. 100 per day as against the Government approved rate of Rs. 50 per day and thus there was more expenditure on labour is not acceptable as labourers were paid at Government approved rate of Rs. 50 per day only.

## ROADS & BRIDGES DEPARTMENT

### 4.1.2 Excess expenditure on road works

**Reckoning of higher fuel consumption norm of 12.5 litres per hour led to inflation in the cost of road work resulting in excess expenditure of Rs. 26.81 lakh.**

The Analysis of Rate (AOR) of the Roads & Bridges Department (R&B) for various items of road work like laying hand packed stone soling, road metalling and premix carpeting includes the element of cost of fuel of a road roller of 8 to 10 ton capacity. Scrutiny of AOR of 2001 revealed (January 2004) that the fuel consumption of a road roller was taken as five litres per hour for all items of road work excepting the item '*providing and laying hand packed stone soling 150 mm thick with clean hard selected stones*' for which the fuel consumption was wrongly taken at 12.5 litres per hour. This resulted in inflation of the cost of this item of work by Rs. 56\* per cubic metre.

Test check of 24 works (January 2004) showed excess expenditure of Rs. 26.81 lakh<sup>1</sup> in the execution of 43,511.752 cubic metres of the above item of work.

In reply (April 2004) Government/Department accepted the mistake and informed that the anomaly has since been rectified in AOR 2002.

### 4.1.3 Excess expenditure on drain works

**Insertion of extraneous road roller component in drain works, while framing Analysis of Rate, led to excess expenditure of Rs. 7.29 lakh in execution of drain works.**

The Roads & Bridges Department (R & B) executes various types of drain works viz, Cross drain, Box drain, 'V' shaped drain etc.; the cost of which is built up of (i) foundation excavation in mixed soil, (ii) hand packed stone soling and (iii) 1:2:4 plum concrete. It was noticed during Audit (January 2004) that while working out the rate for Analysis of Rate (AOR) 2001 for the component '*hand packed stone soling*,' the Department erroneously included road roller component of 0.50 day for 10 cum. Since it was not feasible to deploy road roller in drain works, cost of stone soling through manual labour was incorporated in AOR 1997. However, during subsequent revision of AOR in 2001 the Department included road roller component in drain works, over and above the required quantity of labour component, which inflated the cost of drain works by Rs. 1,437.50/10 cum.

\* The cost of this item of work in the AOR(2001) was Rs.353.20 per cum calculated on the basis of 12.5 litres (at Rs.16.75 per litre of diesel) of fuel consumption per hour, whereas the cost worked out by Audit was Rs.297.20 per cum on the basis of 5 litres of fuel consumption per hour.

<sup>1</sup> The amount of additional expenditure has been arrived at by multiplying the quantity of the item of work executed with the excess rate per cubic metre and the percentages by which tendered rates exceeded the estimates.

Thus, erroneous insertion of road roller component in framing rate for execution of drain works in AOR 2001 led to excess expenditure of Rs. 7.29 lakh in 48 payment vouchers alone, for 13,936 Rm. of box drain, 97 units of cross drain and 97 Rm. of 'V' shaped drain.

While accepting the fact, the Government/Department informed (September 2004) that the anomaly would be rectified in the Schedule of Rate 2004, which was under preparation.

## RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

### 4.1.4 Extra expenditure on land acquisition

**Inspite of clear stipulation in notification to the contrary, the Department accepted land owners' claim for higher compensation, resulting in extra expenditure of Rs. 75 lakh.**

For the purpose of setting up a Pilgrimage-cum-Cultural Centre in South Sikkim, Land Revenue Department issued a notification (2 January 2003) under section 4 (1) of the Land Acquisition Act 1894 (Act 1 of 1894) informing the public that land measuring 3.6020 hectare in Solaphok – Mikhola and Assangthang blocks would be required for aforesaid public purpose. Considering the urgency to acquire the land, notification under section 17 (4) *ibid* was invoked and, thereby, the provision of section 5-A of the Act, would not be applicable in the instant case. It was noticed (February 2004) that the Government assessed (December 2002) the market value at Rs. 71.16 lakh through District Collector (DC), South with reference to the prevailing market rate (fixed by the Government on 18 May 2001) for the said land in the area. The market value included the value of structures and 30 *per cent* solatium on both *i.e* land and structure. Subsequently based on representations submitted by the land owners to the Secretary, Ecclesiastical Affairs Department, value of land was reassessed to Rs. 1.47 crore (at the rate of Rs. 7.50 lakh/hectare) by DC and paid (January 2003) to the land owner, resulting in extra expenditure of Rs. 75 lakh.

Although it was stated by the DC in his report (December 2002) that the revised assessment was done on the basis of registered land in the locality the details stated to have been worked out in Annexure 'B' were not kept on record. Therefore, the correctness of the market value on reassessment could not be verified in Audit. However, the fact remains that the market rate declared by the Government on 18 May 2001 was found alarmingly inflated from Rs. 1.46 lakh per hectare to Rs. 7.50 lakh in December 2002 which could hardly be justified. In addition, the land owners had not represented for enhanced compensation with Land Acquisition Officer, who is the designated authority as per Land Acquisition Act. There was obvious overlapping of procedural requirements as the reassessment was purported to have been done by the DC at the instance of

Secretary, Ecclesiastical Affairs Department who happened to be the user Department.

The matter was reported to the Government/Department, (July 2004); no reply was received.

## SOCIAL WELFARE DEPARTMENT

### 4.1.5 Excess expenditure

**Failure of the Department to exercise proper checks before selecting beneficiaries for old age pension, led to conferring of benefits amounting to Rs. 29.22 lakh to ineligible persons.**

The Government of Sikkim introduced the Sikkim Old Age Pension Scheme (SOAPS) in 1981 under which the holder of a Below Poverty Line (BPL) certificate aged 65 years and above would get a pension of Rs. 100 per month. The Central Government introduced the 100 *per cent* fully funded National Old Age Pension Scheme (NOAPS) on 15 August 1995 to provide old age pension of Rs. 75 per month for male/female destitutes aged 65 years and above. In 1998-99 and 1999-2000, NOAPS beneficiary's pension was supplemented by an additional amount of Rs. 25 per month from SOAPS. From 2000-01, all SOAPS beneficiaries were brought under NOAPS and simultaneously these persons were given Rs. 125 per month from SOAPS in addition to Rs. 75 per month they received under NOAPS.

Test check of 900 beneficiaries out of 10,104 beneficiaries covered during 2000-03 in East and North districts revealed that the benefits of old age pension in 443 cases were awarded (between April 2000 and December 2002) to ineligible persons as detailed below:

No. of cases	Irregularities observed	Amount (Rs. in lakh)
65	The application forms for grant of OAP were not available with the Department	4.29
46	In application forms neither the thumb impression nor signature of the applicant was affixed	3.04
56	Pension awarded below the age of 65 years	3.69
2	The applicants do not come under BPL status	0.11
104	The applicants' date of birth was certified by the Panchayats but not supported by any documentary evidences	6.87
170	BPL certificates were not attached with the pension application form	11.22
443	<b>Total</b>	<b>29.22</b>

The above instances, besides casting doubts on the genuineness of the cases, revealed the Department's failure to exercise even the most cursory check while processing the applications and the virtual abdication of its responsibility to administer the scheme strictly as per the stipulated guidelines. Since the irregularities were detected in as many as 443 cases (49 *per cent*) of the 900 cases

checked, the possibility of a like percentage of omission emerging for the total number of 10,104 beneficiaries was more than a distinct possibility.

The Department while informing (August 2004) that selection guidelines for identification of beneficiaries for current year were strictly adhered to stated that income certificate etc. have been sought from the beneficiaries which will be shown to next Audit. As regards birth certificates, the Department informed that old people did not possess birth certificates or any other documents in support of their age and therefore, certification by Panchayats was taken as correct.

The reply was not acceptable as the documents such as Income Certificate etc. should have been kept with the Department.

#### **4.1.6 Excess payment in purchase of building**

##### **Purchase of land at exorbitant rate from private party led to excess expenditure of Rs. 16.50 lakh.**

While the requirement of accommodation for housing the Rehabilitation centre for spastic children was under active consideration, the Department received (December 2001) an unsolicited offer from an individual for outright purchase of his land and three storey building under construction at Development Area, Gangtok for an asking price of Rs. 30 lakh. On the same day, the Department wrote to the Building and Housing Department (BHD) to evaluate the building. The BHD in January 2002 replied that the value of the building was Rs. 7.49 lakh. On the same day the seller made another offer to the Department reducing his price to Rs. 25.93 lakh (922 square feet of land @ Rs. 2,000 per square feet plus Rs. 7.49 lakh for the building).

Since the Department found this price on the higher side, it referred the offer to the District Collector (DC), East in February 2002 for valuation of the land only. However, without waiting for the DC's response and for reasons not on record, the Department also approached a Government approved "valuer of buildings" (an individual) in February 2002, who valued the land (16 February 2002) at Rs. 18.44 lakh. On the strength of this valuation, the Department bought the land and the building under construction for Rs. 25.93 lakh (land Rs. 18.44 lakh + building Rs. 7.49 lakh) and made the payment in March 2002. It was noticed that during the period of purchase (March 2002), the market rate of land at Development Area was Rs. 210 per square feet, including *solatium*.

The transaction was characterised by acceptance of a single unsolicited offer in haste, flouting the provisions of the Land Acquisition Act, 1894 which requires that all land acquisitions are to be made through the DC at a fair market price to be assessed by him. Approaching and agreeing to the valuation of the land by a "valuer of buildings" who is not competent to value the land highlighted the extent of violation of procedure by the different functionaries involved in pushing through the matter to the advantage of the owner of the land and building. Therefore, undue favour was shown to the land owner in purchasing the land and building at 952 *per cent* over and above the Government notified market rate for land and this resulted in an excess payment of Rs. 16.50 lakh.

In reply (September 2003) the Government/Department stated that no one was willing to sell the housing property in prime commercial area at Government valuation and, therefore, value assessed by Government approved valuer was accepted by the Department. The Department also added that purchase/ sale of such property was usually done at negotiated price.

In its subsequent reply (August 2004), while reiterating its earlier reply, the Department added that in the instant case, a half completed reinforced cement concrete structure standing on land measuring 922 sq.ft. was bought and, thus, was not a case of land acquisition but a half completed building sold by Urban Development & Housing Department to an individual. They further contended that Land Acquisition Act, 1894 which is applicable for acquiring agricultural and other land is not applicable in the instant case.

The reply is not acceptable as the requirement of such land and building was not made public through suitable advertisement in the media and the rate paid was much higher than the Government approved rate of Rs. 210/sqft.(March 2002).

## **4.2 Loss of Government money**

### **POWER DEPARTMENT**

#### **4.2.1 Loss due to injudicious hiring of transformers**

**Injudicious hiring of transformers by the Department instead of buying them led to loss of Rs. 9.23 lakh to the Government.**

Power distribution transformers of different capacities are important equipment of the Power Department which help to maintain power supply to the public. Thus, it is of utmost importance that required quantity of transformers are always kept in reserve for replacing the broken down transformers on emergency basis. It was noticed (February 2004) that during December 2000 to February 2001, seven transformers installed at various places in and around Gangtok broke down, during which time Department had no transformers in stock to replace the damaged transformers. In order to mitigate the problems, Department borrowed seven transformers from a private agency on verbal orders of the Addl. Chief Engineer (no written order was placed on the Agency). Out of these seven transformers, three were purchased and the remaining four were retained on hire for periods ranging between 305 and 645 days during December 2000 to February 2002 for which hire charges amounting to Rs. 14.59 lakh were paid (March 2003) to the agency. It was, however, noticed that the Department would have saved Rs. 1.23 lakh, had the Department procured these transformers instead of hiring them at prevailing price of Rs. 13.35 lakh as against the payment of rent of Rs. 14.58 lakh. Procurement of transformers instead of hiring them would have also resulted in gaining assets to the extent of Rs. 8 lakh even after allowing depreciation at the rate of 15 *per cent* per annum. Thus, injudicious hiring of transformers by the Department for a long period led to an ultimate loss of Rs. 9.23 lakh to the Government.

The Government/Department stated (June 2004) that hiring of transformers was resorted to for handling the unprecedented failure of transformers, the replacement of which was not possible as the Department did not have enough funds.

The Government/Department further (August 2004) stated that the mishap, which took place between December 2000 and February 2001, could not be anticipated and, thus, requirement of funds could not be projected in supplementary provisions or budget.

The reply was not acceptable as the Government/Department had sufficient funds under the head "Transmission & Distribution, Other Distribution Scheme" during 2001-02, which was eventually surrendered (Rs. 60.15 lakh). Further, Department could have projected its funds requirement in supplementary budget 2000-01 and regular budget of 2001-02.

## RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

### 4.2.2 Loss due to issue of materials at lower rates

#### **Failure to revise the issue rate of GCI sheet led to loss of Rs. 28.88 lakh to the Government.**

Para 136 of the Sikkim Public Works Department (SPWD) code stipulates that issue rate should be fixed normally at the beginning of each year. However, in case of appreciable fluctuations in the cost of materials of controlled items like steel and cement, the issue rate should be revised to bring it on par with the market rate from time to time.

Scrutiny of records revealed (September 2003) that the Department purchased (March 2003) 292 MT (24808<sup>2</sup> sheets) of GCI sheets at the rate of Rs. 36,702 per MT (Rs. 431.96 per sheet) for use in construction of 25 model houses in each of the 26 assembly constituencies. Though the GCI sheets were purchased at Rs. 431.96 per sheet they were issued to the contractors at the recovery rate of Rs. 337.40 per sheet which was lower by Rs. 94.56 per sheet.

Thus, non-revision of issue rate of GCI sheets at par with the market rate led to loss of Rs. 28.88 lakh<sup>3</sup>.

The matter was reported to Government (May 2004); no reply was received.

<sup>2</sup> 292 MT X 1,000 / 11.77 kg (weight of each GCI sheet).

<sup>3</sup> 26 constituencies X 25 model houses X 47 nos. of GCI sheets in each house X Rs. 94.56/ sheet

**4.3 Avoidable/unauthorised expenditure****RURAL MANAGEMENT & DEVELOPMENT  
DEPARTMENT****4.3.1 Avoidable cost escalation**

**Failure of the Department to supply the required materials led to cost escalation of Rs. 19.19 lakh and time overrun of two years.**

Rural water supply scheme (RWSS) at Rang and Khani gaon in South Sikkim District, a scheme funded under Non lapsable pool of central resources was put to tender (November 1999), for execution of civil work portion at an estimated cost of Rs. 44.06 lakh. The Department awarded the work (November 1999) to the contractor at the negotiated rate of 14 *per cent* above the estimate with the stipulation to complete the work by August 2000. However, the contractor completed the work by August 2002 *i.e.* two years behind schedule, during which time the cost of Galvanised Iron (GI) pipe and cement had increased by 60 *per cent* and 16 *per cent* respectively and accounted for cost escalation aggregating Rs. 19.19 lakh. The delay in completion of work was attributed (March 2002) to non-availability of these items with the Department. However, Audit verified (March 2002) that during April 1997 to March 2002 the average stock holding of GI pipe and cement in the departmental stores at Jorethang and Tadong was 6,39,413.13 MT and 33,334 bags respectively. The Department's plea of shortage of materials was, therefore, incorrect. Non supply of these available materials to the contractor not only delayed completion of the work by two years but also resulted in avoidable escalation in the cost of the work by Rs. 19.19 lakh.

Contention (August 2004) of the Government/Department that cost escalation was mainly due to preparation of estimates as per Schedule of Rate 1994 and issue rate applicable on the date of issue of materials from stores (*w.e.f.* February 2000) is also not tenable as the contractor was allowed to procure materials by himself.

**4.3.2 Unauthorised expenditure**

**Inspite of specific prohibition in the scheme guidelines and subsequent reiteration by Government of India, Rural Management & Development Department irregularly diverted the scheme funds towards construction of bridges and transportation of food grains aggregating Rs. 14.05 lakh.**

Jawahar Gram Samridhi Yojana (JGSY), a 100 *per cent* Centrally sponsored scheme, is implemented in the State for rural upliftment through creation of infrastructure. Scheme guidelines (effective from April 1999) and instructions issued thereafter (December 2001) specifically prohibited incurring of expenditure towards construction of bridges. It was also ordered therein that the

cost of transportation of food grains allotted under the scheme should be met from State funds.

Audit scrutiny (July 2003) revealed that the Project Director/JGSY cell with the concurrence of Chairperson/JGSY i.e. Commissioner-cum-Secretary of Rural Management & Development Department spent Rs. 14.05 lakh between July 1999 and March 2002 towards construction of bridges<sup>4</sup> (Rs. 9.05 lakh) and transportation of foodgrains (Rs. 5 lakh). Expenditure of Rs. 14.05 lakh was, therefore, unauthorised and irregular.

While no reply was furnished as to the transportation cost, the Government/Department conceded that construction of bridges was not permissible according to the guidelines and assured (July 2003) that the point was noted for future compliance.

In its subsequent reply (August 2004) the Department contended that bridges were constructed on need basis and the guidelines of Jawahar Rojgar Yojana (JRY) authorised panchayats to be sole arbiter of the scheme funds. The reply of the Department was not acceptable as the JRY was replaced by JGSY, the guidelines of which prohibited the construction of bridges from scheme funds.

#### 4.4 Undue benefits

### ROADS & BRIDGES AND BUILDING & HOUSING DEPARTMENTS

#### 4.4.1 Undue financial benefit to the contractors

**Incorrect inclusion of 10 per cent contractor's profit in the rates of materials supplied departmentally to contractors led to undue benefit of Rs. 20.85 lakh.**

Paragraph 57 of the Sikkim Public Works Manual lays down that *"in the case of materials supplied departmentally, the rates allowed to the contractor should not provide any profit on the cost of materials"*.

Scrutiny of records of the Roads & Bridges (R&B) and Building & Housing (B&H) Departments in January and March 2004 respectively, revealed that the contractors were allowed rates including 10 per cent profit on the materials supplied departmentally to them in violation of the codal provision. This resulted in undue benefit to the contractors to the extent of Rs. 20.85 lakh (R&B Rs. 17.06 lakh and B&H Rs. 3.79 lakh).

B&H Department stated (June 2004) that the contractors quoted their rates taking all the inputs required for the work in terms of the conditions published in the Notice Inviting Tenders and, therefore, it was not correct to say that inclusion of 10 per cent contractor's profit on materials supplied by the Department had given

<sup>4</sup> Log bridges 11 nos (Rs. 5,86,110) and RCC bridges 4 nos (Rs. 3,19,040)

undue benefit to them. They further contended that if contractor's profit was not included in the rate, the contractors would have quoted much higher rates.

R&B Department contended (August, 2004) that element of contractor's profit included on materials supplied departmentally did not result in undue benefit to the contractors and informed that the element of 10 *per cent* contractor's profit on materials supplied departmentally would be excluded from the Analysis of Rates for 2004-05, which is under preparation.

The replies of the Government/departments are not acceptable as the Manual specifically forbade inclusion of contractor's profit in the rates on materials supplied departmentally. Further, B & H Department's contention that the contractors would have quoted higher rate was hypothetical as the estimate rates were confidential and the tenders were on percentage basis and not on item-wise rate. Therefore, the addition of 10 *per cent* profit element for the departmentally supplied materials resulted in avoidable extra payment of Rs. 20.85 lakh besides the tender percentage at 5 to 10 *per cent* on the profit element also.

