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GOVERNMENT OF SIKKIM

REPORT OF THE COMPTROLLER  
AND  
AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1995





# CONTENTS

	Paragraph (s)	Page (s)
<b>Prefatory remarks</b>		ix
<b>Overview</b>		xi-xx
<b>Chapter-I - Accounts of the State Government</b>		
Summarised financial position	1.1	3-12
Assets and liabilities of the State Government	1.2	13
Revenue surplus	1.3	13-15
Revenue receipts	1.4	15-20
Revenue expenditure	1.5	20-24
Capital expenditure	1.6	24-25
Public debt and other liabilities	1.7	25-28
Ways and means advances	1.8	28
Investment and returns	1.9	28-29
Loans and advances by the State Government	1.10	29
Guarantees given by Government	1.11	29-30
<b>Chapter II - Appropriation Audit and Control over Expenditure</b>		
General	2.1	33
Results of Appropriation Audit	2.2	33-37

Unutilised provisions and persistent savings	2.3	37-40
Trend of recoveries and credits	2.4	40
Injudicious/irregular/inadequate reappropriation	2.5	41
Non-receipt of explanation for savings/excess	2.6	41

### **Chapter III - Civil Departments**

#### **Agriculture Department**

National Watershed Development Projects for Rainfed Areas	3.1	45-64
---	-----	-------

#### **Ecclesiastical Department**

Infructuous Expenditure	3.2	64-65
-------------------------	-----	-------

#### **Education Department**

Excess payment to the publishers	3.3	65
Irregular retention of money outside Government account	3.4	65-66
Non-realisation of compensation and blockage of Government fund	3.5	66-68

#### **Food & Civil Supplies Department**

Public Distribution System for Tribal and Backward Areas	3.6	68-81
Loss due to sale at pre-revised rate	3.7	81

#### **Forest Department**

Irregular purchase of magazines	3.8	81-82
---------------------------------	-----	-------

**Health and Family Welfare Department**

Extra expenditure on purchase of disposable syringes	3.9	82-83
--	-----	-------

Undue financial benefit to suppliers	3.10	83-84
--------------------------------------	------	-------

**Industries Department**

Wasteful expenditure	3.11	84-85
----------------------	------	-------

**Land Revenue Department**

Unauthorised utilisation of compensation funds	3.12	85-86
--	------	-------

**Social Welfare Department**

Infructuous expenditure	3.13	86-87
-------------------------	------	-------

Non-utilisation/refund of grants from Central Government	3.14	87
--	------	----

**CHAPTER IV - Works Expenditure****Forest Department**

Diversion of funds	4.1	91
--------------------	-----	----

Irregular expenditure	4.2	92
-----------------------	-----	----

**Irrigation Department**

Excess payment towards carriage charge	4.3	92-93
--	-----	-------

**Power Department**

Undue benefit to contractor due to adoption of incorrect formula on escalation	4.4	94-95
--	-----	-------

**CHAPTER V - Stores and Stock****Building and Housing Department**

Stores Accounts	5.1	99-109
-----------------	-----	--------

**Food & Civil Supplies Department**

Loss due to shortage of foodgrains in four godowns	5.2	109
---	-----	-----

**CHAPTER VI - Revenue Receipts**

Trend of revenue receipts	6.1	113
---------------------------	-----	-----

Analysis of revenue receipts	6.2	113-117
------------------------------	-----	---------

Variation between budget estimates and actuals	6.3	117-120
---	-----	---------

Cost of collection	6.4	120-121
--------------------	-----	---------

Outstanding inspection reports	6.5	121-123
--------------------------------	-----	---------

Results of Audit	6.6	123
------------------	-----	-----

**Animal Husbandry and Veterinary  
Services Department**

Non-levy of service charges	6.7	123-124
-----------------------------	-----	---------

Short realisation of entry tax	6.8	124
--------------------------------	-----	-----

Loss of agency fee and royalty	6.9	124-125
--------------------------------	-----	---------

**Finance Department**

Non-realisation of income tax from prize winners of State lotteries	6.10	125-126
--	------	---------

## **Land Revenue Department**

Non-collection of cardamom and damthy khazanas	6.11	126-127
---	------	---------

## **CHAPTER VII - Financial Assistance to Local Bodies and Others**

Grants paid to local bodies and others	7.1	131
Utilisation certificates	7.2	131-132
Loans	7.3	132-133

## **Sikkim Khadi & Village Industries Board**

Loss due to fraudulent drawals	7.4	133-134
--------------------------------	-----	---------

## **CHAPTER VIII- Government Commercial and Trading activities**

Introduction	8.1	137-138
Government companies - general view	8.2	138-142
Statutory corporations	8.3	142-144
Disinvestment	8.4	144
Guarantee	8.5	144
Departmentally managed Government commercial/quasi commercial undertakings	8.6	144-145

## **Sikkim Industrial Development and Investment Corporation Limited**

Irregular grant of loan and undue financial benefit extended to private promoter	8.7	145-147
Loss due to fraudulent drawal of cheque	8.8	147

**Sikkim Livestock Processing  
Development Corporation Limited**

Irregular investment and leasing out of assets created	8.9	147-149
---	-----	---------