#### 4.5 Regularity issues

### FOREST DEPARTMENT

#### 4.5.1 Improper utilisation of Centrally sponsored scheme funds

**Wild life circle of Forest Department diverted Rs. 9.16 lakh towards establishment cost and attached three vehicles valuing Rs. 14.10 lakh meant for patrolling purposes to the Minister and Senior Officers.**

Central Zoo Authority and Ministry of Environment and Forest, Government of India approved and sanctioned different schemes, as detailed in *Appendix-XXI* for construction and developmental activities in the parks/ sanctuaries. It was seen that while undertaking construction, the Department incurred expenditure of Rs. 9.16 lakh towards payment of salaries, repair of vehicles, purchase of office stationeries, equipment, eatables etc. which were not related to the scheme objective and were, thus, beyond the scope of the scheme. The reply (November 2003) that the funds were diverted with the approval of the competent authority and were within permissible limits was not acceptable as approval of the Government of India was not obtained for these diversions. Further, it was also seen that an amount of Rs. 21.66 lakh was spent during 2001-03 towards procurement of vehicles (4) and motorbikes (5) for patrolling purposes from the funds sanctioned by Government of India, based on the proposals of the Project Officers-in-charge of various sanctuaries. However, three vehicles meant for Singhba Rhododendron sanctuary, Maenam wildlife sanctuary and Fambonglha wildlife sanctuary were not being used for the purpose of patrolling but were attached to the Chief Conservator of Forest (Territorial), the Minister of Forest and the Field Director (Kanchanjunga National Park) respectively. Thus, the expenditure of Rs. 14.10 lakh incurred on procurement of these vehicles was

outside the scope of the scheme and not yielding the result for which they were procured.

The reply (November 2003) of the Government/Department that all the vehicles were directly engaged in the developmental activities of the national parks and sanctuaries, was not tenable as the vehicles were not being utilised for patrolling purposes, for which the sanctions were exclusively accorded by Government of India.

## 4.6 General

### Audit arrangement for local bodies

#### Introduction

4.6.1 Autonomous bodies and authorities are set up to discharge generally non-commercial functions on public utility services. These bodies and authorities generally receive substantial financial assistance from the Government. The grants are intended essentially for construction and maintenance of educational institutions, hospitals, charitable institutions, improvement of roads and other communication facilities under municipalities and local bodies.

During 2003-04, financial assistance of Rs. 22.10 crore was released to various autonomous bodies and institutions, broadly grouped as under:

**Table-4.1**

(Rupees in crore)

Sl.	Name of institutions	No. of sanction	Amount of assistance paid
1.	Universities and Educational Institutions	12	1.42
2.	Zilla Parishad and Panchayati Raj Institutions	17	1.21
3.	Development Agencies	4	6.51
4.	Hospitals and other Charitable Institutions	5	0.01
5.	Other Institutions	98	12.95
	<b>Total</b>	<b>136</b>	<b>22.10</b>

- The total figure of Rs. 22.10 crore is based on departmental figures.

#### Delay in furnishing utilisation certificates

4.6.2 The financial rules of the Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental offices from the grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction unless specified otherwise.

Of the 136 utilisation certificates due in respect of grants aggregating Rs. 22.10 crore paid during the period 2003-04, only 53 certificates for Rs. 13.49 crore had been received by the grant releasing departments by 30 September 2004 and 83

certificates for an aggregate amount of Rs. 8.61 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

**Table-4.2***(Rupees in lakh)*

Department	Number of certificates	Amount
Agriculture	2	3.00
Animal Husbandry & Veterinary Services	2	22.00
Co-Operation	11	10.71
Culture	3	1.00
Fisheries	3	3.97
Forest	1	7.00
Health and Family Welfare	2	5.40
Horticulture	2	6.75
Industries	1	0.75
Irrigation	1	0.40
Rural Management & Development	8	730.20
Social Welfare	5	8.00
Sports and Youth	15	6.54
Tourism	27	55.50
<b>Total</b>	<b>83</b>	<b>861.22</b>

### **Audit arrangement**

4.6.3 The Audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for a period of five years as detailed below:

**Table-4.3**

Sl.	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	2000-01 to 2004-05	15 December 1999
2.	Sikkim Co-operative Milk Producers' Union Limited	2003-04 to 2007-08	18 November 2002
3.	Sikkim Co-operative Supply and Marketing Federation Limited.	2000-01 to 2004-05	02 November 2000
4.	Panchayati Raj Institutions	2001-02 to 2005-06	27 August 2001

The primary Audit of local bodies (Zilla Parishads, Gram Panchayats), educational institutions and others is conducted by the State Government. The Audit of co-operative societies is also conducted by the State Government. Only four bodies/authorities attracted Audit under section 20 (1) of the Comptroller and Auditor General's (DPCs) Act 1971.

The status of submission of accounts by them and completion of Audit as of September 2004 is given below:

Table-4.4

Sl.	Name of body	Annual accounts	
		Received upto	Audited upto
1	Sikkim Khadi and Village Industries Board	1998-99	1998-99
2	Sikkim Co-operative Milk Producers' Union Limited	2002-03	2000-01
3	Sikkim Co-operative Supply and Marketing Federation Ltd.	2001-02	2001-02
4.	Panchayati Raj Institutions (PRI)	Accounts were not prepared by PRIs so far	

Against the 17 Institutions which attracted Audit under section 14 of the Comptroller and Auditor General's (DPC) Act 1971, the position of accounts audited as of September 2004 is given below:

Table-4.5

Sl.	Name of Body	Annual Accounts	
		Finalised upto	Audited upto
1.	State Leprosy Officer, East, Gangtok	2003-04	2003-04
2.	Distt. Leprosy Officer, Gangtok	2003-04	2001-02
3.	Distt. Leprosy Officer, West	2003-04	2001-02
4.	Distt. Leprosy Officer, North	2003-04	2001-02
5.	Distt. Leprosy Officer, South	2003-04	2001-02
6.	Sikkim Renewable Energy Development Agency (SREDA)	2002-03	2002-03
7.	Sikkim Research Institute of Tibetology	2003-04	2003-04
8.	Institute of Hotel Management	2003-04	2003-04
9.	Society for Prevention and Control of Blindness	2003-04	2003-04
10.	National Aids Control Project	2003-04	2003-04
11.	Sikkim Institute of Rural Development	2002-03	2002-03
12.	Tashi Namgyal Academy	2001-02	2001-02
13.	Sikkim Rural Development Agency	2002-03	2002-03
14.	Council of Science & Technology	2003-04	2003-04
15.	Paljor Namgyal Girls Senior Secondary School	2001-02	2001-02
16.	Sikkim State Illness Assistance Fund Association	2001-02	2001-02
17.	Sikkim Urban Development Agency	2002-03	2002-03



## CHAPTER-V

### REVENUE RECEIPTS

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## CHAPTER V

### REVENUE RECEIPTS

#### 5.1 Trend of Revenue Receipts

5.1.1 The tax and non-tax revenue raised by the State Government, State's share of divisible Union taxes and grants-in-aid from Government of India during the year 2003-04 alongwith the corresponding figures for the preceding four years are given below:

**Table-5.1**

(Rupees in crore)

		1999-2000	2000-01	2001-02	2002-03	2003-04
<b>I</b>	<b>Revenue raised by the State Government</b>					
(a)	Tax Revenue	49.07	65.39	80.39	105.53	108.00
(b)	Non-Tax Revenue	1,042.74 (64.78)	289.02 (65.63)	1,128.21 (71.12)	1,315.84 (143.36)	537.29 (95.04)
	<b>Total</b>	<b>1,091.82</b> <b>(113.85)</b>	<b>354.41</b> <b>(131.02)</b>	<b>1,208.60</b> <b>(151.51)</b>	<b>1,421.37</b> <b>(248.89)</b>	<b>645.29</b> <b>(203.04)</b>
<b>II</b>	<b>Receipts from the Government of India</b>					
(a)	State's share of divisible Union taxes	99.54	72.20	84.83	77.20	112.33
(b)	Grants-in-aid	320.47	435.99	513.75	581.95	583.56
	<b>Total</b>	<b>420.01</b>	<b>508.19</b>	<b>598.58</b>	<b>659.15</b>	<b>695.89</b>
<b>III</b>	<b>Total receipts of the State Government (I &amp; II)</b>	<b>1,511.82</b> <b>(533.86)</b>	<b>862.60</b> <b>(639.21)</b>	<b>1,807.18</b> <b>(750.09)</b>	<b>2,080.52</b> <b>(908.04)</b>	<b>1,341.18</b> <b>(898.93)</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>72</b>	<b>41</b>	<b>67</b>	<b>68</b>	<b>48</b>

- The figures shown in brackets are net of expenditure of lotteries conducted by the Government.
- For details, please see 'Statement No. 11-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

#### *Tax revenue raised by the State*

5.1.2 Receipts from tax revenue constituted 16.73 per cent of the total revenue raised by the State during 2003-04. An analysis of the tax revenue for the year 2003-04 and the preceding four years is given below:

Table- 5.2

(Rupees in crore)

Sl. No.	Tax Revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+)/ Decrease (-) (in 2003-04 over 2002-03)	Percentage of variation
1	Sales Tax	13.64	24.50	34.97	41.42	48.87	7.45	18.00
2	Taxes on Income other than Corporation Taxes	17.84	19.29	22.03	32.67	26.76	(-)5.91	(-) 18.09
3	State Excise	13.39	17.61	17.59	22.45	25.25	2.8	12.47
4	Taxes on vehicles	1.69	1.54	1.97	2.35	2.74	0.39	16.60
5	Stamps & Registration Fees	0.62	0.50	1.30	3.45	1.14	(-)2.31	(-) 66.96
6	Land Revenue	0.54	0.22	0.51	0.40	0.18	(-)0.22	(-) 55.00
7	Other Taxes and Duties on Commodities and Services	1.35	1.73	2.02	2.79	3.06	0.27	9.68
	<b>Total</b>	<b>49.07</b>	<b>65.39</b>	<b>80.39</b>	<b>105.53</b>	<b>108.00</b>	<b>2.47</b>	

The decrease of revenue under Taxes on Income other than Corporation Tax was mainly due to sharp decline in State lottery sales and consequent less realisation of income tax and arrears in realisation of income tax. Similarly, decrease under Stamps & Registration Fees was due to less realisation under judicial stamp and Registration Fees.

The reasons for variation in respect of the remaining heads though called for in August 2004 have not been received (September 2004).

### *Non-tax revenue raised by the State*

5.1.3 Lotteries, road transport service, power, forest, interest, police and plantations were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 2003-04 constituted 83.27 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1999-2000 to 2003-04 is given below:

Table-5.3

(Rupees in crore)

Sl. No	Non-Tax Revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) Decrease (-) in 2003-2004 with reference to 2002-2003	Percentage of variation
1	Road Transport	11.89	11.90	15.56	17.26	17.33	0.07	0.41
2	Power	8.33	10.04	11.84	12.97	13.67	0.70	5.40
3	Forestry and Wild Life	4.90	6.39	6.65	7.15	7.24	0.09	01.26
4	Interest Receipts	0.51	4.48	6.02	7.17	2.73	(-) 4.44	(-) 61.92
5	Plantations	2.35	2.39	2.01	1.78	1.92	0.14	7.87
6	Dividends and Profits	0.72	0.01	0.01	1.76	0.74	(-)1.02	(-) 57.95
7	Police	2.84	5.84	3.86	1.40	10.20	8.80	628.57
8	Public Works	0.45	1.25	0.99	2.41	1.64	(-) 0.77	(-)31.95

Sl. No.	Non-Tax Revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) / Decrease (-) in 2003-2004 with reference to 2002-2003	Percentage of variation
9	Tourism	0.40	0.39	0.67	0.54	0.79	0.25	46.30
10	Crop Husbandry	0.20	0.47	0.43	0.50	0.31	(-) 0.19	(-) 38.00
11	Stationery and Printing	0.96	0.86	0.98	1.12	1.05	(-) 0.07	(-) 6.25
12	Village & Small Industries	0.49	0.66	0.64	0.63	0.58	(-) 0.05	(-) 7.94
13	Animal Husbandry	0.16	0.16	0.24	0.24	0.23	(-) 0.01	(-) 4.17
14	Industries	-	-	0.01	0.01	0.02	0.01	100
15	Medical and Public Health	0.14	0.37	0.35	0.36	0.44	0.08	22.22
16	State Lotteries*	1,005.86 (27.90)	240.60 (17.21)	1,074.40 (17.31)	1,256.72 (84.24)	473.72 (31.47)	(-) 783.00 (-) (52.77)	(-) 62.30
17	Others	2.54	3.21	3.55	3.82	4.69	0.87	22.77
	<b>Total</b>	<b>1,042.74 (64.78)</b>	<b>289.02 (65.63)</b>	<b>1,128.21 (71.12)</b>	<b>1,315.84 (143.36)</b>	<b>537.30 (95.05)</b>	<b>(-) 778.54 (-) (48.31)</b>	<b>(-) 59.17 (-) (33.70)</b>

\*Figures in brackets represent net receipts.

The increase of revenue under police is due to reimbursement of police cost from Government of India towards check posts. The decrease of revenue under State Lottery was due to introduction of on-line lotteries by other State Governments and ban on lotteries in some other States. The decrease of revenue under interest receipt was owing to reduction in investment and lowering of interest rates for such investments.

The reasons for variation in respect of the remaining heads of revenue though called for in August 2004 have not been received (September 2004).

## 5.2 Variation between the budget estimates and actuals

5.2.1 In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2003-04 was more than 10 per cent.

Table-5.4

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-)	Percentage
<b>A. Tax Revenue</b>					
1	Land Revenue	0.25	0.18	(-) 0.07	(-) 28.00
2	Taxes on income other than corporation tax	24.00	26.76	2.76	11.50
3	Stamp & registration fees	0.67	1.14	0.47	70.15
4	Sales Tax	27.00	48.87	21.87	81.00
5	Taxes on vehicles	1.45	2.74	1.29	88.97
6	State Excise	22.81	25.25	2.44	10.70

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-)	Percentage
<b>B. Non-Tax Revenue</b>					
7	Tourism	0.60	0.79	0.19	31.67
8	Medical and Public Health	0.40	0.44	0.04	10.00
9	Information and Publicity	0.07	0.13	0.06	85.71
10	Education, Sports, Arts & Culture	0.53	0.88	0.35	66.04
11	Crop Husbandry	0.37	0.31	(-) 0.06	(-) 16.22
12	Animal Husbandry	0.35	0.23	(-) 0.12	(-) 34.29
13	Forestry and Wild Life	5.39	7.24	1.85	34.32
14	Food Storage and Warehousing	0.06	0.13	0.07	116.67
15	Other Rural Development Programme	0.04	0.51	0.47	1,175.00
16	Police	11.84	10.20	(-)1.64	(-) 13.85
17	Water Supply and Sanitation	0.52	0.74	0.22	42.31
18	Minor Irrigation	0.04	0.06	0.02	50.00
19	Social Security and Welfare	0.37	0.19	(-)0.18	(-) 48.65
20	Plantations	2.75	1.92	(-)0.83	(-) 30.18
21	Power	18.00	13.67	(-)4.33	(-) 24.06
22	State Lottery	332.01	473.72	141.71	42.68

While the increase of revenue under Forest & Wild life is due to more realisation on sale of timber & other forest produce, increase of revenue under Police was due to reimbursement of Police cost by Government of India towards checkpoints. Similarly, increase in other Rural Development Programme was due to sale of tender forms towards execution of works under Prime Minister Gram Sadak Yojna (PMGSY).

The reasons for variation in respect of the remaining heads of revenue have not been received (September 2004).

### 5.3 Cost of collection

5.3.1 Expenditure incurred on collection of revenue under the principal heads during the years 2000-01 to 2002-03 is given below:

**Table-5.5**

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 2002-2003
1	State Excise	2001-02	17.59	1.13	6.42	2.92
		2002-03	22.45	1.09	4.85	
		2003-04	25.25	1.37	5.43	
2	Sales Tax	2001-02	34.97	0.72	2.06	1.18
		2002-03	41.42	0.97	2.34	
		2003-04	48.87	1.09	2.23	
3	Taxes on vehicles	2001-02	1.97	0.37	18.78	2.86
		2002-03	2.35	0.37	15.74	
		2003-04	2.74	0.43	15.69	

It would be seen from the table that the percentage of expenditure to gross collection during 2003-04 as compared to the corresponding all India average percentage for 2002-03 was high in the case of State Excise, Sales Tax and Taxes on vehicles due to lower rate of tax coupled with high establishment expenditure.

#### 5.4 Outstanding Inspection Reports

5.4.1 Audit observations on irregularities and defects in assessment, demand and collection of State receipts noticed during local Audit, are intimated through Inspection Reports (IRs) to departmental officers, heads of departments and also to the Government where necessary. The points mentioned in the IRs are to be settled as expeditiously as possible and first replies should be sent within four weeks from the date of receipt of the IRs by the Departments.

The position of IRs in respect of revenue receipts issued to the end of December 2003 but remaining outstanding as at the end of June 2004 was as under:

Table-5.6

(Rupees in crore)

Sl. No.		At the end of				
		June 2000	June 2001	June 2002	June 2003	June 2004
1	Number of outstanding IRs	161	110	134	123	107
2	Number of outstanding Audit objections	377	281	296	268	243
3	Money value of the objections	32.51	49.20	28.84	77.47	69.85

Receipt-wise break-up of the IRs and objections (with money value) are given below:

Table-5.7

(Rupees in crore)

Sl. No.	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount
1	Sales Tax	08	36	15.88
2	Income Tax	09	29	6.63
3	Forests	40	86	0.06
4	Land Revenue	22	30	0.21
5	Motor Vehicle	04	11	5.82
6	State Excise	02	06	10.11
7	Urban Development & Housing Department	09	17	2.58
8	Power	07	21	17.00
9	Lotteries	03	04	8.56
10	Mines & Geology	03	03	3.00
	Total	107	243	69.85

Out of 107 IRs pending settlement, first replies had not been received (June 2004) in respect of 71 reports containing 149 Audit objections.

**5.5 Results of Audit**

5.5.1 Test check of records of Sales Tax, Excise, Mines & Geology and Urban Development & Housing departments conducted during the year 2003-04 revealed under-assessment/ short levy/loss of revenue amounting to Rs. 14.44 crore in 12 cases. A few illustrative cases involving Rs. 9.75 crore highlighting important Audit observations are mentioned in the following paragraphs.

**5.6 Loss of revenue****SALES TAX, EXCISE AND INDUSTRIES DEPARTMENTS****5.6.1 Irregular concession on sales tax and excise duty**

**Incorrectly drafted notification led to the conceding of Rs. 7.38 crore of Government revenue.**

The Sikkim Industrial Promotion and Incentive Act, 2000 applicable from 7 July 2000, provided incentives to existing industrial units and industrial units to be set up after the commencement of the Act. Under the Act, the industries set up prior to July 2000 and had enjoyed benefits, concessions, incentives or some other package of subsidies etc. for a period of five years under any notification or Rules or Orders were not eligible for any benefits.

Industries Department issued a notification effective from 1 October 2000 extending concessions on State excise duty (from 100 to 65 *per cent* on beer) and sales tax (from 20 to 15 *per cent* on liquor products) for a period of three and five years respectively to new and existing industrial units set up before 18 December 1996. This provision in the notification extended the benefits to the existing units which had already enjoyed the benefits for more than five years also. The erroneous provision was totally incompatible with the Act. This resulted in irregular allowance of concession to the extent of Rs. 7.38 crore to two existing units which were not eligible for the concession in terms of the Act as per details below:

**Table 5.8***(Rupees in crore)*

Name of unit	Excise duty concession allowed (period of concession)	Sales tax concession allowed (period of concession)	Total concession allowed
Yuksom Breweries	4.83 (August 2000 – October 2004)	0.97 (2000-2001)	5.80
Sikkim Distilleries	-	1.58 (2000-2003)	1.58
<b>Total</b>			<b>7.38</b>

The matter was referred to all three departments<sup>1</sup> in (July 2004). While no replies were received from Industries Department, Excise Department requested for some more time to reply back. Income and Sales Tax Department, while accepting the

<sup>1</sup>Income and Sales Tax Department, Excise Department and Industries Department.

observation stated (August 2004) that concessions were given to the industries on the strength of the notification issued by the Industries Department and accordingly matter was referred to them for clarification. However, matter was forwarded to the Government; the reply has not been received yet.

## MINES AND GEOLOGY DEPARTMENT

### 5.6.2 Loss of revenue due to non-realisation of consultancy charges

**Consultancy fee totalling Rs. 8.66 lakh was not realised by the Department despite a provision in the Mines and Geology Regulations 2001, for levying of the fee.**

The Mines and Geology Regulations 2001, effective from 2 April 2002, require the Mines and Geology Department to charge a consultancy fee from users at the prescribed rate for geo-technical studies carried out by the Department involving a period not exceeding three days.

Between 3 April 2002 to 24 March 2003, the Department carried out 156 geo-technical studies in East, West, North and South districts involving less than three days in each case. However, the Department failed to charge consultancy fees at the prescribed rates in these cases amounting to Rs. 8.66 lakh resulting in a loss of Government revenue.

In reply, the Department stated (June 2004) that the fees prescribed were later found to be on the higher side and accordingly, reduced rates were submitted to the Government for approval. Though the matter was forwarded to the Government; the reply has not been received yet.

The reply of the Department is not tenable as the Mines and Geology Department regulation *ibid* clearly stipulated realisation of appropriate fees with effect from April 2002.

### 5.7 Short Deposit of Tax

## INCOME AND SALES TAX DEPARTMENT

### 5.7.1 Short deposit of Sales Tax -Rs. 2.22 crore

**The Department not only failed to notice short deposit of sales tax of Rs. 2.22 crore but was slack in taking effective steps to recover the same.**

As per notification dated 3 October 2000 of the Industries Department a concessional rate of 10 *per cent* sales tax with effect from 1 October 2000 (instead of the earlier rate of 20 *per cent*) on liquor products manufactured by new units is applicable.

It was noticed in Audit of the records of the Income & Sales Tax Department in August 2003 that an assessee, M/s Mount Distilleries Ltd. (MDL), a unit eligible

for the above concession, wrongly interpreted the notification *ibid* and deposited sales tax at the rate of 10 *per cent* of the existing rate of 20 *per cent* i.e. two *per cent* only and Central sales tax at the rate of 10 *per cent* of the existing rate of four *per cent* i.e. 0.4 *per cent*, for the period 15 November 2000 to 30 June 2003. While the concession was clearly not applicable to Central sales tax on which full sales tax at the rate of four *per cent* should have been deposited by MDL, there was short deposit of Rs. 2.22 crore of sales tax and Central sales tax by the unit.

After this was pointed out, the Department accepted the fact and issued a demand notice in September 2003 to the assessee to deposit the sales tax of Rs. 2.22 crore. The Department also informed in April 2004 that sales tax evaluation procedures against the company were initiated to rectify the wrong calculation of sales tax and Central sales tax.

As of November 2004, the unit had neither paid the amount nor had the Department taken any effective steps to recover the Government revenue. However, matter was forwarded to the Government; the reply has not been received yet.

### 5.7.2 Short assessment of Income Tax -Rs. 6.40 lakh

**Cross verification of income tax and sales tax assessment records in respect of a Melli based company, engaged in brewery business, revealed short assessment of income tax by Rs. 6.40 lakh.**

The Sikkim State Income Tax Manual provides that income tax is to be charged on the gross sale proceeds of previous year of all persons engaged in business at the prescribed rates.

It was noticed in October 2003 that the Income Tax Authority, South District had assessed a company engaged in brewery business for the period 1997-98 to 2000-01 to Rs. 1.01 crore on its turnover of Rs. 101.39 crore as per its books of accounts submitted to Income Tax (IT) Department. Cross check of assessment records of IT Department with that of Sales Tax (ST) Department revealed that taxable turnover disclosed by the company in respect of income tax assessments were understated, resulting in short assessment of income tax amounting to Rs. 6.40 lakh as detailed below.

**Table 5.9**

(Rupees in lakh)

Year	GTO* as per ST records	GTO**	GTO as per IT records	IT leviable#	IT assessed and paid	Short assessment
1	2	3	4	5	6	7
1997-1998	2,171.37	1,878.25	1,739.14	18.78	17.39	1.39
1998-1999	2,827.64	2,532.44	2,411.47	25.32	24.11	1.21
1999-2000	3,547.11	3,087.42	2,893.30	30.87	28.93	1.94
2000-2001	3,714.79	3,281.22	3,095.40	32.81	30.95	1.86
<b>Total</b>	<b>12,260.91</b>	<b>10,779.33</b>	<b>10,139.31</b>	<b>107.78</b>	<b>101.38</b>	<b>6.40</b>

\* Gross Turnover

\*\* GTO after excluding sales tax, transit insurance, and delivery charges etc., but inclusive of excise duty

# IT leviable has been calculated at the flat rate of one *per cent* of the GTO for turnover in excess of Rs.1 crore, as worked out by the Department on the basis of slab rate taxation scheme approved by the Finance Minister of the State in May 1998, an objection already featured in the Audit Report of 2002-03.

In reply, the Department stated in February 2004 that turnover for the purpose of income tax was calculated excluding excise duty, sales tax, transit insurance, freight and delivery charges paid to the transporters on behalf of the purchasing dealers, which did not form part of turnover for assessment of income tax, thus explaining the difference between the two sets of figures. The reply of the Department is not tenable in view of the relevant provisions of the Manual *ibid* that income tax be charged on the gross sale proceeds accrued from the turnover of a business. Further, the fact that excise duty forms part of the gross turnover of a business, stands adequately clarified in terms of general clarification on the matter issued by the Accounting Standards Board of India (ASBI) in March 2002. Therefore, even after excluding sales tax, transit insurance, freight and delivery charges from the purview of gross turnover, turnover disclosed by the assessee and accepted by the Department is short by Rs. 6.40 crore for the period 1997-98 to 2000-01 due to which there was short assessment of income tax to the tune of Rs. 6.40 lakh.

The Department reiterated in April 2004 its earlier contention that the excise duty, not being a real income of the firm, was not computed in determination of gross sale proceeds for the purpose of income tax which is not acceptable in view of clarification given by ASBI. Though the matter was forwarded to the Government; the reply has not been received yet.



# CHAPTER-VI

## GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

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## CHAPTER-VI

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### Overview of Government companies and Statutory corporations

#### 6.1 Introduction

6.1.1 As on 31 March 2004, there were 12 Government companies (nine working companies and three non-working\* companies) and three working Statutory corporations with no change in position from that as on 31 March 2003 under the control of the State Government. The Companies Act, 1956 is not extended to the State of Sikkim. The companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government companies are audited by the Auditors who are directly appointed by the Board of Directors of the respective companies. The Audit of these companies had been taken up by the Comptroller and Auditor General of India (CAG) on the request of the State Government under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

There are three Statutory corporations in the State viz. Sikkim Mining Corporation (SMC), State Bank of Sikkim (SBS) and State Trading Corporation of Sikkim (STCS) established in February 1960, June 1968 and March 1972 respectively under the proclamations of the erstwhile Chogyal of Sikkim.

The accounts of these corporations are audited by the Chartered Accountants who are directly appointed by the Board of Directors of the respective corporations. Audit of these corporations was taken up by CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971 at the request of the State Government as detailed below:

Table-6.1

Name of the Statutory corporation	Authority for Audit by CAG	Audit arrangement
1. Sikkim Mining Corporation (SMC)	Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Audited by Chartered Accountant and superimposed Audit by CAG
2. State Bank of Sikkim (SBS)	-do-	-do-
3. State Trading Corporation of Sikkim (STCS)	-do-	-do-

There are two departmentally managed undertakings viz. Sikkim Tea Board and Government Fruit Preservation Factory under the Industries Department.

\* Non-working companies are those which are under the process of liquidation/closure/merger etc.

The accounts of these departmentally managed undertakings are audited by Chartered Accountants who are directly appointed by the Industries Department. Audit by the CAG is taken up under Section 13 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

## 6.2 Working Public Sector Undertakings (PSUs)

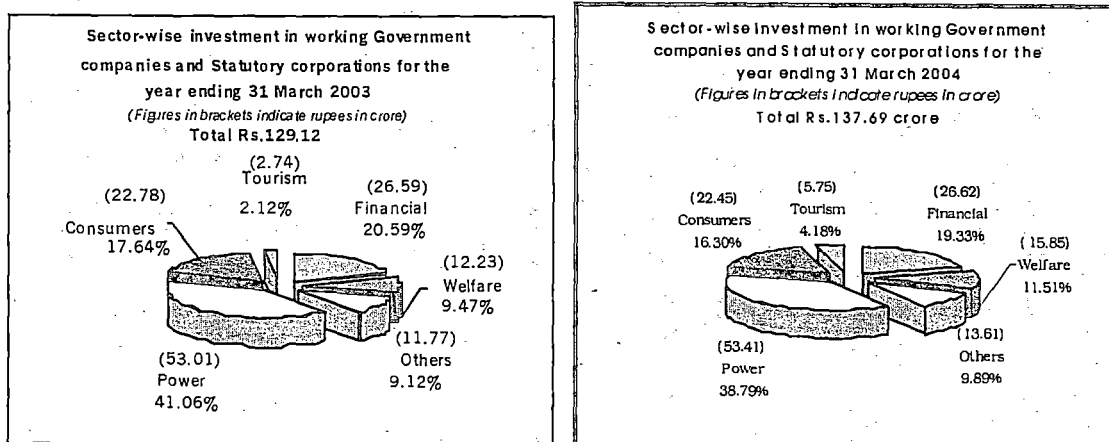
### *Investment in working PSUs*

6.2.1 As on 31 March 2004, the total investment in 12 PSUs (nine Government companies and three Statutory corporations) was Rs137.69<sup>†</sup> crore (equity Rs. 72.03 crore and long-term loans<sup>\*</sup>: Rs. 65.66 crore) as against a total investment of Rs. 129.12 crore (equity: Rs. 64.21 crore and long term loans : Rs. 64.91 crore) in 12 PSUs (nine Government companies and three Statutory corporations) as on 31 March 2003. Increase in total investment was due to increase in equity and loans mainly in tourism, welfare and miscellaneous sectors. The analysis of investment in working PSUs is given in the following paragraphs:

### *Sectorwise investment in working Government companies and Statutory corporations*

6.2.2 The investment (equity including share application money and long term loans) in various sectors and percentage thereof for the years ended 31 March 2003 and 31 March 2004 are indicated in the pie charts as below:

Chart-6.1



### *Working Government companies*

6.2.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

<sup>†</sup> Figure as per Finance Accounts 2003-04 is Rs. 58.46 crore, the difference is under reconciliation.

<sup>\*</sup> Long term loans mentioned in para 6.2.1, 6.2.2, 6.2.3 and 6.2.4 are excluding interest accrued and dues on such loans.

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2002-03	9	53.12	64.37	117.49
2003-04	9	59.09	65.12	124.21

Investment in the current year has increased over the previous year due to increase in equity and loans mainly in tourism and welfare sectors.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Appendix-XXII**.

As on 31 March 2004, the total investment in working Government companies comprised 47.57 per cent of equity capital and 52.43 per cent of loans as compared to 45.21 per cent and 54.79 per cent respectively as on 31 March 2003.

### **Working Statutory corporations**

6.2.4 The total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

Table-6.2

(Rupees in crore)

Name of corporation	2002-03		2003-2004	
	Capital	Loan	Capital	Loan
State Bank of Sikkim (SBS)	0.58	-	0.58	-
Sikkim Mining Corporation (SMC)	9.39	0.54	11.25	0.54
State Trading Corporation of Sikkim (STCS)	1.11	-	1.11	-
<b>Total</b>	<b>11.08</b>	<b>0.54</b>	<b>12.94</b>	<b>0.54</b>

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Appendix-XXII**.

As on 31 March 2004, the total investment in working Statutory corporations comprised 96 per cent of equity capital and 4 per cent of loans as compared to 95.35 per cent and 4.65 per cent respectively as on 31 March 2003.

### **6.3 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

6.3.1 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Appendix-XXII** and **XXIV**.

The budgetary outgo in the form of equity capital, loans and subsidy from the State Government to working Government companies and working Statutory corporations for the three years ending 2003-04 is given below:

Table-6.3

(Rupees in crore)

	2001-2002				2002-2003				2003-2004			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	5	4.50	1	0.50	7	3.35	1	0.50	5	4.90	1	0.94
Loans	1	0.30	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total	5 <sup>†</sup>	4.80	1	0.50	7	3.35	1	0.50	5	4.90	1	0.94

During the year 2003-04, the Government had guaranteed loans aggregating Rupees seven crore obtained by two working companies. At the end of the year, guarantees amounting to Rs. 78.07 crore against three Government companies (Rs. 78 crore) and one Statutory corporation (Rupees seven lakh) were outstanding. There was no case of loans written off, interest waived, moratorium on loan repayment, conversion of loans into equity capital in any company or corporation during the year.

#### 6.4 Finalisation of accounts by working PSUs

6.4.1 Accountability of Public Sector Undertakings to Legislature is to be achieved through the submission of audited annual accounts/reports within the time schedule to the Legislature. It could be noticed from *Appendix-XXIII* that out of nine working Government companies, none of the companies had finalised its accounts for the year 2003-04 and similarly, out of three Statutory corporations, none of the corporations had finalised their accounts for the year 2003-04 within the stipulated period.

During the period from October 2003 to September 2004, two working Government companies finalised accounts for previous years. Similarly, during this period only two working Statutory corporations finalised their accounts for the previous year.

The accounts of nine working Government companies and three working Statutory corporations were in arrears for the periods ranging from one to four years as on 30 September 2004 as detailed below:

<sup>†</sup> These are the actual number of companies/ corporations which have received budgetary support in the form of equity and loans from the Government during the respective years.

Table-6.4

Sl. No	Name of company / corporation	Period upto which accounts finalised	Period for which accounts in arrears	No. of years for which accounts in arrears
I	<b>A. Name of the company</b>			
	i. Sikkim Time Corporation Ltd.	2001-2002	2002-2003 2003-2004	2
	ii. Scheduled Caste, Scheduled Tribes, Other Backward Class Development Corporation Ltd.	2002-2003	2003-2004	1
	iii. Sikkim Tourism Development Corporation	2002-2003	2003-2004	1
	iv. Sikkim Jewels Ltd	2002-2003	2003-2004	1
	v. Sikkim Industrial Development and Investment Corporation Limited	2002-2003	2003-2004	1
	vi. Sikkim Power Development Corporation	2001-2002	2002-2003 2003-2004	2
	vii. Sikkim Poultry Development Corporation Limited	2001-2002	2002-2003 2003-2004	2
	viii. Sikkim Hatcheries Limited	2001-2002	2002-2003 2003-2004	2
	ix. Sikkim Precision Industries Limited	2002-2003	2003-2004	1
II	<b>B. Name of the Statutory corporation</b>			
	i. State Bank of Sikkim	2002-2003	2003-2004	1
	ii. Sikkim Mining Corporation	2002-2003	2003-2004	1
	iii. State Trading Corporation of Sikkim	1999-2000	2000-2001 2001-2002 2002-2003 2003-2004	4

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within stipulated period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these PSUs could not be assessed in Audit.

## 6.5 Financial position and working results of working PSUs

6.5.1 The summarised financial results of working PSUs (Government companies and Statutory corporations), as per their latest finalised accounts are given in **Appendix-XXIII**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts were finalised are given in **Appendix-XXV** and **XXVI** respectively.

According to the latest finalised accounts of eight working Government companies and three working Statutory corporations, five companies and two corporations had incurred an aggregate loss of Rs. 2.12 crore and Rs. 23.07 crore respectively, three companies and one corporation earned an aggregate profit of

Rs. 2.58 crore and Rs. 0.31 crore respectively. One company, Sikkim Power Development Corporation (SPDC) is at the implementation stage.

## **6.6 Working Government companies**

### ***Profit earning working companies and dividend***

6.6.1 As per the latest finalised accounts, three companies viz. Sikkim Jewels Limited (SJL), Sikkim Precision Industries Limited (SPIL) and Sikkim Industrial Development and Investment Corporation Limited (SIDICO) which finalised their accounts for 2002-03 earned profit of Rs. 2.58 crore. None of the companies declared dividend during the year for which accounts were finalised.

### ***Loss incurring working companies***

6.6.2 One company\*, out of five loss incurring working Government companies, had accumulated losses aggregating Rs. 49.05 lakh, which exceeded its paid up capital of Rs. 45.83 lakh.

## ***Working Statutory corporations***

### ***Profit earning Statutory corporation and dividend***

6.6.3 As per latest finalised accounts, State Trading Corporation of Sikkim (STCS) which finalised its accounts for 1999-2000, earned a profit of Rs. 31.52 lakh but had not declared any dividend.

### ***Loss incurring Statutory corporation***

6.6.4 One corporation viz. State Bank of Sikkim out of the two loss incurring working Statutory corporations, had accumulated losses aggregating Rs. 44.84 crore which exceeded its aggregate paid up capital of Rs. 58.38 lakh.

### ***Operational performance of working Statutory corporations***

6.6.5 The operational performance of the working Statutory corporations for the last three years for which required information had been furnished by only two corporations is given in **Appendix-XXVII**. It will be observed that in case of Sikkim Mining Corporation, percentage of capacity utilisation which was 56 in 2001-2002 came down to 26 in 2003-2004.

### ***Return on Capital Employed***

6.6.6 As per the latest finalised accounts, the capital employed<sup>§</sup> worked out to Rs. 103.01 crore in nine working companies and the total return<sup>\*\*</sup> thereon amounted to Rs. 2.58 crore from three working companies which is 2.50 per cent as compared to total return of Rs. 16.85 lakh (0.17 per cent) in three companies

\* Sikkim Hatcheries Limited.

§ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

\*\* For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in the Annual Accounts.

in previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts worked out to Rs. 248.43 crore and Rs. 31.52 lakh (0.13 *per cent*), respectively, against the total return of Rs. 31.52 lakh (0.17 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Appendix-XXIII**.

## 6.7 Non-working Public Sector Undertakings (PSUs)

### *Investment in non-working PSUs*

6.7.1 As on 31 March 2004, the total investment in three non-working PSUs (Government companies) was Rs. 1.27 crore (equity: Rs. 1.27 crore) and there was no change from the position since 31 March 2002.

The classification of non-working PSUs is as under:

Table-6.5

Sl. No.	Status of Non-working Government Companies	Number of companies	(Rupees in crore)	
			Investment	
			Companies	
			Equity	Long terms loan
i.	Under closure	2	0.58	-
ii.	Other*	1	0.69	-
	<b>TOTAL</b>	<b>3</b>	<b>1.27</b>	<b>-</b>

\* The operational function has been leased out.

Of the above non-working PSUs, two Government companies were under closure for five years and a substantial investment of Rs. 58 lakh was involved in these companies.

### *Budgetary outgo, grants/subsidy, guarantees, waiver of dues and conversion of loans into equity*

6.7.2 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to three non-working PSUs are given in **Appendix -XXII** and **XXIV**.

The State Government had not given any budgetary support during 2003-04 to these non-working PSUs.

### *Total establishment expenditure of non-working PSUs*

6.7.3 The year-wise details of total establishment expenditure of two non-working Government companies and the source of financing them during the last three years up to 2003-04 could not be analysed due to non-finalisation of accounts by the respective PSUs. One non-working company viz. Sikkim Livestock Processing and Development Corporation Limited is under lease. An amount of Rs. 2.44 lakh was spent towards establishment expenditure during 2002-03 from the grant received from the State Government.

**Finalisation of accounts by non-working PSUs**

6.7.4 The accounts of three non-working companies were in arrears for the periods ranging from one to nine years as on 30 September 2004 as could be noticed from **Appendix-XXIII**.

**Financial position and working results of non-working PSUs**

6.7.5 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Appendix-XXIII**.