Infructuous expenditure	8.10	149-150
-------------------------	------	---------

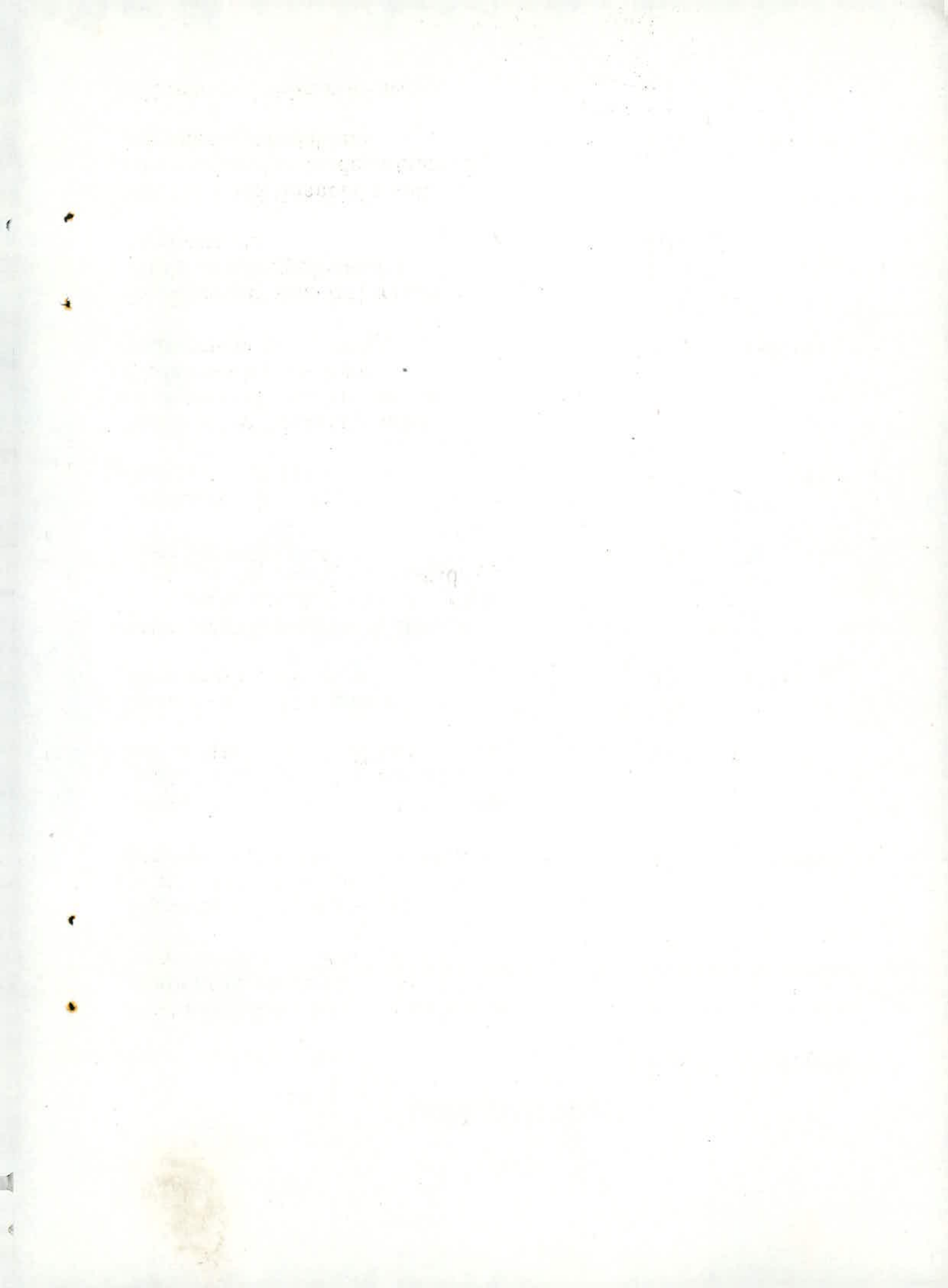
**Sikkim Nationalised Transport**

Sikkim Nationalised Transport- working thereof	8.11	150-173
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## APPENDICES

	Number	Page No(s)
Statement showing the grants/appropriations in which supplementary provision proved unnecessary	I	175
Statement showing grants/appropriation in which supplementary provision obtained proved excessive	II	176
Statement showing the grants/appropriation in which supplementary provisions were insufficient	III	177
Injudicious and irregular reappropriations	IV	178-183
Statement showing particulars of up-to-date capital budgetary outgo, loans out from budget, outstanding loans as on 31-3-95	V	184
Statement showing the accounts in arrear	VI	185
Summarised financial results of Government companies for the latest year for which accounts were finalised	VII	186-187
Summarised financial results of the working of statutory corporations	VIII	188-189
Summarised financial results of the working of the departmentally managed undertakings	IX	190-191
Glossary of abbreviations	X	192