The year wise details of paid-up capital, net-worth, cash loss/cash profit and accumulated loss/accumulated profit of non-working PSUs as per the latest finalised accounts are given below:

**Table-6.6***(Rupees in crore)*

Name of the Company (Year of Accounts)	Paid-up capital	Net-worth <sup>**</sup>	Cash loss (-)/ <sup>**</sup> Cash profit (+)	Accumulated loss (-)/accumulated profit (+)
<b>A. Non-working companies</b>				
i. Sikkim Flour Mill Ltd. (1994-1995)	0.60	0.47	-	(-) 0.13
ii. Sikkim Livestock Processing and Development Corporation Ltd (2002-03)	0.69	0.04	(+) 0.01	(-) 0.65
iii. Channari Workshop and Automobiles Ltd (1994-95)	0.002	(-) 0.02	(-) 0.14	(-) 0.02

**6.8 Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

6.8.1 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG, in the Legislature by the Government:

**Table-6.7**

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
i	Sikkim Mining Corporation (SMC)	1999-2000	2000-2001	20-09-2004 Not yet issued	Under printing
ii	State Bank of Sikkim (SBS)	1999-2000	2000-2001 2001-2002	Not yet issued -do-	Under printing -do-
iii	State Trading Corporation of Sikkim (STCS)	1997-1998	1998-1999 1999-2000	Not yet issued 20-09-2004	Under printing To be placed by the Government in the next session of legislature.

<sup>\*\*</sup> Net worth represents paid up capital plus free reserves less accumulated loss.

<sup>\*\*</sup> Cash loss/profit represents loss/profit for the year plus depreciation for the year.

## 6.9 Disinvestment, privatisation and restructuring\* of Public Sector Undertakings

6.9.1 During the year 2003-04, there has been no privatisation (partial or complete) of any activity of these companies or corporations, and the Government has also not gone for disinvestments of shares in any company/corporation.

## 6.10 Results of Audit by Comptroller and Auditor General of India

6.10.1 During the period from October 2003 to September 2004, the Audit of nine accounts of eight working companies, two accounts of three working Statutory corporations and one account of one non working company were selected for review. The net impact of the important Audit observations as a result of review of the PSUs was as follows:

Table-6.8

Details	No. of accounts			Rupees in lakh		
	Government companies		Statutory corporations	Government companies		Statutory corporations
	Working	Non-working	Working	Working	Non-working	Working
(i) Decrease in profit	4	-	-	29.60	-	-
(ii) Increase in loss	3	-	2	141.68	-	40.36

Some of the major errors and omissions noticed in the course of Audit of annual accounts of some of the above companies and corporations are mentioned below:

### *Sikkim Time Corporation Limited (2001-02)*

- Non-charging of "Deferred Revenue Expenditure" towards advertisement and sales promotion in the accounts resulted in understatement of loss by Rs. 78 lakh.

### *Sikkim Tourism Development Corporation Limited (2002-03)*

- The amount of Rs. 50 lakh and Rs. 60 lakh released by Government of Sikkim to Sikkim Tourism Development Corporation (STDC) during 2001-02 and 2002-03 respectively as equity was booked under administrative grant. This resulted in understatement of paid up share capital by Rs. 1.10 crore.

## 6.11 Response to inspection reports, draft paragraphs and reviews

6.11.1 Audit observations noticed during Audit and not settled on the spot are communicated to Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of the PSUs are required to furnish replies to the Inspection Reports within a period of four weeks. Inspection Reports up to March 2004 pertaining to 14 PSUs disclosed that the 171 paragraphs relating to

\* Restructuring includes merger and closure of PSUs

36 inspection reports remained outstanding at the end of September 2004. Department-wise break up of inspection reports and Audit observations outstanding as on 30 September 2004 are given in **Appendix-XXVIII**.

## **6.12 Position of discussion of Commercial Chapter of Audit Reports by the Public Accounts Committee (PAC)**

6.12.1 The reviews and paragraphs of the Commercial Chapter of the Audit Report, Government of Sikkim pending for discussion by Public Accounts Committee as at the end of March 2004 were as below:

**Table-6.9**

Period of Audit Report	Total number of reviews and paragraphs in the Commercial Chapter		No. of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-2002	-	3	-	3
2002-2003	-	3	-	3

## **6.13 Operational loss**

### **SIKKIM TOURISM DEVELOPMENT CORPORATION**

#### **6.13.1 Operational loss**

**Rendering helicopter services to the public and tourists at a very low fare, which was far below the cost of running the services, resulted in a loss of Rs. 59.60 lakh.**

Ministry of Home Affairs, Government of India, subsidised 75 *per cent* of the cost of the hire charge of the helicopter service of the Department of Tourism, Government of Sikkim. Remaining 25 *per cent* and administrative expenses were to be borne by the State Government. With the formation (February 1999) of Sikkim Tourism Development Corporation (STDC) the responsibility of running the helicopter service was entrusted to the STDC without any formal agreement containing the terms and conditions.

Test check of records of helicopter services revealed that STDC suffered huge loss in operation of this service. During the period from February 1999 to March 2003 the loss worked out to Rs. 59.60 lakh after taking into account the subsidy reimbursement of Rs. 7.24 crore by Government of India and a portion of operational cost reimbursed by State Government. The State Government, which was meeting the remaining cost of services up to the date of handing over of the operation to STDC, did not fully compensate the loss in the operation.

Considering the huge recurring losses, a proposal to revise the fare from Rs. 1,500 to Rs. 1,900 per passenger from Gangtok to Bagdogra and vice-versa, Rs. 6,000 to

Rs. 7,500 for 20 minutes tour to West Sikkim etc., was placed (October 2003) before the Board of Directors, with a view to make the helicopter services economically viable, after taking into account subsidy from Government of India and State Government. This revision, however, was not approved (October 2003) by the Board of Directors in view of the forthcoming general election. Failure of the Management to enter into formal agreement with the State Government for meeting the net operational loss and also failure to revise the fare suitably led to huge losses on operation of helicopter services.

While accepting the fact that the Corporation was incurring huge losses due to low fare and non payment of adequate compensation to off set loss by State Government, the Management stated (August 2004), that the matter would be placed again in next Board meeting (August 2004). As of October 2004, neither the proposed revision of fare nor assurance from State Government for making good the loss had taken place.



## CHAPTER-VII

### INTERNAL CONTROL SYSTEM OF FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

PARAGRAPH	PARTICULARS	PAGE
7	Internal Control & Internal Audit in Government Departments	103



## CHAPTER –VII

### INTERNAL CONTROL SYSTEM OF THE FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

#### Introduction

7.1 Internal Control (IC) system provides reasonable assurance about (i) effectiveness and efficiency of operations, (ii) reliability of financial procedures and reporting and (iii) compliance with applicable rules and regulations. It is, therefore, an integral and important part of the day to day management of a department as well as the activities of planning, organising, directing and controlling that go on in it.

A review of the IC system in Food and Civil Supplies and Consumers Affairs Department (FCS & CAD) was conducted in April-May 2004 to ascertain if control mechanisms prescribed were appropriate, adequate and optimally operative.

FCS & CAD is headed by a Commissioner-cum-Secretary who is assisted by 20 officers in the grade of Additional Secretaries, Joint Secretaries, Deputy Secretaries, Assistant Director and District Civil Supply Officers (DCSOs) besides 185 other staff.

#### Functions of the Department

7.2 The main task of the Department is to ensure adequate supply of essential commodities through nine<sup>@</sup> Principal Distribution Centres (PDCs) and 24 Godowns located all over the State for public distribution through Fair price shops (1,178). The Department, besides providing foodgrains to Below Poverty Line families at subsidised rate, implements two Government of India schemes i.e (i) *Annapurna scheme* under which rice is distributed to senior citizens above 65 years and (ii) *Antodaya scheme*, where 6,700 families are targeted to receive 35 kg. of rice per family@ Rs. 3 per kg.

#### Manpower Control

##### *Individual job analysis for assessment of manpower not done*

7.3 The Department had never assessed its manpower requirement on a systematic basis. Individual job specification, quantum of work, output, etc. were

<sup>@</sup> Gangtok, Mangan, Geyzing, Rongli, Soreng, Ravangla, Namchi, Chungthang and Dentam.

neither analysed nor prescribed and the overall deficiency or surplus was never reviewed. Against 146 sanctioned posts, 206 officers and staff were on the roll as of April 2004, recording a shortfall of 12 (regular) and excess of 72 (7 regular and 65 ad-hoc and muster roll) in various posts as shown in **Appendix-XXIX**.

***Absence of policy of need-based and rational deployment of staff***

7.4 The FCS & CAD has not adopted any system to streamline or rationalize the deployment of staff to match individual skill and expertise with the job requirement, nor has a policy of regular rotation of assignments to prevent monotony and also to ensure experience in different areas of work. Even in posting of godowns-in-charge the size of the godowns vis-à-vis the rank and responsibility of the officials posted were not kept in mind.

***Formal allocation of work not done***

7.5 Formal distribution of work with clear demarcation of functional responsibilities, which is a key element in determining the accountability and responsibility at different levels was missing except for six Deputy Secretaries, one each of Deputy Director, Under Secretary and District Civil Supply Officer, corresponding to 45 *per cent*<sup>^</sup> of officers and a paltry 4 *per cent*<sup>\*</sup> of the combined strength of staff and officers.

***No proper handing/taking over of charge***

7.6 The Department was yet to introduce the system of a formal handing /taking over of charge with detailed notes from the relieving officer describing the job responsibility, important pending items of work, particulars of important files and documents that should be handed/ taken over to ensure continuity and smooth flow of work in case of change of guard. Audit contention was corroborated by the fact that 16 officials transferred to other departments during 1999-04 from FCS & CAD had not followed the procedure of handing/taking over of charge.

***Service Verification Not Done***

7.7 Test check of service books of staff maintained in the Department revealed that service verification of none of the 120<sup>\*</sup> employees had ever been done, in spite of stipulation in Sikkim Service Rules (Rule 44) and Sikkim Financial Rules (Rule 98) which envisage that every entry in the service book must be attested by the Head of the Department or a Gazetted Officer authorized to do so and must be verified at least once in a year.

***Lack of training***

7.8 The FCS & CAD did not have any arrangement for its staff to attend training programmes on a regular basis to upgrade their skills and improve productivity. It was noticed that in the last five years, training was held only once,

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<sup>^</sup> 9/20 *per cent*

<sup>\*</sup> 9/(185+20) *per cent*

<sup>\*</sup> Non-gazetted regular employees.

that too for three days only for 42 officials, on Public Distribution Systems at Accounts and Administrative Training Institute, Gangtok. A training programme on "Scientific Methods of Storage and Inspections of Foodgrains" for two months, though prescribed by Government of India as a specific requirement for the FCS & CAD officials, only one each of Inspector and Sub-Inspector and three Assistant Sub-Inspectors were imparted with the above training. No reasons for the shortfall in the prescribed training programme were offered by the Department.

## Financial Control

### *Improper maintenance of Cash book*

7.9 Sikkim Finance Rule (Para 49) prescribes that the Cash book should be:

- Closed and checked regularly to ensure accuracy of postings, totals etc.
- Verified by the Head of the Department (HOD)/ Office (HOO) at the end of each month and a signed and dated certificate to that effect appended.
- Physically verified by the HOD/HOO, at least once a month, incorporating an element of surprise, to verify the cash balance and a certificate recorded in the Cash book indicating the results of such verification.
- Properly and concisely written, with a brief narration against each of the transactions to indicate unmistakably the nature of the transaction.

It was seen that these codal provisions were not followed by the Department, even to the extent that full classification of the receipts and charges were not recorded in the Cash book against each entry of receipt and payment.

### *Enhancement of the corpus of Revolving fund without any requirement*

7.10 The Department has been operating a Revolving fund since 1975-76 in the name of Secretary, FCS & CAD for the purpose of procurement of foodgrains. The fund initially started with Rs. 30 lakh was lastly enhanced (October 1997) to Rs. 5.10 crore. Apart from this, the State Government stood as guarantor for availing of overdraft facilities to the extent of Rs. 1.80 crore from three<sup>ψ</sup> banks at Gangtok.

Scrutiny of records revealed that a sum of Rs. 2.70 crore, out of the Revolving fund, was kept as fixed deposit in Central Bank of India (Rs. 1 crore in July 2002) and Sikkim State Co-operative Bank Ltd. (Rs. 1.70 crore in January 2003). Therefore, there was excess provision of funds to the Revolving fund. The requirements of Revolving fund were not closely monitored and reduced suitably instead of investment in fixed deposit.

### *Persistent Savings*

7.11 Test check of Budget files for the years 2001-04 revealed that the Department was yet to evolve a proper system of working out the detailed requirement of funds in the Subsidy head at the time of preparation of budget,

<sup>ψ</sup> State Bank of Sikkim, Central Bank of India and SISCO

resulting in substantial overall savings of Rs. 22.77 crore, out of which major savings related to “subsidies on sale of rice”. Persistent savings were indicative of absence of proper assessment of requirement of funds and inadequate control over expenditure.

### **Management of Public Distribution System**

#### ***Absence of system for monitoring actual number of beneficiaries***

7.12 There was no system in the Department to monitor the change in the number of Below Poverty Line/Above Poverty Line beneficiaries due to death, immigration/emigration, transfer etc. The Department continued issuing the same quota of commodities to the Fair price shops (FPS) for a number of years without verifying the change in the number of beneficiaries. In terms of the guidelines issued by the Government of India, the State Government shall specify a timeframe for making additions/alterations in the ration cards. However, no such time frame has been specified so far for periodical review of the ration cards.

#### ***Non-furnishing of monthly reports by Fair Price Shops***

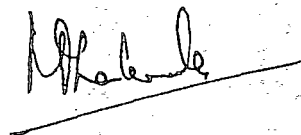
7.13 According to the guidelines issued by the Ministry of Consumer Affairs, Food and Distribution, Government of India (August 2001), State Government should ensure proper system of monitoring the functioning of FPSs in areas like issue of ration cards, monthly allocation of foodgrains, receipt and issue of food commodities by FPSs etc. The FPSs are required to send the monthly report in the prescribed format on 7<sup>th</sup> of the following month of allocation of food grains. Such reports sent by the FPS to the district authorities, should be compiled for the State as a whole and sent to the Central Government at the end of the following month. Audit observed that the system of sending monthly reports either by the FPS, the district authorities or the State Government was not followed till date (April 2004). Therefore, due to non-submission of monthly reports, the functioning of FPSs not only remained largely unmonitored but was also fraught with the risk of sale of commodities to ineligible beneficiaries and other malpractices.

#### ***Non-forming of Vigilance Committee***

7.14 According to Government of India guidelines, vigilance committee on Public distribution scheme should be formed at State, district, block and FPS level which should meet atleast once in a quarter, to verify sale register, stock register and ration card register submitted by FPS. The Department was yet to form such committees. In reply (May 2004), the Department informed that vigilance committee at panchayat level is being constituted.

### Conclusion

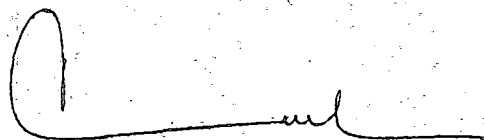
7.15 The Internal Control mechanism of the FCS & CAD with regard to deployment of personnel, accounting and financial procedures was beset with weaknesses and without built-in mechanism for proper supervision and inspection at higher level. Cash book and other essential records relating to PDS schemes were not maintained properly. System to monitor the change in numbers of beneficiaries due to death, transfer etc. were not in vogue. It is recommended that the Department take remedial measures in these areas so that an effective degree of internal control is established.



(M. DAKSHINAMOORTHY)  
Accountant General (Audit), Sikkim

Gangtok  
The

Countersigned



(VIJAYENDRA N. KAUL)  
Comptroller and Auditor General of India

New Delhi  
The



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# APPENDICES

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**APPENDIX-I**  
(Ref: Paragraph 1.4, page 4)

**List of terms used in Chapter I and basis for their calculation**

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount} / \text{Previous year Amount}) - 1] * 100$
Trend/ Average	Trend of growth over a period of 5 years [LOGEST (Amount of 1998-99: Amount of 2003-04)-1] *100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/ $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth – Weighted Interest Rates
Interest received as <i>per cent</i> to Loans Advanced	Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt <u>minus</u> Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt.

**APPENDIX-II**  
(Ref: Paragraph 1.8, Page 12)

**SUMMARISED FINANCIAL POSITION OF THE  
GOVERNMENT OF SIKKIM  
AS ON 31 MARCH 2004**

(Rupees in crore)

As on 31.03.2003		Liabilities		As on 31.03.2004
341.32		Internal Debt		400.82
	240.81	Market Loans bearing interest	295.76	
	46.81	Loans from LIC	54.66	
	53.70	Loans from other institutions	50.40	
280.80		Loans and Advances from Central Government-		274.15
	6.59	Pre 1984-85 Loans	6.04	
	45.46	Non-Plan Loans	40.26	
	218.04	Loans for State Plan Schemes	215.63	
	10.71	Loans for Central and Centrally Sponsored Plan Schemes	11.35	
	-	Ways and Means Advances	0.87	
377.67				394.38
	0.97	Contingency Fund	0.50	
	245.56	Small Savings, Provident Funds, etc.	267.44	
	17.28	Deposits	18.48	
	39.60	Reserve Funds	52.98	
	74.26	Remittance Balances	54.98	
877.32		Surplus on Government Accounts		1,037.57
	679.42	Last year balance	877.32	
	197.90	Add Revenue Surplus	160.25	
1,877.11		<b>Total</b>		<b>2,106.92</b>
As on 31.03.2003		Assets		As on 31.03.2004
1,654.72		Gross Capital Outlay on Fixed Assets-		1,866.21
	69.56	Investments in shares of Companies, Corporation, etc.	75.63	
	1,585.16	Other Capital Outlay	1,790.58	
6.28		Loans and Advances-		5.30
	4.34	Other Development Loans	4.33	
	1.94	Loans to Government servants and Miscellaneous loans	0.97	
		Reserve Fund Investments		
0.80		Advances		1.03
(-) 1.52		Suspense and Miscellaneous Balances		26.91
216.83		Cash		207.47
		Cash in Treasuries and Local Remittances		
	151.22	Deposits with other Bank	59.35	
	0.18	Departmental Cash Balance	0.69	
	29.00	Cash Balance Investments	100.00	
	36.43	Earmarked Funds Invested	47.43	
1,877.11		<b>Total</b>		<b>2,106.92</b>

### APPENDIX -III

(Ref: Paragraph 1.8, page 12)

#### Abstract of Receipts and Disbursements for the year 2003-2004

(Rupees in crore)

Receipts			Disbursements					
2002-03		2003-04	2002-03		Non-Plan	Plan	Total	2003-04
<b>Section A: Revenue</b>								
2,080.52	I-Revenue receipts	1,341.18	1,882.62	I- Revenue expenditure				1,180.93
	Tax revenue	108.00		General services	678.20	10.86	689.06	
	Non-tax revenue	537.29		Social Services				
	State's share of Union Taxes	112.33		Education, Sports, Art and Culture	90.23	52.44	142.67	
	Non-Plan Grants	150.45		Health and Family Welfare	23.40	15.55	38.95	
				Water Supply, Sanitation, Housing and Urban Development	15.26	27.01	42.27	
				Information and Broadcasting	0.57	2.45	3.02	
	Grants for State Plan Schemes	370.56		Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes	0.60	3.77	4.37	
	Grants for Central and Centrally Sponsored Plan Schemes	62.55		Labour and labour Welfare	0.67	0.41	1.08	
				Social Welfare and Nutrition	13.42	15.03	28.45	
				Others	2.03	-	2.03	
				<i>Economic Services</i>				
				Agriculture and Allied Activities	39.07	30.42	69.49	
				Rural Development	1.39	32.86	34.25	
				Special Areas Programmes	-	0.70	0.70	
				Irrigation and Flood Control	1.06	12.50	13.56	
				Energy	27.76	9.09	36.85	
				Industry and Minerals	3.48	17.98	21.46	
				Transport	35.75	5.93	41.68	
				Science Technology and Environment	-	1.07	1.07	
				General Economic Services	1.72	8.25	9.97	
	II-Revenue deficit carried over to Section-B	--	197.90	II-Revenue surplus carried over to Section-B				160.25
2,080.52	Total	1,341.18	2,080.52					1,341.18