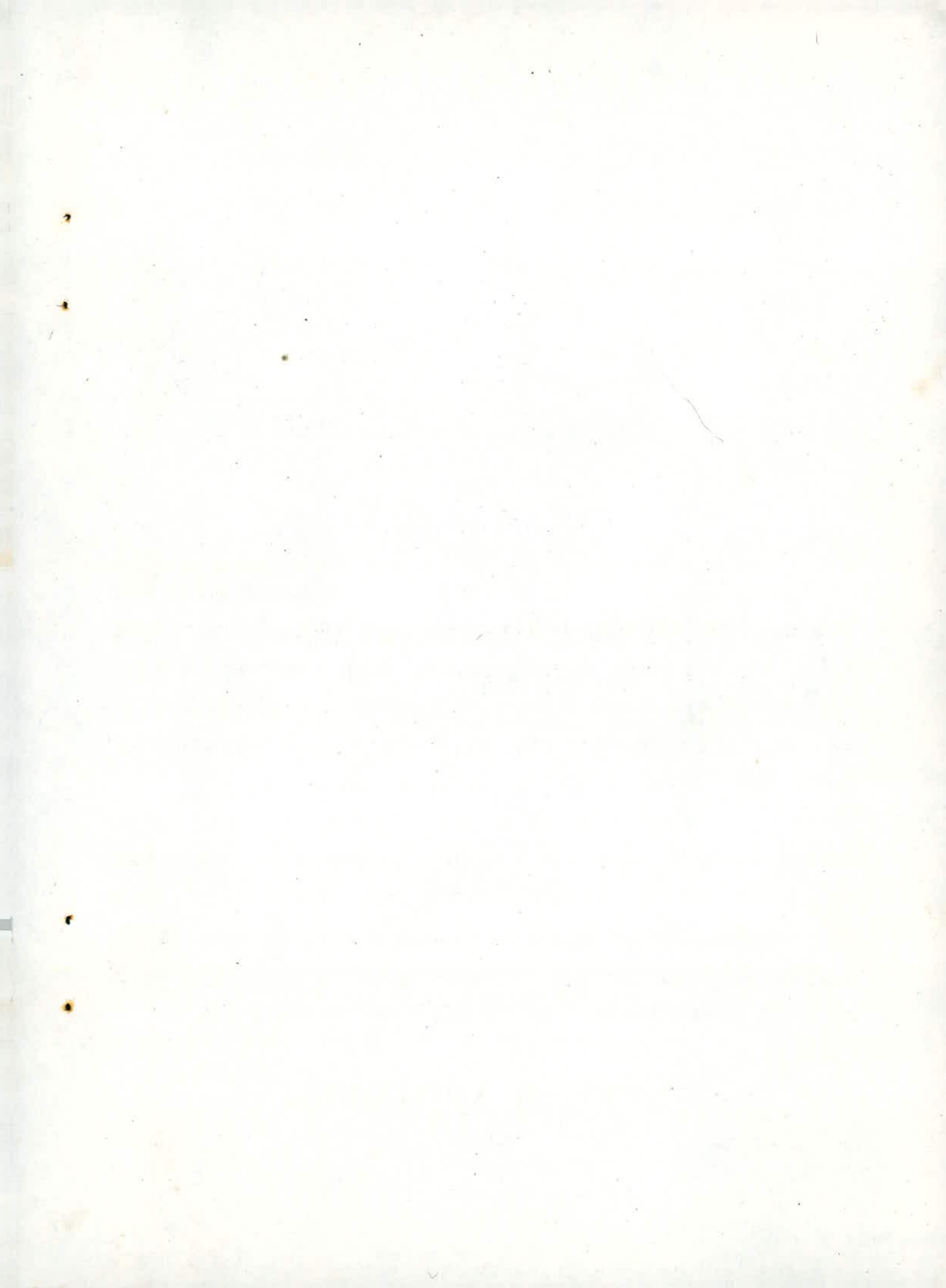




## PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1994-95 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1994-95.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1994-95 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 1994-95 have also been included, wherever considered necessary.



**OVERVIEW**

OF THE  
REPORT OF THE COMPTROLLER  
AND  
AUDITOR GENERAL OF INDIA





## OVERVIEW

*This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 1994-95 and six other chapters, comprising 4 reviews and 42 paragraphs, based on the audit of certain selected programmes and activities of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented in this Overview.*

### *1. Accounts of the State Government*

*The liabilities of State Government increased from Rs. 144.75 crores as at the end of March 1991 to Rs. 275.51 crores as at the end of March 1995 while the assets increased from Rs. 381.40 crores to Rs. 624.95 crores during the same period.*

*The receipts of the State Government increased to Rs. 546.26 crores in 1994-95 from Rs. 159.52 crores in 1990-91 i.e. an increase of 242 per cent. The non-tax revenue raised by the State Government increased from Rs. 26.69 crores in 1990-91 to Rs. 332.16 crores in 1994-95, while the State's own tax revenue increased from Rs. 15.30 crores to Rs. 18.93 crores during the same period.*

*The aggregate of the amounts received by the State Government on account of State's share of Union Excise Duties and Grants-in-aid increased from Rs. 117.53 crores to Rs. 195.17 crores between 1990-91 and 1994-95, an increase of 66 per cent. The percentage of revenue raised by the State to the total revenue receipts increased to 64 per cent in 1994-95 from 22 per cent in 1993-94.*

*While the revenue expenditure increased from Rs. 128.14 crores to Rs. 526.42 crores over the period 1990-91 to 1994-95, the*

plan expenditure increased from Rs. 40.88 crores to Rs. 66.22 crores and the non-plan expenditure from Rs. 87.26 crores to Rs. 460.20 crores during the same period.

During 1994-95 as against the budget provision of Rs. 81.74 crores (including supplementary) the plan revenue expenditure was Rs. 66.22 crores resulting in shortfall of Rs. 15.52 crores. The non-plan revenue expenditure was Rs. 460.20 crores against the budget provision of Rs. 464.49 crores resulting in a saving of Rs. 4.29 crores.

Public Debt has increased from Rs. 124.86 crores at the end of 1990-91 to Rs. 206.19 crores at the end of 1994-95 i.e. an increase of 65 per cent. The other liabilities on account of small savings, provident funds etc. increased considerably from Rs. 15.62 crores in 1990-91 to Rs. 37.48 crores in 1994-95 i.e. an increase of 140 per cent.

The repayment of Central Government loans and interest thereon aggregating Rs. 15.01 crores during 1994-95 constituted 93 per cent of the Central Government loans (Rs. 16.09 crores) received during the year.

Government paid interest totalling Rs. 26.13 crores on debt and other obligations during 1994-95, while the interest received on all accounts was Rs. 0.35 crore only, leaving a net interest burden of Rs. 25.78 crores.

(Paragraph 1.1 to 1.11)

## 2. Appropriation Audit and Control over Expenditure

Against the total budget provision of Rs. 631.22 crores (including supplementary) the actual expenditure was Rs. 606.05 crores. The overall saving of Rs. 25.17 crores was the net effect of



saving of Rs. 26.09 crores in 48 cases of grants and 5 cases of appropriations and excess of Rs. 0.92 crore in 18 cases of grants and one case of appropriation. The excess requires regularisation by the Legislature under Article 205 of the Constitution of India. Besides the excess expenditure of Rs. 6.16 crores pertaining to the years 1989-90 to 1993-94 is yet to be regularised.

The supplementary provision of Rs. 327.29 crores obtained during 1993-94 constituted 108 per cent of the original budget provision. In 7 grants supplementary provision aggregating Rs. 2.63 crores obtained during the year was unnecessary.

In 12 grants the expenditure during the year in each case fell short of the provisions by more than Rs. 10 lakhs and also by more than 10 percent of the total provision.