*Appendices to Audit Report for the year ended 31 March 2004*

Receipts				Disbursements					
2002-03			2003-04	2002-03		Non-Plan	Plan	Total	2003-04
	<b>Section-B</b>								
144.18	III-Opening Cash balance including Permanent Advances and Cash Balance Investment		216.83	208.98	III-Capital Outlay	-	211.49	211.49	
	IV Miscellaneous Capital receipts		--		General services	-	12.77	12.77	12.77
					Social Services	-	97.44	97.44	97.44
					Education, Sports, Art and Culture	-	31.48		
					Health and Family Welfare		3.86		
					Water Supply, Sanitation, Housing and Urban Development		60.81		
					Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes		1.29		
					Social Welfare		-		
				113.83	Others		-		
					Economic Services		101.28	101.28	101.28
					Agriculture and Allied Activities		1.72		
					Rural Development		1.70		
					Special Areas Programmes		3.12		
					Irrigation and Flood control		1.64		
					Energy		43.78		
					Industry and Minerals		2.91		
					Transport		40.36		
					General Economic Services		6.05		
1.14	V-Recoveries of Loans and Advances		1.08	0.06	IV-Loans and Advances disbursements				0.10
	From Power Projects				To Government Servants	0.10			
	From Government Servants and				To Others				
	From Others				V -Revenue deficit brought down				
142.93	VI-Revenue surplus brought down		160.25						
78.53	VII-Public debt receipts		137.02	40.35	VI-Repayment of Public Debt				84.17
	External debt				External debt				
	Internal debt other than ways and means Advances and overdraft	75.96			Internal debt other than Ways and Means Advances and Overdraft		16.47		

**Appendices to Audit Report for the year ended 31 March 2004**

Receipts				Disbursements					
2002-03			2003-04	2002-03		Non-Plan	Plan	Total	2003-04
	Net transaction under Ways and Means Advances including overdraft	--			Net transaction under Ways and Means Advances including overdraft				
	Loans and Advances from Central Government	61.06			Repayment of Loans and Advances to Central Government		67.70		
	VIII-Amount transferred to Contingency Fund		0.03	0.03	VII-Expenditure from Contingency Fund				0.50
967.41	IX-Public Account Receipts		1,193.34	1,311.79	VIII-Public Account disbursements				1,204.82
	Small Savings and Provident fund	65.09			Small Savings and Provident Funds		43.21		
	Reserve funds	22.01			Reserve Funds		8.62		
	Suspense and Miscellaneous	701.62			Suspense and Miscellaneous		730.05		
	Remittance	379.85			Remittances		399.13		
	Deposits and Advances	24.77			Deposits and Advances		23.81		
				216.83	IX- Cash balance at the end				207.47
					Cash in Treasuries and Local Remittances		58.09		
					Deposits with Reserve Bank		1.26		
					Departmental Cash Balance including permanent Advances		48.12		
					Cash Balance Investment		100.00		
1,778.04	<b>Total</b>		1,708.55	1,778.04	<b>Total</b>				1,708.55

# APPENDIX -IV

(Ref: Paragraph 1.8, page 12)

## Statement showing Sources and Application of Funds

(Rupees in crore)

2002-03		Sources		2003-04
2,080.52	1.	Revenue receipts		1,341.18
1.28	2.	Recoveries of Loans and Advances		1.08
38.19	3.	Increase in Public debt other than overdraft		52.85
44.35	4.	Net receipts from Public Account		
		Increase in Small Savings	21.88	
		Increase in Deposits and Advances	0.97	
		Increase in Reserve Funds	13.39	
		Net effect of Suspense and Miscellaneous transactions	(-) 28.44	(-) 11.48
		Net effect of remittance transactions	(-) 19.28	
2,164.34		Total		1,383.63
2002-03		Application		2003-04
1,882.62	1.	Revenue expenditure		1,180.93
0.06	2.	Lending for development and other purposes		0.10
208.98	3.	Capital expenditure		211.49
0.03	4.	Net effect of contingency fund transaction		0.47
72.65	5.	Increase in Cash Balance		(-) 9.36
2,164.34		Total		1,383.63

**APPENDIX-V**  
(Ref: Paragraph 1.8, page12)  
**Time Series Data on State Government Finances**

(Rupees in crore)

		1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Part A. Receipts</b>						
<b>1</b>	<b>Revenue Receipts</b>	1,511.83(91)	862.60(92)	1,807.18(95)	2,080.52(96)	1,341.18(91)
	(i) Tax Revenue	49.07(3.25)	65.39 (7.58)	80.39 (4.45)	105.53 (5.07)	108.00(8.05)
	Taxes on Sales, Trade, Etc.	13.64 (27.80)	24.50 (37.47)	34.97 (43.50)	41.42 (39.05)	48.87 (45.24)
	State Excise	13.39 (27.29)	17.61 (26.93)	17.59 (21.88)	22.45 (21.27)	25.25(23.38)
	Taxes on Vehicles	1.69 (3.44)	1.54 (2.35)	1.97(2.45)	2.35(2.23)	2.74(2.55)
	Stamps and Registration fees	0.62 (1.26)	0.50 (0.76)	1.30(1.62)	3.45 (3.27)	1.14(1.05)
	Land Revenue	0.54 (1.10)	0.22 (0.34)	0.51(0.63)	0.40 (0.37)	0.18(0.17)
	Other Taxes	1.35 (2.75)	1.73 (2.65)	2.02(2.51)	2.78 (2.63)	3.06(2.83)
	Taxes on Income other than Corporation Taxes	17.84 (36.36)	19.29 (29.5)	22.03 (27.4)	32.67 (30.96)	26.76 (24.78)
	(ii) Non Tax Revenue	1,042.75 (68.97)	289.02 (33.51)	1,128.21(62.43)	1,315.84 (63.25)	537.29(40.06)
	(iii) State's share in Union taxes and duties	99.54 (6.58)	72.20 (8.37)	84.83 (4.69)	77.20 (3.71)	112.33(8.38)
	(iv) Grants in aid from GOI	320.47 (21.20)	435.99 (50.54)	513.75(28.43)	581.95 (27.97)	583.56(43.51)
<b>2</b>	<b>Misc. Capital Receipts</b>	-	-	-	-	-
<b>3</b>	<b>Total revenue and Non-debt capital receipts (1+2)</b>	1,511.83	862.60	1,807.18	2,080.52	1,341.18
<b>4</b>	<b>Recovery of loans and advances</b>	1.07(0)	1.46(1)	1.14(0)	1.28(0)	1.08(0)
<b>5</b>	<b>Public Debt Receipts</b>	146.73(9)	69.12(7)	91.37(5)	78.53(4)	137.02(9)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	82.76	32.94	39.10	34.81	75.96
	Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	-
	Loans and Advances from Government of India#	63.97 (27.89)	36.18 (24.30)	52.27(28.49)	43.72 (22.61)	61.06(24.53)
<b>6</b>	<b>Total receipts in the Consolidated Fund (3+4+5)</b>	1,659.63	933.18	1,899.69	2,160.33	1,479.28
<b>7</b>	<b>Contingency Fund receipts</b>	-	0.10	-	-	0.03
<b>8</b>	<b>Public Account receipts</b>	788.97	823.68	967.41	1,356.15	1,193.34
<b>9</b>	<b>Total receipts of Government (6+7+8)</b>	2,448.60	1,756.96	2,867.10	3,516.48	2,672.65
<b>Part B. Expenditure/Disbursement</b>						
<b>10</b>	<b>Revenue Expenditure</b>	1,509.97 (94.12)	763.31 (83.49)	1,664.25(88.76)	1,882.62 (90)	1,180.93(84.81)
	Plan	134.60 (8.91)	155.93 (20.43)	192.67(11.58)	248.03 (13.17)	246.32(20.86)
	Non-plan	1,375.37 (91.10)	607.38 (79.57)	1,471.58(88.42)	1,634.59 (86.83)	934.61(79.14)
	General Services (including interest payments)	1,143.87 (75.75)	406.01 (53.19)	1,254.02(75.35)	1,405.75 (74.67)	689.06(58.35)
	Social Services	196.26 (13.00)	192.49 (25.22)	226.67(13.62)	238.74 (12.68)	262.84(22.26)
	Economic Services	169.84 (11.25)	164.81 (21.59)	183.56(11.03)	238.13 (12.65)	229.03(19.39)
	Grants-in-aid and contributions*	3.49	8.39	12.07	7.80	37.14
<b>11</b>	<b>Capital expenditure</b>	94.34 (5.88)	150.92 (16.51)	210.73(11.24)	208.98 (10)	211.49(15.19)
	Plan	94.34 (100)	150.92 (100)	210.73(100)	208.98 (100)	211.49(100)
	Non-plan	-	-	-	-	-
	General Services	3.87 (4.10)	4.45 (2.96)	8.14(3.86)	11.49 (5.50)	12.77(6.04)
	Social Services	36.18 (38.35)	50.32 (33.34)	73.44(34.85)	83.66 (40.03)	97.44(46.07)
	Economic Services	54.29 (57.55)	96.15 (63.71)	129.15(61.29)	113.83 (54.47)	101.28(47.89)
<b>12</b>	<b>Disbursement of Loans and Advances</b>	1.44	0.33	0.19	0.06	0.10
<b>13</b>	<b>Total (10+11+12)</b>	1,605.75	914.56	1,875.17	2,091.66	1,392.52

# Includes Ways and Means Advances from Government of India

\* Forms part of Social and Economic Services

		1999-2000	2000-01	2001-02	2002-03	2003-04
14	Repayment of Public debt	14.02	32.66	34.20	40.35	84.17
	Internal Debt (excluding Ways and Means Advances and Overdraft)	2.68	5.58	3.00	7.70	16.47
	Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	-
	Loans and Advances from Government of India#	11.34	27.08	31.20	32.65	67.70
15	Appropriation to Contingency Funds	-	-	-	-	-
16	Total disbursement out of Consolidated Fund (13+14+15)	1,619.77	947.22	1,909.37	2,132.01	1,476.69
17	Contingency Fund disbursements	0.10	-	-	0.03	0.50
18	Public Account disbursements	746.48	785.09	908.38	1,311.79	1,204.82
19	Total disbursements by the State (16+17+18)	2,366.35	1,732.31	2,817.75	3,443.83	2,681.98
	<i>Part C. Deficit</i>					
20	Revenue Deficit (10-1)	(+) 1.86	(+) 99.29	(+) 142.93	(+) 197.90	(+) 160.25
21	Fiscal Deficit (1+2+4-13)	92.85	50.51	66.85	9.86	50.26
22	Primary Deficit (21-23)	(-)24.63	28.17	17.31	79.67	42.24
	<i>Part D. Other data</i>					
23	Interest Payments (included in revenue expenditure)	67.92	78.67	84.16	89.53	92.50
24	Arrears of Revenue (percentage of Tax & Non-Tax Revenue receipts)	0.80	1.07	1.36	2.16	15.11
25	Financial Assistance to local bodies etc.	3.49	8.39	12.07	7.80	36.84
26	Ways and Means Advances/Overdraft availed (days)	-	-	-	-	-
27	Interest on Ways and Means Advances/Overdraft	-	-	-	-	-
28	Gross State Domestic Product (GSDP)	840.03	976.34	1,139.25	1,251.35(P)	1,358.18(Q)
29	Outstanding fiscal liabilities (year end)	676.34	729.37	806.06	867.68	966.45
30	Outstanding guarantees (year end)	21.57	104.61	95.70	95.70	86.10
31	Maximum amount guaranteed (year end)	0.50	83.04	-	-	-
32	Number of incomplete projects	57	95	37	36	76
33	Capital blocked in incomplete projects.	20.71	12.55	24.64	13.60	184.19

P/24  
 Balance of Debt  
 as on 24.04  
 942.41  
 + 24.04  
 966.45

**APPENDIX -VI**

(Ref: Paragraph 1.8.1, Page 12)

**Statement of Commitments - List of Incomplete Capital Works**

(Rupees in lakh)

Sl. No.	Name of Project	Date of Commencement	Expenditure upto date	Remarks
1	2	3	4	5
<b>Capital Outlay on Education, Sports, Art and Culture</b>				
1.	Daramdin Sr. Sec. School	08/2002	39.13	
2.	Construction of Law College at Burtuk	10/2001	162.36	
3.	Construction of 12 room of Yangyang Senior Secondary School	3/2003	23.39	
4.	Construction of Lepcha House cum Museum at Daramdim	07/2003	7.95	
5.	Construction of Stairway to Heaven at Daramdin	12/2002	22.80	
6.	Construction of Palzor Stadium Complex	3/2001	2,287.47	
7.	Construction of gymnasium at Chungthang	02/2002	39.25	
8.	Construction of gymnasium at Namchi	01/2004	25.80	
9.	Development of play ground at Shchey	02/2004	25.00	
<b>Land Revenue Department</b>				
1.	Construction of VLO Quarters (50:50)	1997-98	86.60	
<b>Power Department</b>				
1.	Rellichu	2002	639.46	
2.	132 KVA Rangit/Melli	2002	2,897.94	
3.	APDRP	2002	5,237.79	
4.	Lachung-II	1998	1,109.54	
5.	JPH-I	1999	641.60	
6.	Bulbulay/CSS	2002	396.92	
7.	Manglay	1997	303.56	
8.	Rongnichu Stage II	1999	557.77	
9.	Chaten	2002	36.68	
10.	Ringyang	-	5.83	
11.	State Load dispatch Center (Non laps)	2002	30.00	
12.	Ronglichu (CSS)	2002	616.19	
<b>Water Security &amp; Public Health Engineering Department</b>				
1.	Augmentation of Ragpo water supply by lifting water from Ragpo Khola	1.2.2003	96.62	Work held up due to revision in design
2.	Augmentation of Rongli WS Scheme	25.2.2004	84.00	Work under progress
3.	Augmentation of Phodong WS Scheme	5.3.2004	18.51	Work under progress
4.	Improvement of Syari W/S Scheme at Syari const. Of 1.00 gallon tank	28.9.2002	12.26	Running bill to be paid work under progress
5.	Improvement of Sayari W/S Scheme at Syari laying of pipes and cost of dist. Chamber	28.9.2002	3.00	2 <sup>nd</sup> and R/A bill to be submitted.
6.	Augmentation of Gangtok W/S Scheme.	2.7.2003	389.79	Work was held up for want of environmental clearance from Government.
7.	Const. Of reservoir cum sedimentation tank and protective work at Selep	8.9.2003	111.39	Work under progress
8.	Augmentation of Jorethang W/S scheme.	1.8.2003	83.97	Work under Progress.
9.	W/S Scheme to tourist cultural Center at Chemchey.	1.8.2003	421.52	Work in Progress.

Sl. No.	Name of Project	Date of Commencement	Expenditure upto date	Remarks
10.	W/S scheme to Solophuk for Shiva Mandir at Purano Namchi.	1.10.1998	14.00	P.I given to STCS working estimate in process.
11.	Augmentation of Utteray W/S	1.3.2003	68.81	Work in Progress.
12.	Const. of 3 Lakhs Itrs. Capacity RCCR/Tank at Thumki dara Const. of I/Tank at Tikchu Khola.	23.1.2003	9.32	Work under Progress.
<b>Sewerage Division</b>				
1.	Extension of Sewer Submain in Tadong Gairi Gaon Area.	1.8.2003	18.41	Work in progress
2.	Extension of Sewer Submain in Tadong, SNT Colony, Gangtok	1.8.2003	11.10	Work in progress
3.	Extension of Sewer system at CPWD General Pool Residential Complex, Baluwakhani, Gangtok	1.8.2003	10.15	Work in progress
4.	Extension of Sewer System at Forest Colony area, Gangtok	1.8.2003	28.92	Work in progress
5.	Extension of Sewer System at Pushpa Garage Compound, Sichey.	1.8.2003	6.99	Work in progress
6.	Extension of Sewer main in Tamang Gumpa Area, Sichey.	1.8.2003	80.48	Work in progress
7.	Extension of Sewer Submain for Bhumpagang GICI Qtr. Area, Mandar Lodge area, Gangtok.	1.8.2003	15.74	Work in progress
8.	Extension of Sewer Submain to Samdur Holy Cross Area, Tadong.	1.8.2003	1.70	Work not started
9.	Extension of Sewer System to Jordhara, Tadong.	1.8.2003	0.66	Work not started
10.	Extension of Submain Sewer for College Valley, Tadong.	1.8.2003	25.36	Work in progress
11.	Extension of Submain Sewer for Middle Samdur, Tadong.	1.8.2003	12.14	Work in progress
12.	Extension of Submain Sewer for Samdu, Housing, Tadong.	1.8.2003	22.14	Work in progress
13.	Extension of Submain Sewer below Krishi Bhawan, Tadong.	1.8.2003	1.79	Work yet to be started.
14.	Providing fencing of Sewage Treatment Plant, Adampool.	-	-	Work yet to be started.
15.	Rehabilitation of trunk sewer stretch between Hospital Dara and Gurudwara & Amdo golai and Tadong Bazar	1.8.2003	20.24	Work under Progress.
16.	Rehabilitation of trunk sewer stretch between break pressure tank & 7 <sup>th</sup> mile, Tadong.	1.8.2003	34.51	Work under Progress.
17.	Rehabilitation of trunk sewer stretch between break pressure tank & treatment Plant, Adampool.	1.8.2003	3.93	Work under Progress.
<b>Health &amp; Family Welfare Department</b>				
1.	Construction of Machong PHC in East Sikkim	1.11.2001	30.21	Work was completed during 2003-04 but due to non availability of fund final payment could not be made
2.	Construction of class II single unit qtr. At Machong PHC	5.02.2002	6.87	Work was completed during 2003-04 but due to non availability of fund final payment could not be made
3.	Construction of class III six unit qtr. At Machong PHC	1.11.2001	19.04	Work was completed during 2003-04 but due to non availability of fund final payment could not be made

Sl. No.	Name of Project	Date of Commencement	Expenditure upto date	Remarks
4.	Construction of class III six unit quarter at Pakyong	20.12.2001	22.04	Except electrification the Civil works was completed on September 2003.
5	Construction of Drug de-addiction center at Namchi S. Sikkim	1.09.2001	8.00	Out of 26 lakh, only 8 lakh was received from Central Govt. the balance amount have to be met up from State plan. Hence, the work could not be completed.
6.	Construction of Eye O. T. Hospital at Namchi S. Sikkim	24.08.2001	15.00	Out of 24 lakh, only 15 lakh was received from Central Govt. Now on receipt of further Rs. 8.94 lakhs in January 2004 the work is in progress.
7.	Construction of 100 bed Hospital at Mangan.	02.03.1997	278.00	
<b>Public Works Department (Building and Housing)</b>				
1.	Construction of approach road and car park at SDM Complex, Rongli	15.3.2003	15.93	Work under progress
2.	Construction of Sikkim Guest House at Kolkata	26.3.2002	90.44	Work under progress
3.	Construction of Security Check Post at Rongpo	01.4.2003	5.05	Work under progress
4.	Construction of Guest House at Karfector	11.4.2002	190.00	Work under progress
5.	Construction of DAC at Namchi	01.8.2002	91.41	Work under progress
6.	Construction of Sub-jail at Namchi	31.7.2003	276.00	Work under progress
7.	Construction of Annex Block of DAC at Namchi	28.8.2002	200.00	Work under progress
8.	Construction of approach road at Sichey Housing Complex	15.2.2002	31.80	Work under progress
9.	Construction of Quarters at Sichey Housing Complex	13.11.2003	-	Work under progress
10.	Construction of composite building of Forest Department		3.45	Work under progress
11.	Construction of Quarter at Baluwakhani (Forest)	17.2.2003	2.87	Work under progress
12.	Construction of Tribal Residential School at Sowam	11.6.2002	135.96	Work under progress
13.	Construction of Police Housing Colony at 6 <sup>th</sup> Mile	6.09.2002	50.47	Work under progress
14.	Construction of IR Bn. at Pipalay	31.3.2003	75.10	Work under progress
15.	Construction of Police Training Center at Yangang	31.3.2003	89.00	Work under progress
16.	Construction of Melli Check Post	26.3.2003	20.00	Work under progress
17.	Development of Tourist Center at Yuksom	6.11.2000	44.77	Work under progress
18.	Construction of Fire Station Building at Mangan	30.1.2003	29.99	Work under progress
	<b>Total</b>		<b>18,531.88</b>	