(Paragraphs 2.1, 2.2 and 2.3)

### 3 Audit Reviews

#### (a) National Watershed Development Project for Rainfed Areas

The National Watershed Development Project for Rainfed Areas was launched by Government of India in 1986-87 with a view to achieving the twin objective of stabilising agricultural production and restoration of ecological balance in the rainfed areas. The project also aimed at developing and demonstrating technologies of proper soil conservation measured under different climatic conditions, augment production of food, fodder and fuel and generate employment opportunities in rural and backward areas. The project was converted into a major programme in the Eighth Five Year Plan with each watershed having an area ranging between 500 hectares and 5000 hectares and with a limit of 25,000 hectares in each district. The

*scheme was funded entirely by Central Government with 75 per cent grant and 25 per cent loan. The projects were taken up in the State in 1990-91.*

*An expenditure of Rs. 222.36 lakhs was incurred on 12 watershed projects between 1990-91 and 1994-95 as against the central assistance of Rs. 318.91 lakhs resulting in an unspent balance of Rs. 96.55 lakhs.*

*Though all the 12 watershed projects were to be completed within 5 years of its commencement and also within the VIII plan period, the Department could not complete any of the projects owing to improper planning and delay in commencement. There was a shortfall of 28 percent in the progress of 5 projects taken up in 1990-91 scheduled to be completed by 1994-95. The percentage of shortfall in the progress in respect of the remaining 7 projects taken up between 1991-92 and 1993-94 varied between 10 and 50 per cent.*

*Adequate survey regarding hydrology, deficiency in food, fodder etc. were not conducted despite availability of funds of Rs. 15.62 lakhs for this purpose. This led to slow implementation of the essential activities like water harvesting, livestock management etc. of the projects.*

*As against the allotment of Rs. 5.56 lakhs for composite nurseries, Rs. 23.92 lakhs ( 430 per cent) were spent during 1990-91 to 1994-95. As a result the other components of the scheme suffered to the extent of Rs. 18.36 lakhs. Besides the benefits derived from the activities were not known in the absence of details regarding production and distribution .*

*High surface flow and absence of ground water in hilly terrain necessitates water harvesting. This component however, remained*



totally ignored except for the year 1994-95.

Minimum wage element, the main component of each item of work, increased by 43 per cent during 1990-91 to 1994-95 decreasing the scope of work by 30 per cent. But the Department did not initiate action for increasing unit cost of Rs. 5,000 which ultimately affected the physical progress of the projects.

No step was taken to ensure monitoring and evaluation for better management, field worthiness and efficiency of the project though Rs. 5.56 lakhs were provided for this purpose.

(Paragraph 3.1.)

#### **(b) Public Distribution System**

The State was covered under the Integrated Tribal Development Programme since 1988 for better distribution of essential commodities like rice, wheat etc., at an affordable price to the common man, particularly to the poor and vulnerable sections of the Society. The scheme was merged with the Revamped Public Distribution System launched by Government of India in April 1992. Under this scheme, the issue price of the commodities was fixed at rates lower by Rs. 50 per quintal than the central issue price since January 1992 and the commodities were to be supplied to the targeted population through a net work of Fair Price Shops. For this purpose 194 villages (out of total 440 villages) with a population of 2 lakhs were identified for the scheme.

Out of 1.13 lakh tonnes of foodgrains allotted by the Government of India during 1992-93 to 1994-95, the State lifted only 0.93 lakh tonnes of foodgrains. Less lifting of 19,789 tonnes of foodgrains deprived the beneficiaries of the intended benefit of the scheme. Besides intermediaries were engaged for lifting and

*distribution of wheat in contravention of the Government's instructions.*

*Central assistance of Rs 43.50 lakhs was received in 1992-93 and 1993-94 for construction of 5 godowns. Though an expenditure of Rs 12 lakhs was incurred on 2 godowns, the work was still in progress. The work on the other 3 godowns have not even been commenced as of September 1995.*

*Though Central assistance of Rs. 16 lakhs was received in 1993-94 for purchase of mobile vans, the Department has not purchased the vans as of September 1995. This has resulted in non-utilisation of the Central assistance, besides adversely affecting the objective of strengthening the distribution system.*

*Neither was any proper system created to monitor the implementation of the scheme nor evaluation conducted to ascertain the extent of success.*

*(Paragraph 3.6.)*

**(c) Sikkim Nationalised Transport - working thereof**

*The Sikkim Nationalised Transport (SNT) operates passenger and goods services within the State of Sikkim and also to the adjacent places in West Bengal. On a review of its performance it was noticed that the operating deficit of SNT increased from Rs. 45.58 lakhs in 1990-91 to Rs. 224.74 lakhs in 1992-93.*

*The utilisation of buses and trucks decreased from 74 to 65 per cent and 75 to 60 per cent respectively during the years from 1990-91 to 1993-94. Compared to the Himachal Road Transport Corporation (HRTC), which also operates its transport services in hilly terrains the dead-kilometres of the SNT buses were alarmingly higher by 373*



to 438 per cent.

The occupancy sharply decreased from 61 per cent in 1990-91 to 54 per cent in 1993-94. In spite of the advantage of monopoly in transport services, the volume of goods traffic handled by SNT sharply decreased from 2.39 lakh tonnes (1990-91) to 1.93 lakh tonnes (1992-94). The carriage of foodgrains without agreement with consigners with reference to freight and other related matters led to loss of Rs. 32.78 lakhs in 1993-94.

As against the 4.9 to 10 per cent of docked fleet of the North Bengal State Transport Corporation (NBSTC) and Himachal Road Transport Corporation (HRTC), the percentage of docked fleet of the SNT was as high as 32. 13 to 25 per cent of stores were purchased locally at higher rates ranging from 146 to 461 per cent compared to the Association of State Road Transport Undertakings (ASRTU) rate contract.

The compensation for casualties was being paid by the SNT. As such the payment of annual premia of Rs. 6.61 lakhs towards insurance proved infructuous.

(Paragraph 8.11)

## 5 Other points of interest

### (a) Civil Departments

The State Government proposed (September 1993) the nominations of two individuals to the Government of India for attending the World Buddhist conference at Taiwan which was however rejected by the Government of India. Despite the rejection these two individuals proceeded to Hongkong and Singapore without any official purpose and were paid (October 1992) Rs. 1.64 lakhs on account of tour expenses which was irregular and infructuous.

*safeguard the interest of SIDICO. The unit was finally closed in February 1995.*

*Besides the previous promoter was unduly allowed to sell its pledged shares valued at Rs. 45.72 lakhs to the new promoter out of the loan given exclusively for revival of the unit.*

*(Paragraph 8.7)*

*The Sikkim Livestock Processing and Development Corporation Limited (SLPDC) leased out assets, valued at Rs. 1.54 crores, which yielded only 0.85 per cent return against the expected annual return ranging from 14 to 22 per cent.*

*(Paragraph 8.9)*

*The failure of the SLPDC in ensuring proper planning, design and specification of an abattoir at Majhitar led to an infructuous expenditure of Rs. 3.09 lakhs.*

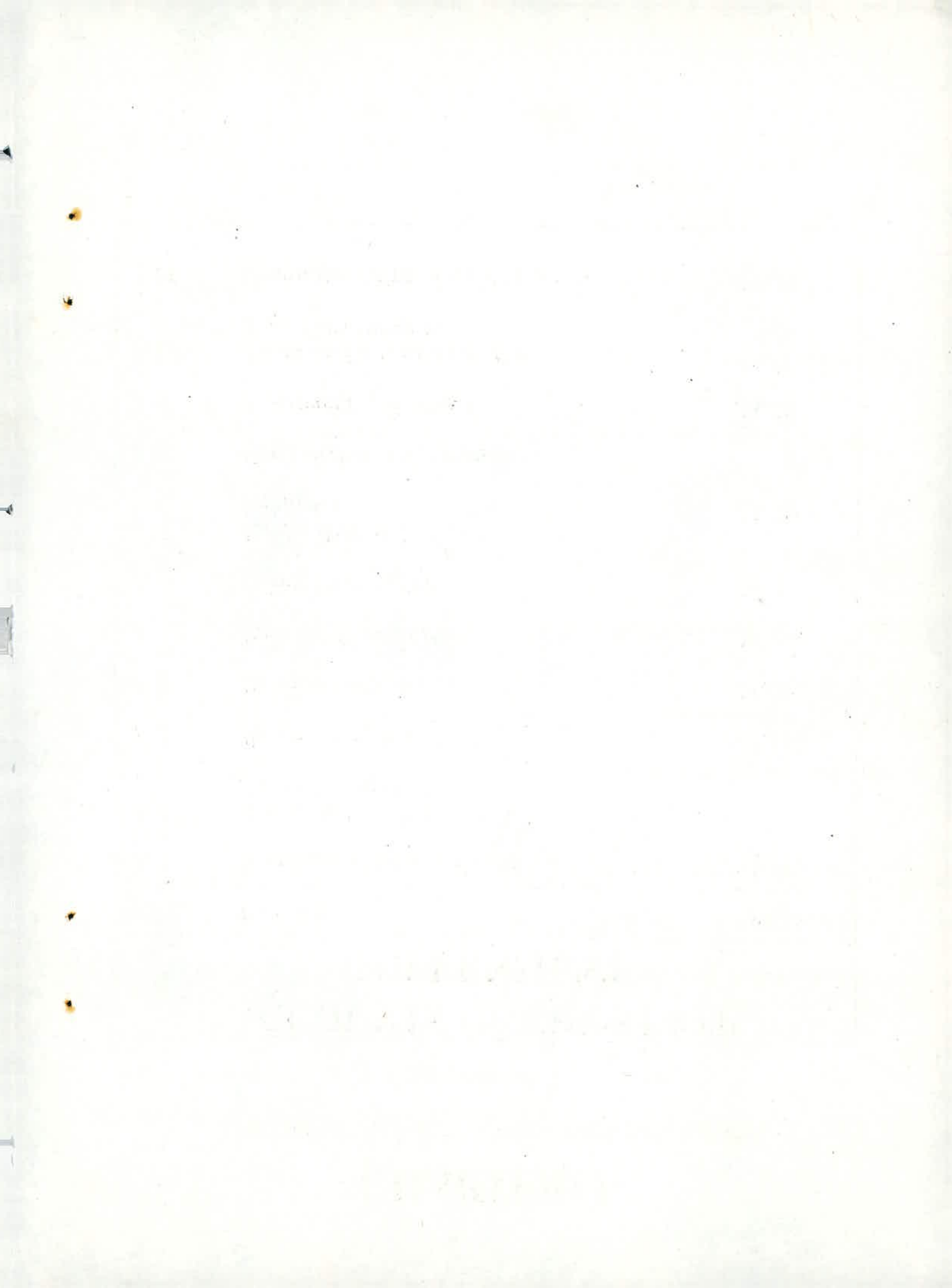
*(Paragraph 8.10)*

# CHAPTER I

## ACCOUNTS OF THE STATE GOVERNMENT

Para	Particulars	Page(s)
1. 1	<i>Summarised financial position</i>	3-12
1. 2	<i>Assets and liabilities of the State Government</i> 13	
1. 3	<i>Revenue surplus</i>	13-15
1. 4	<i>Revenue receipts</i>	15-20
1. 5	<i>Revenue Expenditure</i>	20-24
1. 6	<i>Capital Expenditure</i>	24-25
1. 7	<i>Public debt and other liabilities</i>	25-28
1. 8	<i>Ways and means advances</i>	28
1. 9	<i>Investment and returns</i>	28-29
1.10	<i>Loans and advances by the State Governments</i>	29
1.11	<i>Guarantees given by Government</i>	29-30





# **CHAPTER I**

## **ACCOUNTS OF THE STATE GOVERNMENT**

### **1.1 Summarised financial position**

The financial position of the State Government as on 31 March 1995 emerging from the Appropriation Accounts and the Finance Accounts for the year 1994-95, the Abstract of Receipts and Disbursements and the sources and application of funds for the year are detailed in the statements I, II and III.