**APPENDIX- VII**  
(Ref: Paragraph 1.11, page 17)

**Statement showing impact of Government Policies in the State**

Sl no.	Description	Unit	Year	
			2002-03	2003-04
1. Education				
(a)	School			
(i)	Primary	Number	1,235	1,203
(ii)	Middle Senior	Number	207	237
(iii)	High/Senior Secondary	Number	36	40
(b)	Enrolment in Schools	Number	1,37,806	1,37,673
(c)	Literacy	Percentage	69.68	69.68
(d)	Colleges	Number	8	8
2. Health				
(a)	Primary Health Centres	Number	24	24
(b)	Hospitals	Number	5	5
(c)	Doctors	Number	198	200
(d)	Birth Rate	Percentage	21.8	21.9
(e)	Death Rate	Percentage	5.7	4.9
(f)	Infant Mortality Rate	Percentage	49	34
3. Animal Health				
(a)	Veterinary Hospitals	Number	12	12
(b)	Veterinary Dispensaries	Number	23	23
(c)	Artificial Insemination Centre	Number	35	35
(d)	Livestock Check Post	Number	4	4
4. Roads				
(a)	Major District Roads	KM	442	464
(b)	Other District Roads	KM	1,120.35	1,179.35
5. Agriculture				
(a)	Area under cultivation	Ha	62,850	64,570
(b)	Total production of food grains	MT	92,983	92,960
(c)	Total area under cash crops	Ha	33,054	34,172
(d)	Total Production	MT	67,863	72,892
6. Gross State Domestic Product and per capita income of Sikkim at constant prices				
(a)	GSDP	In lakh	1,25,135	1,35,818
(b)	Per Capita GSDP	In Rs.	NA	NA
7. Gross State Domestic Product and per capita income of Sikkim at current prices				
(a)	GSDP	In lakh	1,25,135	1,35,818
(b)	Per Capita GSDP	In Rs.	NA	NA

## APPENDIX – VIII

(Ref: Paragraph 2.3.1, Page 22)

### Statement showing areas in which major savings occurred

(Rupees in Crore)

Sl. No	Grant No.	Major head	Areas in which major savings occurred	Savings
1	7	<i>Education (Revenue)</i>		
		2202	Assistance to non-Government Primary school	0.38
			Other expenditure	2.41
			Junior High Schools	0.90
2	7	<i>Education (Capital)</i>		
		4059	Construction of other Buildings	1.10
			Technical Education/ Technical Schools	4.15
3	10	<i>Finance</i>		
		2075	State Lotteries	730.21
4	17	<i>Industries</i>		
		4860	Public Sector Undertakings	20.64
5	30	<i>Planning &amp; Development</i>		
		3451	Planning & Development Department	13.54
6	32	<i>Power</i>		
		4801	Hydel Projects	1.51
		4801	Other Micro-mini hydel Scheme	1.22
		4801	Other distribution scheme	10.55
7	35	<i>Roads &amp; Bridges (Revenue)</i>		
		3054	Strategic and Border Roads (100% CSS)	8.50
		2059	Roads & bridges Department	2.14
8	35	<i>Roads &amp; Bridges (Capital)</i>		
		5053	Aerodromes up gradation grants	9.87
		5054	District & other roads	5.42
		5054	Strategic & Border Roads (100% CSS)	6.09
9	40	<i>Sports &amp; Youth Affairs</i>		
		4202	Assistance from NLCPR for construction of Paljor stadium	4.54

## APPENDIX - IX

(Ref: Paragraph 2.3.5, Page 23)

### Statement showing unnecessary supplementary provision

(Rupees in lakh)

Sl No	Grant No. and Name of Grant	Original provision	Supplementary provision	Total provision	Expenditure during the year	Savings
1	2	3	4	5	6	7
	<b>Revenue</b>					
1	1-Agriculture	1,906.65	7.73	1,914.38	1,648.00	266.38
2	2-Animal Husbandry	1,037.75	18.00	1,055.75	1,008.25	47.50
3	4-Co-operation	311.55	5.58	317.13	272.98	44.15
4	7-Education	14,687.70	61.00	14,748.70	13,755.24	993.46
5	10- Finance	1,30,848.07	2,713.00	1,33,561.07	59,450.60	74,110.47
6	11- Fisheries	150.50	12.80	163.30	143.72	19.58
7	12-Food & Civil Supplies & Consumer Affairs	1,011.55	2.31	1,013.86	997.55	16.31
8	13-Forestry & Wildlife	2,217.46	102.48	2,319.94	2,173.86	146.08
9	14-Health & Family Welfare	4,113.39	161.65	4,275.04	3,984.00	291.04
10	16-Horticulture	666.85	14.12	680.97	655.25	25.72
11	18-Information & Public Relations	320.45	65.00	385.45	302.96	82.49
12	20-Irrigation	1,464.83	5.39	1,470.22	1,422.49	47.73
13	30-Planning & Development	1,896.90	1.00	1,897.90	367.07	1,530.83
14	35- Roads & Bridges	2,968.15	51.93	3,020.08	1,961.84	1,058.24
15	40- Sports & Youth Affairs	854.85	458.60	1,313.45	829.45	484.00
16	41-Tourism	615.70	9.31	625.01	572.98	52.03
17	42- Urban Development & Housing	1,875.00	9.20	1,884.20	1,783.13	101.07
18	43- Vigilance	147.00	3.50	150.50	137.87	12.63
	<b>Capital</b>					
19	7- Education	2,210.70	633.17	2,843.87	2,112.23	731.64
20	30-Planning & Development	350.00	750.00	1,100.00	311.75	788.25
21	35-Roads & Bridges	5,393.10	592.26	5,985.36	3,443.80	2,541.56
22	39-Social Welfare	250.00	79.37	329.37	128.86	200.51
23	42-Urban Development & Housing	1,138.67	104.80	1,243.47	998.60	244.87
	<b>Total</b>	<b>1,76,436.82</b>	<b>5,862.20</b>	<b>1,82,299.02</b>	<b>98,462.48</b>	<b>83,836.54</b>

**APPENDIX – X**  
(Ref : Paragraph 2.3.9, Page 24)

**Statement showing surrender in excess of actual savings**

(Rupees in lakh)

Sl. No	Grants No	Name	Actual savings	Amount actually Surrendered	Excess Amount Surrendered
<b>REVENUE</b>					
1	7	Education	993.46	1,001.60	8.14
2	34	Public Health Engineering	11.88	15.00	3.12
3	36	Rural Development	324.90	326.14	1.24
<b>CAPITAL</b>					
4	5	Culture	10.84	12.28	1.44
5	17	Industries	287.73	289.00	1.27
6	38	Sikkim Nationalised Transport	48.92	50.00	1.08
7	42	Urban Development & Housing	244.87	246.16	1.29
<b>Total</b>			<b>1,922.60</b>	<b>1,940.18</b>	<b>17.58</b>

## APPENDIX – XI

(Ref: Paragraph 2.3.10, Page 24)

Statement showing the Grants in which the expenditure fell short by more than Rs.10 lakh and also by 10 per cent or more of the total Provision

(Rupees in lakh)

Sl. No	Grant No and Name of Grant / Appropriation	Amount of Saving (percentage of saving to the provision)	Reasons for saving
1	2	3	4
<b>REVENUE</b>			
1	1 - Agriculture	266.38 (14)	Mainly due to (a) non and partial implementation of Centrally sponsored scheme during the year, (b) non-implementation of the programme due to non-release of fund from National Oil seed & Development Board, partial implementation of the Oil seed production programme.
2	4-Co-operation	44.15 (14)	No specific reasons specified.
3	10-Finance	74,110.46 (55)	Mainly due to ban on sale of lottery tickets by Tamilnadu Government and imposition of heavy sales tax by various State Governments on sale of lottery tickets (Rs.73,021 lakh).
4	11-Fisheries	19.58 (12)	Reasons not specified.
5	18-Information & Public Relations	82.49 (21)	No reasons were produced for the bulk of the savings.
6	30-Planning & Development	1,530.83 (80)	Mainly due to (a) net result of decrease by reappropriation (Rs.748.10 lakh) followed by surrender (Rs.606.35 lakh) in February 2004 stated to be due to meeting the supplementary grant of other Departments during the year and non-sanction of grants-in-aid to State Planning Board (Rs.1,354.45 lakh) (b) non-submission of schemes (Rs.166.63 lakh).
7	35-Roads & Bridges	10.58 (35)	Mainly due to savings (Rs. 850 lakh) in Major Head 2054- R&B. Necessary book adjustment for the charges of maintenance of road work done by Boarder Road Development Board could not be carried out in the current year's accounts, due to non-receipt of expenditure statement from Border Road Task Force (Ministry of Surface Transport).
8	37-Science & Technology	100.21 (57)	No reasons specified.
9	40 - Sports & Youth Affairs	48.90 (17)	Mainly due to (a) resultant effect of reduction of Rs.9.15 lakh through re-appropriation and surrender of Rs.18.40 lakh due to economy in office expenses, non-receipt of fund from Government of India (b) non-posting of Accountant in NSS scheme and non-organising of programme (Rs.15.07 lakh).

Sl. No	Grant No and Name of Grant / Appropriation	Amount of Saving (percentage of saving to the provision)	Reasons for saving
1	2	3	4
<b>CAPITAL</b>			
1	4-Co-operation	10.97 (18)	No specific reasons specified.
2	7 - Education	731.64 (26)	Mainly due to (a) non-achievement of target for civil works as only limited funds were received from the Central Government and procurement of equipment were also delayed due to administrative reasons (Rs.110.54 lakh), (b) non-achievement of work due to non supply of stock materials and delay on the part of the controlling department to execute the work during the year (Rs.415.00 lakh).
3	14-Health & Family Welfare	69.59 (15)	Anticipated savings were surrendered as per the direction of Government without specifying any reasons.
4	16-Horticulture	25.04 (63)	Due to surrender of Rs.20.00 lakh as per instruction of the Government and non-receipt of bills during the year (Rs.5 lakh).
5	17-Industries	287.73 (60)	Mainly due to surrender of Rs.264.00 lakh as per the instruction of the Government without assigning any reasons.
6	30-Planning & Development	788.25 (71)	Due to non-sanctioning of Rastriya Sam Vikas Yojana by the Planning Commission (Rs.75.00 lakh) however, reason for bulk of the saving was not furnished.
7	32-Power	13.28 (23)	Due to (a) decreasing the provision by Rs.9.79 lakh through the appropriation and further reduction of Rs.141.04 lakh through surrender to match the expenditure on the basis of sanction made by Government of India on CSS. (b) late receipt of allocation from Government of India (Rs.317.77 lakh), restricting the expenditure on the basis of allocation made during the fiscal (Rs.736.95 lakh).
8	33-Printing & Stationery	30.34 (100)	The entire provision was surrendered (February 2004).as per the direction of the Government without assigning any reason.
9	35 - Roads & Bridges	2,541.56 (42)	(a) Savings amounting to Rs.609.10 lakh occurred under Major Head 5054 capital outlay on R&B. Necessary book adjustment for construction of road work could not be carried out due to non-receipt of expenditure statement from Border Road Task Force. (b) Savings of Rs.986.98 lakh under Major Head 5053- capital outlay on civil Aviation was due to non-finalisation of the scheme by the civil Aviation Department. (c) Savings of Rs.546.49 lakh under M.H. 5054- capital outlay on R&B was due to surrendering the provision to accommodate excess expenditure in other sectors.
10	38-Sikkim Nationalised Transport	48.92 (26)	No reasons specified.
11	39-Social Welfare	200.51 (61)	Due to (a) inability to utilise the provision meant for construction of OBC Boys Hostel at Kaluk by the executing department (Rs.20.00 lakh) and (b) surrender of balance amount of Rs.100.00 lakh as per the Government direction without citing any reason. No reasons furnished for balance amount of savings.
12	40-Sports & Youth Affairs	4.84 (37)	The provision under Non Lapsable Central Pool of Resources could not be utilised during the year due to change of pattern of funding of the construction of Palzor Stadium by Government of India and State Government.
13	41-Tourism	181.18 (23)	Mainly due to (a) delay in progress of work of Yatri Niwas (Rs.3.95 lakh) (b) adverse climatic conditions in the worksite since November 2003 (Rs.59 lakh) (c) delay in finalisation of work through Gram Panchayats for tourist infrastructure at Rumtek (Rs.33.31 lakh), non-receipt of environmental clearance (Rs.59.84 lakh) and (d) Rs.25.00 lakh surrendered as per the direction of the Government.
14	42-Urban Development & Housing	244.87 (20)	Mainly due to (a) non-receipt of fund (Rs.200.00 lakh) (b) intention to utilise the provision (Rs.37.51 lakh) under non-lapsable pool in the next fiscal.

## APPENDIX-XII

(Ref: Paragraph 2.3.11, Page 24)

- (a) Statement showing cases in which funds were injudiciously withdrawn by reappropriation although the account showed an excess over provision (original plus supplementary)

(Rupees in lakh)

Sl. No.	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of re-appropriation
1	39- Social Welfare 2225- Welfare of SC/ST & OBC 02- Welfare of ST 794-Special Central Assistance for Tribal sub plan 62- Tribal sub plan Scheme	141.00	163.93	22.93	2.07
2	39-Social Welfare 2225- Welfare of SC/ST & OBC 80-General 800-Other expenditure 65-Post Matriculation of SC/ST students	5.00	9.98	4.98	2.46

- (b) Cases where funds were withdrawn by reappropriation in excess of available savings

(Rupees in lakh)

Sl. No.	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Actual Savings	Amount of Appropriation
1	7- Education 2202-General Education 01-Elementary Education 63-Junior High School	2,488.50	2,462.42	26.08	89.90
2	7-Education 2202-General Education 01-Elementary Education 106-Teachers & Other service 62-Primary School	2,899.50	2,853.44	46.06	61.80
3	7- Education 2202-General Education 01-Elementary Education 107-Teachers Training 67-State Institute of Education	234.00	104.21	129.79	140.37
4	7- Education 2202-General Education 02-Secondary Education 107-Scholarship	55.30	19.02	36.28	53.80
5	30-Planning & Development 2575-Other special Area programme 60-others 101-BADP	222.00	70.40	151.60	166.63
6	32-Power 2801-General 001-Direction & Administration	1,394.35	1,330.27	64.08	80.03

- (c) Cases in which funds were injudiciously augmented by re-appropriation of funds in excess of what was actually required to cover the excess of expenditure over the provision (Original plus supplementary) which ultimately resulted in savings

*(Rupees in lakh)*

Sl. no	Grant No. & Head of Account	Total grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of Appropriation
1	2	3	4	5	6
1	7- Education 2202- General Education 80-General 001-Direction & Administration 60-Establishment	358.60	380.55	21.95	41.56
2	31-Police 2055-Police 109-District Police	1,088.75	1,094.44	5.69	15.37

- (d) Cases in which funds were injudiciously augmented by re-appropriation of funds even though the actual expenditure fell far short of the provision (original plus supplementary)

*(Rupees in lakh)*

Sl. No.	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Savings	Amount of Re-appropriation
1	2	3	4	5	6
1	7- Education 2202-General Education 02-Secondary Education 001-Direction & Administration	312.30	310.33	1.97	29.50
2	7- Education 4202-Capital outlay on Education, Sports, Art & Culture 01-General Education 201-Elementary Education 70-Buildings	746.36	566.22	180.14	6.40
3	7- Education 4202-Capital outlay on Education, Sports, Art & Culture 01-General Education 202-Secondary Education 70-Buildings	80.00	72.06	7.94	18.70

## APPENDIX-XIII

(Ref: Paragraph 2.3.12, Page 24)

### Statement showing trend of recoveries and credits

(Rupees in lakh)

Sl. no	Grant No. and Name of the Grant	Budget Estimate	Actuals	Actuals compared with the Budget Estimate More(+)/Less(-)
1	3-Building & Housing	50.00	49.57	(-) 0.43
2	13-Forestry & Wildlife	100.00	71.26	(-) 28.74
3	20-Irrigation & Flood Control	100.00	66.05	(-) 33.95
4	23-Land Revenue	800.00	791.45	(-) 8.55
5	32-Power	1.00	3.88	(+) 2.88
6	35-Roads & Bridges	250.00	127.68	(-) 122.32
7	36-Rural Development	50.00	106.90	(+) 56.90
	<b>Total</b>	<b>1,351.00</b>	<b>1,216.79</b>	<b>(-) 134.21</b>

**APPENDIX-XIV**  
(Ref: Paragraph 3.1.12, page 31)

**Statement showing coverage of area under HYV vis-à-vis seed distributed by Department**

Year	Crop	Area covered (in hec)	Requirement of seeds kg/hect	Requirement of seeds (in qtls)	Seeds distributed (in qtls)	Achievement (in percentage)
1999-2000	Rice	6,060	40	2,424.00	618.00	25.50
	Wheat	7,920	125	9,900.00	2,125.00	21.46
	Maize	16,070	20	3,214.00	210.59	6.55
<b>Total</b>		<b>30,050</b>				
2000-2001	Rice	6,480	40	2,592.00	400.00	15.43
	Wheat	5,930	125	7,412.50	1,898.00	25.61
	Maize	16,062	20	212.40	232.44	7.24
<b>Total</b>		<b>28,472</b>				
2001-2002	Rice	6,330	40	2,532.00	526.10	20.78
	Wheat	6,327	125	7,908.75	2,348.35	29.69
	Maize	14,380	20	2,876.00	233.66	8.12
<b>Total</b>		<b>27,037</b>				
2002-2003	Rice	5,590	40	2,236.00	409.69	18.32
	Wheat	6,228	125	7,785.00	1,901.00	24.42
	Maize	14,880	20	2,976.00	171.05	5.75
<b>Total</b>		<b>26,698</b>				
2003-2004	Rice	2,750	40	1,100.00	11.95	1.09
	Wheat	4,837	125	6,046.25	2,134.40	35.30
	Maize	12,727	20	2,545.49	138.65	5.45
<b>Total</b>		<b>20,314</b>				

**APPENDIX-XV**  
(Ref: Paragraph 3.3.8, page 50)

**Statement showing production of seedlings**

Range	Name of Nursery (area)	Year of creation	Seedlings produced year-wise					Seedlings to be produced as per norms
			1998-99	1999-00	2000-01	2001-02	Total	
North	Rajey (1ha)	2000-01	00	00	70,000	91,600	1,61,600	24,00,000
	Lachung (0.80 ha)	2000-01	00	00	65,450	65,000	1,30,450	1,92,000
	Kabi (1ha)	1994-95	71,350	73,250	85,400	88,000	3,18,000	4,80,000
East	Baluwakhani (1ha)	1992-93	28,200	35,550	49,530	50,650	1,63,930	4,80,000
	Kyongnosla (2.6 ha)	1999-00	00	2,47,000	1,92,050	1,32,720	5,71,770	12,48,000
	Singtam (1ha)	1992-93	70,650	74,100	94,980	62,650	3,02,380	4,80,000
	Sang Pilot Nry (1 ha)	2000-01	00	00	26,000	70,000	96,000	3,60,000
West	Hee Yangthang (1ha)	1995-96	70,000	75,000	78,500	61,900	2,85,400	4,80,000
	Uttarey Tarchey (1.2 ha)	2000-01	00	00	98,000	38,000	1,36,000	2,40,000
	Rumbuk (1 ha)	1995-96	80,000	85,000	1,27,800	55,000	3,47,800	4,80,000
	Nuntheley (0.80 ha)	2000-01	00	00	75,000	58,000	1,33,000	2,40,000
South	Dieu Damthang (0.40 ha)	2001-02	00	00	00	45,065	45,065	48,000
	Sakbari (1.00 ha)	2000 -01	00	00	44,650	38,120	82,770	2,40,000
	Dorally (1.80 ha)	2000-01	00	00	90,000	62,000	1,52,000	4,32,000
	<b>Total</b>		<b>3,20,200</b>	<b>5,89,900</b>	<b>10,97,360</b>	<b>9,18,705</b>	<b>29,26,165</b>	<b>56,40,000</b>
						<b>Difference</b>		<b>27,13,835</b>
						<b>Value @ Rs.2/- each</b>		<b>Rs. 54,27,670</b>