## I- Summarised financial position of the

## Liabilities

As on 31 March 1994		As on 31 March 1995
81.27	<b>Internal Debt</b>	<b>92.59</b>
	Market Loan	47.15
	Loans from Life Insurance Corporation of India	2.43
	Loans from National Cooperative Development Corporation	0.95
	Loans from General Insurance Corporation of India	0.60
	Loans from other Institutions	41.46
101.82	<b>Loans and Advances from the Central Government</b>	<b>113.60</b>
	Pre 1984-85 Loans	10.98
	Non-Plan loans	28.91
	Loans for State Plan scheme	65.39
	Loans for Central and Centrally sponsored Plan schemes	7.17
	Ways and Means Advances	1.15
--	<b>Suspense and Miscellaneous Balances</b>	<b>10.83</b>
--	<b>Remittance Balance</b>	<b>12.81</b>
31.84	<b>Small Savings, Provident Funds etc.</b>	<b>37.48</b>
4.62	<b>Deposits</b>	<b>4.49</b>
2.42	<b>Reserve Funds</b>	<b>3.21</b>
0.47	<b>Contingency Fund</b>	<b>0.50</b>
329.60	<b>Surplus on Government Account</b>	<b>349.44</b>
	Last Year's balance	329.60
	Add Revenue Surplus during the year	19.84
----- 552.04 -----		----- 624.95 -----



**Government of Sikkim as on 31 March 1995****Assets**

As on 31 March 1994	(Rupees in crores)	As on 31 March 1995
528.42	<b>Gross Capital Outlay</b>	595.20
	Investment in shares of Companies, Corporations, etc.	23.16
	Other Capital Outlay	572.04
10.54	<b>Loans and Advances</b>	9.30
	Development Loans	6.31
	Loans to Government Servants and Miscellaneous Loans	2.99
0.13	<b>Other Advances</b>	0.15
0.80	<b>Suspense and Miscellaneous Balances</b>	--
(-)5.95	<b>Remittance Balance</b>	--
17.64	<b>Cash</b>	19.84
	Cash balance deposits with other banks	18.07
	Departmental Cash Balance including Permanent Advance and Cash Balance Investment	1.77
0.46	<b>Earmarked Funds Invested</b>	0.46

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552.04  
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624.95  
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### III. Abstract of Receipts and Section A-

#### RECEIPTS

(Rupees in crores)

<b>I.</b>	<b>Revenue Receipts -</b>	<b>546.26</b>
(i)	Tax Revenue	18.93
(ii)	Non-Tax Revenue	332.16
(iii)	State's Share of Union Excise Duties	36.62
(iv)	Non-Plan Grants	18.45
(v)	Grants for State Plan Schemes	118.22
(vi)	Grants for Central and Centrally Sponsored Plan Schemes	21.88

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546.26  
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## Disbursements for the year 1994-95

### Revenue

### DISBURSEMENTS

		(Rupees in crores)		
		Non-Plan	Plan	Total
<b>I.</b>	<b>Revenue Expenditure-Sector</b>			
(i)	General Services	368.48	0.67	369.15
(ii)	Social Services	46.18	28.78	74.96
(iii)	Agriculture and Allied Activities	10.75	25.77	36.52
(iv)	Rural Development	0.24	2.40	2.64
(v)	Irrigation and Flood Control	0.47	2.41	2.88
(vi)	Energy	9.53	1.08	10.61
(vii)	Industry and Minerals	1.31	1.60	2.91
(viii)	Transport	22.33	0.95	23.28
(ix)	Science, Technology and Environment	--	0.75	0.75
(x)	General Economic Services	0.91	1.81	2.72
		-----	-----	-----
		460.20	66.22	526.42
<b>II. Revenue Surplus Carried over to Section B</b>				19.84
				-----
				<b>546.26</b>
				-----

## SECTION B

<b>II.</b>	<b>Opening Cash Balance including permanent advance and cash balance investment</b>	<b>17.64</b>
<b>III.</b>	<b>Recoveries of Loans and Advances</b>	<b>2.16</b>
	(i) From Government Servants	0.40
	(ii) From Others	1.76
<b>IV.</b>	<b>Revenue Surplus brought down</b>	<b>19.84</b>
<b>V.</b>	<b>Contingency Fund</b>	<b>0.03</b>
<b>VI.</b>	<b>Public Debt Receipts</b>	<b>30.36</b>
	(i) Internal Debt other than ways and Means Advances	14.27
	(ii) Loans and Advances from Central Government	16.09
<b>VII.</b>	<b>Public Account Receipts</b>	<b>349.44</b>
	(i) Small Savings, Provident Funds, etc.	11.80
	(ii) Suspense and Miscellaneous	206.53
	(iii) Remittances	121.73
	(iv) Deposits and Advances	6.38
	(v) Reserve Funds	3.00

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**419.47**  
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**- OTHERS**

<b>III</b>	<b>Capital Outlay-Sector</b>		66.78
(i)	General Services	3.24	
(ii)	Social Services	21.50	
(iii)	Agriculture and Allied Services	1.82	
(iv)	Industry and Minerals	2.59	
(v)	Energy	21.65	
(vi)	Transport	15.05	
(vii)	General Economic Services	0.93	
<b>IV.</b>	<b>Loans and Advances disbursed</b>		0.92
(i)	To Government Servants	0.53	
(ii)	To others	0.39	
<b>V.</b>	<b>Contingency Fund</b>		Nil
<b>VI.</b>	<b>Repayment of Public Debt</b>		7.26
(i)	Internal Debt other than Ways and Means Advances	2.96	
(ii)	Repayment of Loans and Advances to Central Government	4.30	
<b>VII.</b>	<b>Public Account Disbursements</b>		324.67
(i)	Small Savings, Provident Funds, etc.	6.15	
(ii)	Suspense and Miscellaneous	194.90	
(iii)	Remittances	114.86	
(iv)	Deposits and Advances	6.54	
(v)	Reserve Funds	2.22	
<b>VIII.</b>	<b>Cash Balance at end</b>		19.84
(i)	Cash Balance deposits with other banks	18.07	
(ii)	Departmental cash balance including permanent advance & Cash Balance Investment	1.77	

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**419.47**  
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**Statement III - Sources and Application****Sources**

(Rupees in crores)

1.	Revenue Receipts	546.26
2.	Increase in Public Debt	23.10
3.	Effect on Contingency Fund	0.03
4.	Recoveries from Loans and Advances	2.16
5.	Net receipts from Public Account	24.77
	Increase in Small Savings	5.64
	Suspense and Miscellaneous balances	11.63
	Effect on Remittance Balances	6.87
	Increase in Deposits and Advances	(-) 0.15
	Increase in Reserve Fund	0.78

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**596.32**  
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**of Funds for 1994-95****Application**

(Rupees in crores)

1.	Revenue Expenditure	526.42
2.	Capital Outlay	66.78
3.	Lending for development and other programmes	0.92
4.	Increase in closing cash balance including permanent advance, departmental cash balance and cash balance investment	2.20

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**596.32**

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**Explanatory Notes**

1. The summarised financial statement is based on the statements of the Finance Accounts and Appropriation Accounts of the State Government and are subject to the notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Thus, items payable or receivable or items like depreciation or variation in stock, fixtures etc. do not figure in the accounts.
3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.
4. There was an unreconciled difference of Rs. 10.52 crores (net debit) between the figures reflected in the accounts and those reported by the State Bank of Sikkim under cash balance. The discrepancy is under reconciliation.
5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that the cumulative position of such surplus or deficit is not ascertainable. The balancing figure of Rs. 49.70 crores as on 31 March 1983 was, therefore, treated as surplus for drawing up the first statement of financial position for 1983-84 which took the place of a Balance Sheet.

Based on the foregoing statements and other supporting data, the following paragraphs present an analysis of the management of the finances of the State Government during the year 1994-95.



## 1.2 Assets and liabilities of the State Government

The assets, comprising capital investments and loans and advances and the total liabilities of the State Government during 1990-95 were as follows:-

Year	Assets (Rupees in crores)	Liabilities
1990-91	381.40	144.75
1991-92	434.12	170.13
1992-93	492.28	198.70
1993-94	552.04	222.44
1994-95	624.95	275.51

**Assets and Liabilities of the State**  
(Rupees in crores)



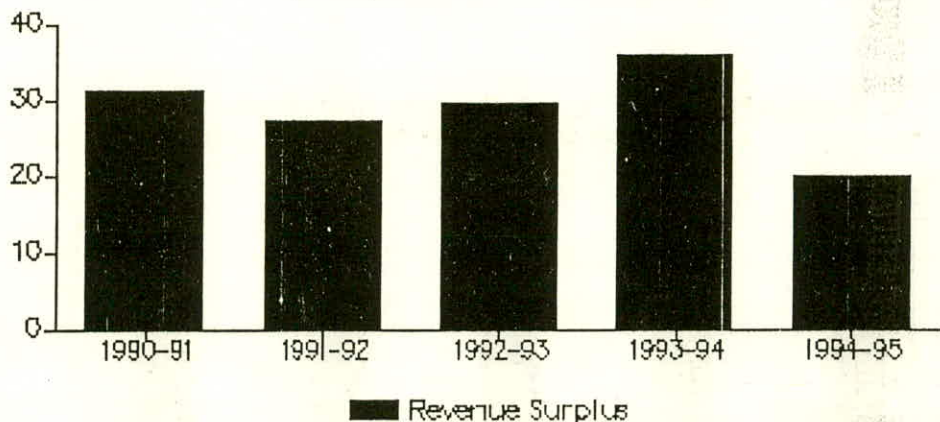
While the assets have grown by 64 per cent during the five years ending 1994-95, the increase in liabilities during the same period was 90 per cent.

## 1.3 Revenue surplus

The revenue receipts, revenue expenditure and surplus during the last five years were as follows:-

Year	Revenue receipts ( Rupees in crores )	Revenue expenditure	Revenue surplus
1990-91	159.52	128.14	31.38
1991-92	182.44	155.10	27.34
1992-93	209.32	179.73	29.59
1993-94	224.93	188.91	36.02
1994-95	546.26	526.42	19.84

### Revenue Surplus (Rupees in crores)



By the end of 1994-95, the revenue receipts had increased by 242 per cent over 1990-91 as against the growth of 311 per cent in revenue expenditure during the same period.

The revenue surplus as envisaged in the budget estimates and revised estimates and the actuals during the period from 1990-91 to 1994-95 are given below:-

Year	<u>Revenue Surplus</u>		Actuals
	Budget	Revised	
	estimates (Rupees in crores)	estimates	
1990-91	28.85	28.03	31.38
1991-92	39.05	29.39	27.34
1992-93	47.52	46.01	29.59
1993-94	45.60	28.30	36.02
1994-95	48.67	36.32	19.84

#### 1.4 Revenue receipts

##### (a) Budget estimates and actuals

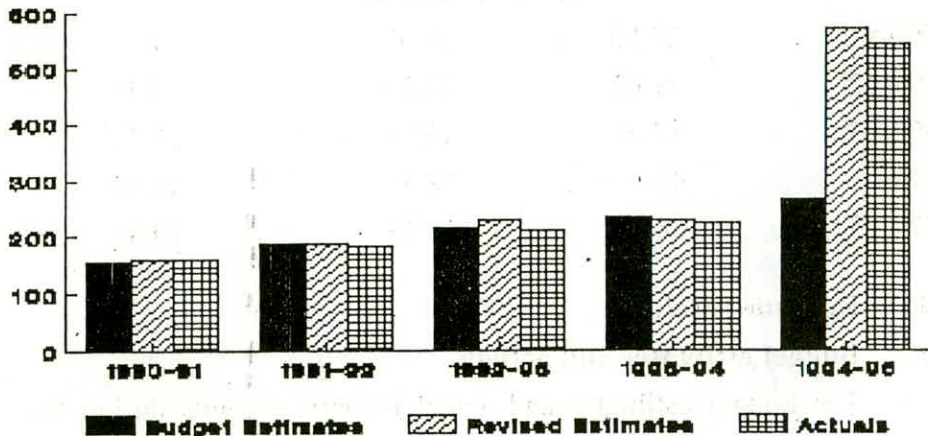
The budget estimates and actual revenue receipts during the last five years ending 1994-95 are given below:-