**APPENDIX-XVI**  
(Ref: Paragraph 3.3.10, page 51)

**Statement showing discrepancies between number of seedlings issued and shown as planted**

**Table I**

Project	Range	Location of Plantation (Area)	Year of Plantation	Source of seedlings (Nursery)	No. of seedlings from nursery planted	No. of seedlings issued from Nursery	Difference (F – G)
A	B	C	D	E	F	G	H
P-II	East	Upper Rateychu (25 ha)	2000-01	Kyongnosla Nursery (20 %)	40,000 (8,000 from Kngla Nry)	Total 1,29,000 seedlings issued from	1,43,000
P-II	Do	Yakla Serethang (25 ha)	2000-01	Kyongnosla Nursery	40,000	Kyongnosla Nursery during 2000-01 as per Nursery Journal	
P-II	Do	Talkharka Rongchu (15ha)	2000-01		24,000		
P-II	Do	Gnathang (30 ha)	2000-01		48,000		
P-II	Do	Kupup (20 ha)	2000-01		32,000		
P-II	Do	Chhangu (25 ha)	2000-01		40,000		
P-II	Do	Kyongnosla (20 ha)	2000-01		32,000		
P-II	Do	Tamzay (30 ha)	2000-01	48,000			
			Total		2,72,000	1,29,000	1,43,000
P-II	Do	Upper Rateychu (40ha)	2001-02	Kyongnosla Nursery	64,000	1,71,100 from Kyongnosla Nursery and 23,400 from 17 <sup>th</sup> Mile Kyongnosla Herbal Nursery. Total issued 1,94,500	2,69,500
P-II	Do	Thegu Yakla (50 ha)	2001-02		80,000		
P-II	Do	13 <sup>th</sup> Mile Karponang (30ha)	2001-02		48,000		
P-II	Do	Tamzay (30 ha)	2001-02		48,000		
P-II	Do	Chhangu Kyongnosla (50ha)	2001-02	90% from Kyongnosla Nursery i.e., 72,000	80,000 (72,000 from Kyongnosla Nursery)		
P-IV	Do	Kyongnosla Rongchu (95 ha)	2001-02	Kyongnosla Nursery	1,52,000		
			Total		4,64,000	1,94,500	2,69,500

**Table II**

Project	Range	Location of Plantation (Area in hectares)	Year of Plantation	Source of seedlings (Nursery)	No. of seedlings planted	No. of seedlings issued from Nursery	Difference (F - G)
A	B	C	D	E	F	G	H
P-II	North	Katao (30 ha)	2000-01	Lachung Zekuphek Nursery	48,000	41,550	1,02,450
P-II		Zekuphek/Lachung (30 ha)	2000-01		48,000		
P-II		Thakuchen/Sevo (20 ha)	2000-01		32,000		
P-II		Lachen/Zema (10 ha)	2000-01		16,000		
<b>Total</b>					<b>1,44,000</b>	<b>41,550</b>	<b>1,02,450</b>

**Table III**

Project	Range	Location of Plantation (Area in hectares)	Year of Plantation	Source of seedlings (Nursery)	No. of seedling planted	No. of seedlings issued from Nursery	Difference (F - G)
A	B	C	D	E	F	G	H
P-II	West	Upper Burikhop (20 ha)	2001-02	Nuntheley Nursery	32,000	70,000	74,000
P-II		Nuntheley (20 ha)	2001-02		32,000		
P-II		Barsey/Foktey (20ha)	2001-02		32,000		
P-IV		Nuntheley (20 ha) (Pilot Project, P-IV)	2001-02		32,000		
P-IV		Upper Burikhop (10 ha) (Pilot Project, P-IV)	2001-02		16,000		
<b>Total</b>					<b>1,44,000</b>	<b>70,000</b>	<b>74,000</b>

## APPENDIX - XVII

(Ref: Paragraph 3.4.2, page 56)

Statement showing list of implementing departments, head of the departments, nodal officers, projects sanctioned and taken-up

Sl	Department	Head of Department	Nodal Officer	No. of Projects sanctioned	Fund released	Expenditure	Expenditure test checked
1	2	3	4	5	6	7	8
1	Education	Commissioner-cum-Secretary	Chief Engineer	5	30.92	35.47	40 per cent
2	Roads & Bridges	Principal Chief Engineer-cum-Secretary	Chief Engineer	30	25.01	23.13	
3	Irrigation	Principal Chief Engineer – cum Secretary	Divisional Engineer (East)	91	35.81	35.81	
4	Public Health Engineering	Principal Chief Engineer – cum Secretary	Superintending Engineer (N/E)	3	9.90	7.05	
5	Urban Development and Housing	Principal Secretary	Superintending Engineer (N/E)	1	10.60	13.90	
6	Sports & Youth Affairs	Secretary	Director	1	15.36	19.75	
7	Rural Development	Commissioner-cum-Secretary	Chief Engineer	3	20.05	19.44	
8	Culture	Secretary	Additional Secretary	1	0.88	0.88	
9	Power	Principal Chief Engineer – cum Secretary	Superintending Engineer	6	62.91	51.35	
Total				141	211.44	206.78	

## APPENDIX -XVIII

(Ref: Paragraph 3.4.4, page 56)

### Details of department-wise release of funds and expenditure thereon

Sl.	Department		1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total
1	Building & Housing and Sports & Youth Affairs	Receipt	-	-	-	4.50	6.46	4.40	15.36
		Expenditure	-	-	1.25	8.20	7.51	2.79	19.75
2	Roads & Bridges	Receipt	-	10.01	-	4.00	3.92	7.08	25.01
		Expenditure	-	-	7.80	2.21	8.96	4.16	23.13
3	Education	Receipt	-	2.50	14.21	10.00	4.21	-	30.92
		Expenditure	-	-	13.87	12.02	9.58	-	35.47
4	Power	Receipt	-	3.00	1.50	17.21	17.70	23.50	62.91
		Expenditure	-	-	3.97	13.74	21.87	11.77	51.35
5	Irrigation & flood control	Receipt	-	12.50	2.50	10.50	7.31	3.00	35.81
		Expenditure	-	-	12.60	5.00	15.21	3.00	35.81
6	Culture	Receipt	-	-	-	-	0.42	0.45	0.87
		Expenditure	-	-	-	-	0.32	0.56	0.88
7	Rural Management & Development	Receipt	10.00	3.50	-	2.00	0.80	3.75	20.05
		Expenditure	3.14	5.92	3.26	0.36	2.82	3.94	19.44
8	Urban Development and Housing	Receipt	-	0.50	5.57	-	1.61	2.92	10.60
		Expenditure	-	-	3.73	2.50	4.75	2.92	13.90
9	Public Health Engineering	Receipt	-	-	-	-	1.75	8.15	9.90
		Expenditure	-	-	-	-	1.75	5.30	7.05
Receipt			10.00	32.01	23.78	48.21	44.18	53.26	211.44
Expenditure			3.14	5.92	46.48	44.03	72.77	34.44	206.78

## APPENDIX- XIX

(Ref: Paragraph 3.4.15, page 62)

### Statement showing excess payment on carriage

Sl	Name of work	Original Est cost (Rs. in crore)	Cost approved by DoNER		Date of commencement of work	Agreement rate	Rate as per agreement		Rate allowed		Excess rate/ cum	Qty supplied (in cum)	Excess carriage paid (Rs. in lakh)	Status of work
			Amt	Year			Rate/cum	Qty (in cum)	Rate/ cum	Qty (in cum)				
1	Surface improvement, strengthening & premix carpeting of Rabongla -Lcgship Road (18 kms)	2.34	2.34	2000-01	March 2003	37 % above	148.80	10,408.60	176.20 230.70	3,147.35 9,188.05	27.40 81.90	3,147.35 9,188.05	1.18 10.32	97% completed
2	Carpeting of Phongla-Mamring Road (26 Kms)	2.07	2.35	2002-03	February 2003	65 % above	121 230.70	19,980 1,298.50	230.70	21,049.54	109.70 (+ 65%)	19,751.04	37.50	60% completed
3	Premix carpeting Sikkip-Vok Road (11Kms)	1.54	1.54	2002-03	March 2003	65 % above	176.20 176.20 230.70	2,434.15 3,216.43 4,293.73	343.10 287.30 287.30	2,434.15 3,216.43 4,293.73	166.80 111.10 56.60	2,434.15 3,216.43 4,293.73	6.70 5.89 4.01	55% completed
4	Yangang- Makha road (11 kms)	1.91	1.74	2002-03	January 2003	55 % above	148.80	6,806.89	230.70	6,806.89	81.90 (+ 55%)	6,806.89	8.64	70% completed
	Total												74.24	

## APPENDIX-XX

(Ref: paragraph 4.1.1, page 67)

### Statement showing detailed break-up of Works Components

(In Rupees)

Sl No	Name of work	Value of work done	Period of work	Component-wise break-up of costs					Actual cost incurred	
				Material (including mechanical carriage)	Labour (calculated at the rates applicable during execution of work)	Contractor's Profits	Labour overhead	Job Overhead	Material (including mechanical carriage)	Labour
a	b	c	d	e	f	g	h	i	j	k
1	JTW at Selep Tanki Burtuk	4,49,603.00	May-June 2003	3,54,644.00	41,850.00	40,218.00	6,947.00	5,944.00	2,12,149.00	2,37,454.00
2	JTW along ICAR Jhora, Tadong	4,30,898.00	April- May 2003	3,21,783.00	55,020.00	39,173.00	9,133.00	5,789.00	2,58,878.00	1,72,020.00
3	JTW at Lamcheny Jhora, Tadong	9,70,543.00	Jan-May 2003	7,23,573.00	1,24,957.00	88,231.00	20,743.00	13,039.00	5,35,153.00	4,35,390.00
4	BPW at Diprop at Paley (Ray Mindu)	9,46,086.00	April - May 2003	7,07,391.00	1,20,049.00	86,008.00	19,928.00	12,710.00	6,03,636.00	3,42,450.00
5	JTW 5 <sup>th</sup> Mile Complex near STCS Go-down	3,02,643.00	June - Aug 2003	2,32,942.00	32,695.00	27,513.00	5,427.00	4,066.00	1,95,763.00	1,06,880.00
6	Subsidiary Work in and around Gangtok	60,854.00	Feb - Mar 2003	43,608.00	9,345.00	5,532.00	1,551.00	818.00	32,994.00	27,860.00
7	JTW No I (c) at Bojoghari	3,35,763.00	April - May 2003	2,66,581.00	46,417.00	22,765.00	00.00	00.00	2,69,293.00	66,470.00
8	JTW at Pharey, North Sikkim	4,80,417.00	Oct-Nov 2002	4,02,137.00	67,373.00	10,907.00	00.00	00.00	3,77,500.00	1,02,917.00
9	RTW below hydel Colony, Singtam.	4,97,473.00	Nov-Dec 2002	3,27,894.00	1,35,473.00	34,106.00	00.00	00.00	3,47,473.00	1,50,000.00
10	AEW at Richu Khola towards Linkey Village	4,96,937.00	Aug-Sept 2002	3,43,319.00	1,38,881.00	14,737.00	00.00	00.00	3,34,687.00	1,62,250.00
11	Restoration of Burul Badamtam MIC.	4,74,048.00	Nov-Dec 2002	2,71,744.00	1,66,090.00	36,214.00	00.00	00.00	2,17,818.00	2,56,230.00
	<b>Total</b>	<b>54,45,265.00</b>		<b>39,95,616.00</b>	<b>9,38,150.00</b>	<b>4,05,404.00</b>	<b>63,729.00</b>	<b>42,366.00</b>	<b>33,85,344.00</b>	<b>20,59,921.00</b>

Works at Sl No 1 to 7 at SOR 2001 rates and Sl No 8 to 11 at SOR 1997 rates.

#### Savings (in Rupees)

Materials: Rs. (39,95,616 – 33,85,344) = Rs. 6,10,272.00  
 Contractor's Profit: = Rs. 4,05,404.00  
 Overheads: Rs. (63,729 + 42,366) = Rs. 1,06,095.00  
 Total: = Rs. 11,21,771.00  
 Excess expenditure on labour Rs. (2059921 – 938150.00) = Rs. 11,21,771.00

## APPENDIX-XXI

(Ref: paragraph 4.5.1, page 76)

### Statement showing diversion of funds

(In Rupees)

Sl. No.	Major Head	Voucher No./date	Ch. No. date	Name of the scheme	Purpose of the scheme	Diversion towards	Amount of diversion
1	2406-01-101-85 KBR 100% CSS	Contingent Audit Register 2001-02 p/149 to 151		Khanchendzonga Biosphere Reserve	Preservation of core zone and demarcation of boundary	Payment of salaries	1,54,615
2	2406-02-110-100%CSS	11/WL 16.06.99	146379 16.06.99	Propagation and Conservation of Wildlife Products	Development of Khanchendzonga National Park	Visit of Chief Minister to West District	20,000
3	2406-02-110-60 100% CSS	57/WL 22.03.2003	345092 22.03.2003	Barsey Rhododendron Sanctuary	Development of Bersey Rhododendron Sanctuary	Purchase of Rice, Dal, Sugar etc.	28,456
4	-DO-	178/WL 31.03.2003	345142 31.03.2003	Maenam Wildlife Sanctuary	Development of Maenam Wildlife Sanctuary	-do-	28,456
5	2406-02-110-90 100% CSS	10/WL 07.11.2000	210715 07.11.2000	Propagation and Conservation of Wildlife Products	Development of Khanchendzonga National Park	Engagement of dispatcher cum record keeper	1,457
6	2406-02-110-60 100% CSS	25/WL 10.12.2001		Shingba Rhododendron Sanctuary	Development of Shingba Rhododendron Sanctuary	Purchase of Rice etc. and office stationeries.	38,260
7	2406-01-101-85 100% CSS	15/WL 10.08.2000	184045 10.08.2000	Khanchendzonga Biosphere Reserve	Development of Khanchendzonga Biosphere Reserve	Repair of vehicle SK-02/1016	49,650
8	2406-02-110-47-96 (Plan)	18/WL 13.09.2001	252225 13.09.2001	Himalayan Zoological Park	Development of Himalayan Zoological Park	Purchase of Godrej chair, almirah etc.	29,662
9	2406-02-110-60-95 100% CSS	46 to 50/WL 23.03.2002		Shingba Rhododendron Sanctuary	Development of Shingba Rhododendron Sanctuary	Purchase of different office stationeries etc.	2,49,630
10	Not Available	Period w.e.f. 1998-99 to 2002-03 M.B. No. 138/ FW		Kyongnosla Alpine Sanctuary	Development of Kyongsosla Alpine Sanctuary	Payment of wages to Typist. LDC, Peon, Tracer and Dispatcher	3,16,277
						<b>Total</b>	<b>9,16,463</b>



**APPENDIX -**

(Ref: Para

Statement showing particulars of up-to  
given out of budget and loans outstanding  
Government companies and

Sl. No.	Sector and name of the company	Paid-up-Capital as at the end of the current year				
		State Government	Central Government	Holding Companies	Others	Total
1.	2.	3(a)	3(b)	3(c)	3(d)	3(e)
<b>A. Working Government companies</b>						
<b>I. Consumer Industries</b>						
1	Sikkim Jewels Limited	593.93	-	-	78.13	672.06
2	Sikkim Time Corporation Limited (SITCO)	1,122.54	-	-	-	1,122.54
3	Sikkim Precision Industries Ltd.(SPCIL)	370.00	-	-	-	370.00
	<b>Sector wise Total</b>	<b>2,086.47</b>	<b>-</b>	<b>-</b>	<b>78.13</b>	<b>2,164.60</b>
<b>II. General Financial and Trading Institutions</b>						
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	1,672.50	-	-	636.80	2,309.30
	<b>Sector wise Total</b>	<b>1,672.50</b>	<b>-</b>	<b>-</b>	<b>636.80</b>	<b>2,309.30</b>
<b>III. Welfare</b>						
5	Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited.	328.60	145.97	-	-	474.57
	<b>Sector wise Total</b>	<b>328.60</b>	<b>145.97</b>	<b>-</b>	<b>-</b>	<b>474.57</b>
<b>IV. Tourism</b>						
6	Sikkim Tourism Dev. Corporation (STDC)	574.87	-	-	-	574.87
	<b>Sector wise Total</b>	<b>574.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>574.87</b>
<b>V. Power</b>						
7	Sikkim Power Development Corporation	340.00	-	-	-	340.00
	<b>Sector wise Total</b>	<b>340.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340.00</b>
<b>VI. Animal Husbandry</b>						
8	Sikkim Poultry Development Corporation	-	-	-	-	-
9	Sikkim Hatcheries Ltd.(SHL)	-	-	43.83	2.00	45.83
	<b>Sector wise Total</b>	<b>-</b>	<b>-</b>	<b>43.83</b>	<b>2.00</b>	<b>45.83</b>
	<b>Total A (All sector wise Government Companies)</b>	<b>5,002.44</b>	<b>145.97</b>	<b>43.83</b>	<b>716.93</b>	<b>5,909.17</b>
<b>B Working Statutory corporations</b>						
<b>I. Financing</b>						
1.	(i) State Bank of Sikkim	53.38	-	-	5.00	58.38
	<b>Sector wise total</b>	<b>53.38</b>	<b>-</b>	<b>-</b>	<b>5.00</b>	<b>58.38</b>
<b>II. Miscellaneous</b>						
2.	Sikkim Mining Corporation (SMC)	585.50	539.00	-	-	1,124.50
3.	State Trading Corporation of Sikkim (STCS)	111.38	-	-	-	111.38
	<b>Sector wise total</b>	<b>696.88</b>	<b>539.00</b>	<b>-</b>	<b>-</b>	<b>1,235.88</b>
	<b>Total B (All sector wise Statutory Corporations)</b>	<b>750.26</b>	<b>539.00</b>	<b>-</b>	<b>5.00</b>	<b>1,294.26</b>
	<b>GRAND TOTAL (A+B)</b>	<b>5,752.70</b>	<b>684.97</b>	<b>43.83</b>	<b>721.93</b>	<b>7,203.43</b>
<b>C Non-working Government companies</b>						
<b>I. Consumer Industries</b>						
1	Sikkim Flour Mills Ltd.	27.90	-	-	-	27.90
	<b>Sector wise total</b>	<b>27.90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27.90</b>
<b>II. Animal Husbandry</b>						
2	Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00
	<b>Sector wise total</b>	<b>35.00</b>	<b>34.00</b>	<b>-</b>	<b>-</b>	<b>69.00</b>
<b>III. Transport Department (SNT)</b>						
3	Chanmari Workshop and Auto Mobiles Ltd.	30.00	-	-	-	30.00
	<b>Sector wise total</b>	<b>30.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30.00</b>
	<b>Total C (All non working Government companies.)</b>	<b>92.90</b>	<b>34.00</b>	<b>-</b>	<b>-</b>	<b>126.90</b>
<b>D Non-working Statutory corporation</b>						
	Nil	-	-	-	-	-
	<b>Sector wise total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>GRAND TOTAL (C+D)</b>	<b>92.90</b>	<b>34.00</b>	<b>-</b>	<b>-</b>	<b>126.90</b>
	<b>GRAND TOTAL (A+B+C+D)</b>	<b>5,845.60</b>	<b>718.97</b>	<b>43.83</b>	<b>721.93</b>	<b>7,330.33</b>

# Loans outstanding at the close of 2003-04 represents long term loans only.

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graph 6.2.3, 6.2.4, 6.3.1, 6.7.2, Page. 93, 97)  
date paid-up capital, budgetary outgo, loans  
as on 31 March 2004 in respect of  
Statutory corporations

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Equity/loans received out of Budget during the year		Others loans received during the year	Loans # Outstanding at the close of 2003-2004			Debt equity ratio for 2002-2003 (previous year) 4(f) / 3(e)
Equity	Loans		Govt.	Others	Total	
4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5.
50.00	-			79.88	79.88	0.12:1 (0.25:1)
-				-	-	-
50.00				79.88	79.88	0.04:1 (0.07:1)
50.00			202.87	91.30	294.17	0.13:1 (0.15:1)
50.00			202.87	91.30	294.17	0.13:1 (0.15:1)
50.00		199.12	-	1,111.30	1,111.30	2.34:1 (2.94:1)
50.00		199.12	-	1,111.30	1,111.30	2.34:1 (2.94:1)
300.47				-	-	-
300.47				-	-	-
40.00				5,001.00	5,001.00	14.71:1 (16.67:1)
40.00				5,001.00	5,001.00	14.71:1 (16.67:1)
-	-		-	-	-	-
-	-	-	-	25.55	25.55	0.56:1 (0.56:1)
-	-			25.55	25.55	0.56:1 (0.56:1)
490.47		199.12	202.87	6,309.03	6,511.90	1.10:1 (1.21:1)
-	-	-	-	-	-	-
94.00				54.00	54.00	0.05:1 (0.06:1)
94.00				54.00	54.00	0.04:1 (0.05:1)
94.00				54.00	54.00	0.04:1 (0.05:1)
584.47		199.12	202.87	6,363.03	6,565.90	0.91:1 (1.01:1)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
584.47		199.12	202.87	6,363.03	6,565.90	0.90 : 1 (0.99:1)

Note : Except in respect of companies and corporations which finalized their accounts for 2003-04, figures are provisional and as given by the companies/corporations

# APPENDIX -

(Ref: Paragraph  
Summarised financial results of Government  
for the latest year for which

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No	Sector and name of Company/Corporation	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+) / Loss (-)	Net impact of Audit comments
1	2	3	4	5	6	7	8
<b>A. Working Government Companies</b>							
	<b>I. Consumer Industries</b>	Industries	July 1976	2002-03	2004	(+) 5.48	24.50
1	Sikkim Jewels Limited (SJL)						
2	Sikkim Time Corporation Limited (SITCO)	Industries	October 1976	2001-02	2003	(-) 51.28	135.49
3	Sikkim Precision Industries Limited (SPCIL)	Industries	February 1999	2002-03	2003	(+) 1.10	1.01
	<b>Sector wise total</b>					(-) 44.70	-
4	<b>II. General Financial and Trading Institutions</b>	Industries	March 1977	2002-03	2003	(+) 250.93	2.57
	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)						
	<b>Sector wise total</b>					(+) 250.93	
5	<b>III. Welfare</b>	Welfare	April 1976	2002-03	2003	(-) 40.29	1.52
	Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited (SABCO)						
	<b>Sector wise total</b>					(-) 40.29	
6	<b>IV. Tourism</b>	Tourism	February 1998	2002-03	2004	(-) 96.23	2.66
	Sikkim Tourism Development Corporation (STDC)						
	<b>Sector wise total</b>					(-) 96.23	
7	<b>V. Power</b>	Power	December 1998	2001-02	2002	(*)	
	Sikkim Power Development Corporation (SPDC)						
	<b>Sector wise total</b>						
8	<b>VI. Animal Husbandry</b>	AH & VS	March 1991	2001-02	2003	(-) 11.82	
	Sikkim Poultry Development Corporation Ltd. (SPDCL)						
9	Sikkim Hatcheries Limited (SHL)	AH & VS	August 1994	2001-02	2003	(-) 12.29	3.53
	<b>Sector wise Total</b>					(-) 24.11	
	<b>Total (A - Working Government Companies)</b>					(+) 45.60	
<b>B. Working Statutory Corporation</b>							
	<b>I. Finance</b>	Finance	June 1960	2002-03	2003	(-) 2,157.41	34.68
1	State Bank of Sikkim (SBS)						
	<b>Sector wise total</b>					(-) 2,157.41	
	<b>II. Miscellaneous</b>	Mines & Geology	February 1960	2002-03	2003	(-) 150.02	3.68
2	Sikkim Mining Corporation (SMC)						
3	State Trading Corporation of Sikkim (STCS)	Finance	March 1972	1999-2000	2002	(+) 31.52	
	<b>Sector wise total</b>					(-) 118.50	
	<b>Total (B - Working Statutory Corporation)</b>					(-) 2,275.91	
	<b>GRAND TOTAL (A+B)</b>					(-) 2,230.31	
<b>C. Non-working Government Companies</b>							
	<b>I. Consumer Industries</b>	Industries	July 1976	1994-95	1995	Nil	
	Sikkim Flour Mills Limited (SFML)						
	<b>Sector wise total</b>					Nil	
	<b>II. Animal Husbandry</b>	AH & VS	April 1988	2002-03	2004	(-) 4.80	
	Sikkim Livestock Processing and Development Corporation Limited (SLPDC)						
	<b>Sector wise total</b>					(-) 4.80	
	<b>III. Transport Department (SNT)</b>	SNT	April 1988	1994-95	1997	(-) 14.19	
	Chanmari Workshop and Auto Mobiles Ltd.						
	<b>Sector wise total</b>					(-) 14.19	
	<b>Total (C - Non-working Government Companies)</b>					(-) 18.99	
<b>D. Non-working Statutory Corporation</b>							
	Nil						
	<b>Sector wise total</b>						
	<b>GRAND TOTAL (C+D)</b>					(-) 18.99	
	<b>GRAND TOTAL (A+B+C+D)</b>					(-) 2,249.30	

\* Project under implementation

XXIII

6.4.1, 6.5.1, 6.6.6, 6.7.4, 6.7.5, Page 94, 95, 97, 98)

Companies and Statutory Corporations  
accounts were finalised

Paid-up capital	Accumulated profit (+)/ Loss (-)	Capital employed* (A)	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Total turn over	No. of employees
9.	10.	11.	12.	13.	14	15	16
599.27	(+) 66.19	687.84	(+) 5.48	0.80	1	215.68	112
1,097.54	(+) 510.90	899.33	-	-	2	435.65	305
370.00	(+) 1.10	359.74	(+) 1.10	0.30	1	36.87	58
2,066.81	(+) 578.19	1,946.91	(+) 6.58	0.34	-	688.20	475
1,654.30	(-) 782.97	1,038.81	(+) 250.93	24.16	1	87.99	31
1,654.30	(-) 782.97	1,038.81	(+) 250.93	24.16	-	87.99	31
899.82	(-) 432.81	1,611.97	Nil	Nil	1	71.72	23
899.82	(-) 432.81	1,611.97	nil	nil	-	71.72	23
350.07	(-) 60.52	355.25	Nil	Nil	1	92.64	111
350.07	(-) 60.52	355.25	-	-	-	92.64	111
250.00	-	5,249.98	Nil	Nil	2	-	10
250.00	-	5,249.98	-	-	-	-	10
-	(-) 26.04	9.72	Nil	Nil	2	-	5
45.83	(-) 49.05	88.41	-	-	2	120.05	21
45.83	(-) 75.09	98.13	-	-	-	120.05	26
5,266.83	(-) 773.20	10,301.05	(+) 257.51	2.50	-	1,060.60	676
58.38	(-) 4,484.01	24,421.22	Nil	Nil	1	1,026.69	272
58.38	(-) 4,484.01	24,421.22	-	-	-	1,026.69	272
1,030.00	(-) 762.07	12.68	Nil	Nil	1	74.41	190
111.37	(+) 297.65	409.03	(+) 31.52	7.71	4	777.61	98
1,141.37	(-) 464.42	421.71	(+) 31.52	7.47	-	852.02	288
1,199.75	(-) 4,948.43	24,842.93	(+) 31.52	0.13	-	1,878.71	560
6,466.58	(-) 5,721.63	35,143.98	(+) 289.03	0.82	-	2,939.31	1236
60.16	(-) 12.76	84.50	Nil	Nil	9	Nil	-
60.16	(-) 12.76	84.50	-	-	-	-	-
69.00	(-) 64.73	133.76	Nil	Nil	1	Nil	-
69.00	(-) 64.73	133.76	-	-	-	-	-
0.20	(-) 1.53	69.00	Nil	Nil	5 years closed wef. 12/1999	Nil	-
0.20	(-) 1.53	69.00	-	-	-	-	-
129.36	(-) 79.02	287.26	Nil	Nil	Nil	Nil	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
129.36	(-) 79.02	287.26	Nil	Nil	-	Nil	NIL
6,595.94	(-) 5,800.65	35,431.24	(+) 289.03	0.82	-	2,939.31	1,236

\* Capital employed represents net fixed assets (including works-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

**APPENDIX -**

(Ref: Para  
Statement showing subsidy received,  
which moratorium allowed, loans  
subsidy receivable and guarantees

{Figures in column 3 (a) to 7 are in Rupees in lakh}

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year*				
		Central Government	State Government	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total
1.	2.	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)
A.	<b>Working Government Companies</b>									
	i) SC,ST, OBC Development Corporation Ltd.						500.00 (2,500.00)			500.00 (2,500.00)
	ii) SITCO						200.00 (300.00)			200.00 (300.00)
	iii) Sikkim Power Development Corporation						(5,000.00)			(5,000.00)
	<b>Total - A</b>						<b>700.00 (7,800.00)</b>			<b>700.00 (7,800.00)</b>
B	<b>Working Statutory Corporation</b>									
	i) SMC						(7.00)			(7.00)
	<b>Total - B</b>						<b>(7.00)</b>			<b>(7.00)</b>
	<b>Grand Total (A+B)</b>						<b>700.00 (7,807.00)</b>			<b>700.00 (7,807.00)</b>

\* Figures in bracket indicate guarantees outstanding at the end of the year.

**XXIV**

graph 6.3.1, 6.7.2, Page 93, 97)

guarantees received, waiver of dues, loans on converted into equity during the year, outstanding at the end of March 2004

Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
Loans repayment written off	Interest waived	Penal interest waived	Total		
5(a)	5(b)	5(c)	5(d)	6.	7.
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

## APPENDIX - XXV

(Ref: Paragraph 6.5.1, Page 95)

### Statement showing financial position of Statutory Corporations

1. State Bank of Sikkim		(Rupees in crore)		
Particulars	2001-02	2002-03***	2003-04	
A. Liabilities		Provisional figures	Provisional figure not furnished	
Paid up Capital	0.53	0.53		
Share application money	0.05	0.05		
Reserve funds and other reserves and surplus	9.48	9.48		
Deposits	221.75	306.49		
Borrowings	3.98	4.40		
i) others				
Other liabilities and provisions	16.21	18.20		
TOTAL – A	252.00	339.15		
B. Assets				
Cash and Bank Balances	167.77	248.42		
Investments	3.25	4.75		
Loans and Advances	22.71	25.62		
Net fixed assets	0.58	0.71		
Other assets	13.53	14.81		
Accumulated loss	23.27	44.84		
Miscellaneous expenditure	20.89	-		
TOTAL - B	252.00	339.15		
C. Capital Employed*	180.90	244.21		
2. State Trading Corporation of Sikkim				
A. Liabilities	2001-02	2002-03	2003-04	
Paid up Capital				
Reserve and surplus	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished	
Trade dues and current Liabilities and provisions				
TOTAL:- A				
B. Assets				
Gross Block	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished	
Less: Depreciation				
Net fixed assets				
Current assets, loans and advances				
TOTAL: - B				
C. Capital employed**				
3. Sikkim Mining Corporation				
A. Liabilities	2001-02	2002-03	2003-04	
Paid up capital	9.31	10.31	11.70	
Reserve and Surplus	0.05	0.07	2.69	
Borrowing	1.67	1.79	1.83	
i) Government				
Trade dues and Current Liabilities and provisions	1.70	2.33	1.25	
TOTAL :- A	12.73	14.50	17.47	
B. Assets				
Gross Block	2.68	2.82	2.90	
Less Depreciation	1.33	1.43	1.59	
Net fixed Assets	1.35	1.39	1.31	
Mine Development expenditure	4.06	4.42	4.49	
Current assets loans and advances	1.39	1.07	2.46	
Accumulated Losses	5.93	7.62	9.21	
TOTAL :- B	12.73	14.50	17.47	
Capital Employed **	1.04	0.13	2.52	

\* Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.

\*\* Capital employed represents net fixed assets (including Capital Work-in-Progress) plus working capital.

\*\*\* Provisional figures

**APPENDIX - XXVI**  
(Ref: Paragraph 6.5.1, Page 95)  
**Statement showing working results of Statutory Corporations**

<b>1. State Bank of Sikkim (SBS)</b>			
<b>Particulars</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>
1. Income			Provisional figure not furnished
a) Interest on loans	7.96	10.27	
b) Other income	1.58	1.81	
<b>Total-1</b>	<b>9.54</b>	<b>12.08</b>	
2. Expenses			
a) Interest on long-term and short-term loans	7.15	6.93	
b) Provision for non-performing assets	-	-	
c) Other expenses	4.24	4.66	
<b>Total-2</b>	<b>11.39</b>	<b>11.59</b>	
3. Profit (+)/Loss (-) before tax (1-2)	(-) 1.85	(+) 0.49	
4. Prior period adjustments	-	22.06	
5. Provision for tax	-	-	
6. Profit (+)/Loss (-) after tax	(-) 1.85	(-) 21.57	
7. Other appropriation	-	-	
8. Amount available for dividend	-	-	
9. Dividend paid/payable	-	-	
10. Total return on Capital employed	-	-	
11. Percentage of return on Capital employed	-	-	
<b>2. Sikkim Mining Corporation (SMC)</b>			
<b>Particulars</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004*</b>
1. Income			
a) Sales of concentrates			
b) Other income	1.42	0.57	0.52
c) Increase (+)/Decrease (-) in stock of concentrates	0.04	0.23	0.01
	(-) 0.02	(-) 0.14	0.19
<b>Total-1</b>	<b>1.44</b>	<b>0.66</b>	<b>0.72</b>
2. Expenses			
a) Establishment charges	1.03	1.03	1.11
b) Manufacturing expenses	0.81	0.62	0.40
c) Other expenses	0.79	0.52	0.49
<b>Total-2</b>	<b>2.63</b>	<b>2.17</b>	<b>2.00</b>
3. Profit (+)/Loss (-) before tax	(-) 1.19	(-) 1.51	(-) 1.28
4. Provision tax	-	-	-
5. Prior period adjustment	(-) 0.10	(-) 0.19	(-) 31.00
6. Profit (+) / Loss (-) after tax	(-) 1.29	(-) 1.70	(-) 32.28
7. Other appropriation	-	-	-
8. Amount available for dividend	-	-	-
9. Dividend for the year	-	-	-
10. Total return on Capital employed	**	**	**
11. Percentage of return on Capital employed	-	-	-
<b>3. State Trading Corporation of Sikkim (STCS)</b>			
<b>Particulars</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>
a) Income			
i) Sale of trading goods			
ii) Other income			
iii) Increase (+)/Decrease (-) in stock			
<b>Total-a</b>			
<b>Total-b</b>			
Profit (+)/Loss (-) before tax	Provisional figure not furnished	Provisional figure not furnished	Provisional figure not furnished
4. Provision for tax			
5. Prior period adjustment			
6. Other appropriation			
7. Amount available for dividend			
8. Dividend for the year			
9. Total return on Capital employed			
10. Percentage of return on Capital employed			

\* Provisional figures  
\*\* Negative figure

# APPENDIX – XXVII

(Ref: Paragraph 6.6.5, Page 96)

## Statement showing operational performance of Statutory Corporations

Sl. No.	Particulars	2001-2002	2002-2003	2003-2004
	<b>State Bank of Sikkim</b>			
1	Earning per share (Rs.)	Not furnished by the Bank		
2	Number of Branches	22	22	22
3	Number of Employees	298	297	272
4	Profit per Employee (Rs. in lakh)	(-)0.62	(-) 0.16	(-) 0.34
5	Deposits (Rs. in crore)			
	Government	112.57	174.85	83.29
	Others	109.17	131.64	156.55
	<b>TOTAL</b>	<b>221.74</b>	<b>306.49</b>	<b>239.84</b>
6	Advances (including bills)			
	Government	-	-	-
	Other	22.71	25.62	28.70
	<b>TOTAL</b>	<b>22.71</b>	<b>25.62</b>	<b>28.70</b>
7	Debts written off	Nil	Nil	Nil
	<b>Sikkim Mining Corporation</b>			
1	Total mining area in possession	34.8(Hec)	34.8(Hec)	34.8 (Hec)
2	Mining area excavated	9.8 (Hec)	9.8 (Hec)	9.8 (Hec)
3	Number of Employees	253	201	190
1	Installed capacity			
	(a) Ore	100TPD	100TPD	100 TPD
	(b) Waste Rock	-	-	-
	(c) Others	-	-	-
	<b>TOTAL</b>	<b>100TPD</b>	<b>100TPD</b>	<b>100 TPD</b>
2	Targets			
	(a) Ore	23,341MT	24,700 MT	6,000MT
	(b) Waste Rock	NIL	NIL	Nil
	(c) Others	NIL	Nil	Nil
	<b>TOTAL</b>	<b>23,341 MT</b>	<b>24,700MT</b>	<b>6,000 MT</b>
3	Actual Production of Waste Rock			
	(a) Own	827MT	135 MT	Nil
	(b) Contractual	-	-	-
	<b>TOTAL</b>	<b>827MT</b>	<b>135 NT</b>	<b>Nil</b>
4	Actual production	16,759MT	6,503 MT	7,663
5	Percentage of capacity utilisation	56	22	26
6	Production of by products if any			
	(i) Targets (MT)	NIL	NIL	NIL
	(ii) Production (MT)	NIL	NIL	NIL
	(iii) Capacity utilisation in per cent	NIL	NIL	NIL

## APPENDIX - XXVIII

(Ref: Paragraph 6.11.1, Page 100)

Statement showing Department-wise outstanding Inspection Reports (IRs)

Sl. No.	Name of Department (Administrative Department)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Years from which paragraphs outstanding
1	Industries	5	9	38	1997-1998
2	AH and VS	3	5	27	1994-1995
3	SNT	-	-	-	-
4	Welfare	1	3	24	1999-2000
5	Finance	2	13	52	1990-1991
6	Mines and Geology	1	2	4	2001-2002
7	Tourism	1	3	19	2001-2002
8	Power	1	1	7	2002-2003
	<b>Total</b>	<b>14</b>	<b>36</b>	<b>171</b>	

**APPENDIX-XXIX**  
(Ref: Paragraph 7.3, Page 104 )

**Statement showing excess staff over sanctioned strength**

Name of post	Sanctioned strength	Men-in-position	Excess(+)/Shortage(-)
Commissioner-Cum-Secretary	1	1	
Special Secretary	1	1	
Additional Secretary	1	1	
Joint Secretary	2	2	
Deputy Secretary	4	4	
Deputy Director	1	1	
Sr. Accounts Officer	1	1	
Sr. PS	1	1	
Accounts Officer	1	1	
Under Secretary	1	1	
District Civil Supplies Officer	5	6	1 regular
Assistant Director	1	1	
Sr. Inspector	7	6	(-) 1
Office Superintendent	1	0	(-) 1
Steno	2	2	
Head Assistant	2	2	
UDC	1	1	
LDC	15	16	1 M.R
Sr. Accountant	1	2	1 regular
Accountant	2	1	(-) 1
Jr. Accountant	4	4	
Accounts Clerk	4	4	
Inspector	14	8	(-) 6
Sub Inspector	14	11	(-) 3
Asst. Sub Inspector	16	25	4 adhoc, 1 M.R, 4 regular
Computer Operator	0	2	1 M.R 1 adhoc
Driver	8	26	2 work charge, 15 M.R, 1 regular
Daftary	1	1	
Chowkidar	24	30	6 M.R
Peon	7	19	12 M.R
Cleaner	2	2	
Sweeper	1	4	3 M.R
Godown Assistant	0	4	4 M.R
Home Guard	0	2	2 M.R
Enumerator	0	1	1 M.R
Godown Labour	0	12	12 M.R
<b>Total</b>	<b>146</b>	<b>206</b>	<b>60</b>

Note: M.R- Muster Roll