Year	Budget estimates	Revised estimates	Actuals	Percentage increase(+) /shortfall (-) in revenue receipts over the previous year
------	------------------	-------------------	---------	--

(Rupees in crores)

1990-91	157.11	162.23	159.52	(+) 19
1991-92	189.20	188.70	182.44	(+) 14
1992-93	215.55	230.59	209.32	(+) 15
1993-94	232.04	229.32	224.93	(+) 7
1994-95	263.73	572.38	546.26	(+) 143

### Revenue Receipts (Rupees in crores)



The sharp increase in the year 1994-95 was on account of gross amount of lottery receipt of Rs. 312.91 crores.

(b) The position of revenue raised by the State and of the State's share of Union Excise Duties and grants received from the Government of India was as follows:

1990-91 1991-92 1992-93 1993-94 1994-95  
(Rupees in crores)

I. Revenue raised  
by the State  
Government

(a) Tax Revenue	15.30	15.44	16.27	20.89	18.93
(b) Non-Tax Revenue	26.69	28.64	30.92	27.55	332.16
Total:	41.99	44.08	47.19	48.44	351.09

1990-91 1991-92 1992-93 1993-94 1994-95  
(Rupees in crores)

II. Receipts from  
Govt. of India

(a) State's share  
of Union

	1990-91	1991-92	1992-93	1993-94	1994-95
Excise duties	21.20	25.49	36.06	36.03	36.62
(b) Grants-in-aid	96.33	112.87	126.07	140.46	158.55
Total:	117.53	138.36	162.13	176.49	195.17

(b) Grants-in-aid

Total:

III. Total receipts  
of the State -  
Govt. (I+II)

(Revenue Account)

IV. Percentage  
of revenue  
raised to the  
total receipts

26 24 23 22 64

V. Percentage of  
receipts from  
Government of  
India to revenue  
receipt

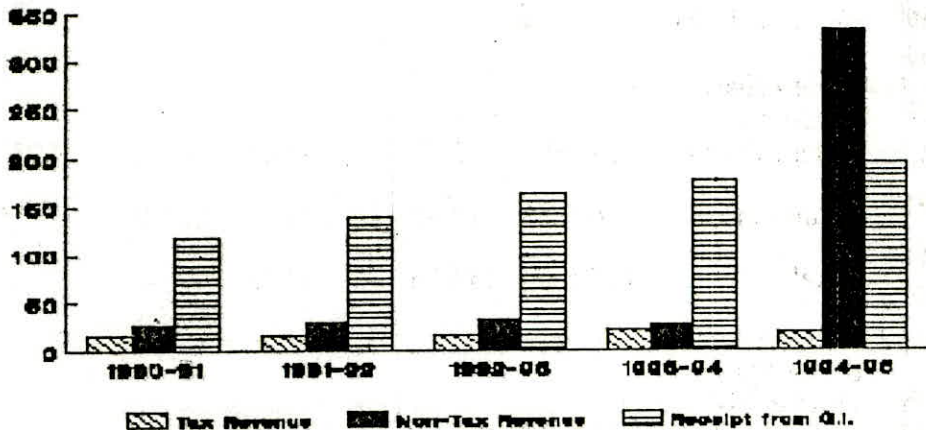
74 76 77 78 36

VI. Percentage of  
receipt from  
Government of  
India to total  
revenue expen-  
diture

92 89 90 93 37



## Analysis of Revenue Receipts (Rupees in crores)



The revenue receipts of the State Government increased by 242 per cent from Rs.159.52 crores in 1990-91 to Rs.546.26 crores in 1994-95. While tax revenue raised by the State Government increased by 24 per cent from Rs.15.30 crores in 1990-91 to Rs.18.93 crores in 1994-95, the non-tax revenue (after excluding the expenditure towards lotteries) decreased by 28 per cent from Rs. 26.69 crores in 1990-91 to Rs. 19.25 crores in 1994-95.

As in previous years, a part of the amounts released by the Government of India towards grant-in-aid and State's share of Union Excise Duties was not credited to Government Account during 1994-95 by the State Government. The amount held back during 1994-95 was Rs. 7.39 crores. In addition, amounts aggregating Rs. 4.72 crores relating to 1987-88 (Rs. 0.33 lakh), 1988-89 (Rs. 2.90 lakhs), 1990-91 (Rs. 255.88 lakhs), 1991-92 (Rs. 163.40 lakhs) and

1992-93 (Rs. 49.47 lakhs) were held back till the end of 1994-95. Rs. 4.87 crores pertaining to the year 1993-94 were credited during the year 1994-95.

**(c) Tax Revenue**

The projection of IX Finance Commission in respect of tax revenue and the actual realisation by the Government during 1990-91 to 1994-95 were as follows:

Year	Projection of IX Finance Commission	Actuals	Percentage of actual growth
-----	-----	-----	-----
	( Rupees in crores )		
1990-91	12.34	15.30	(-)4
1991-92	13.76	15.44	1
1992-93	15.35	16.27	5
1993-94	17.12	20.89	28
1994-95	19.11	18.93	(-)9
Total	77.68	86.83	

The Finance Commission had applied a growth rate of 11.5 per cent in respect of tax revenue whereas the actual growth rates of tax revenue varied between (-)9 and 28 per cent over a period of five years. The decline in collection of tax revenue was mainly due to decrease of revenue under 'Taxes on income other than corporation tax', State Excise and Land Revenue.

**(d) Non-Tax Revenue**

The receipts on account of Non-tax revenue during 1990-91 to 1994-95 as compared to the projections of Finance Commission were as follows:

		(Rupees in crores)							
1990-91	0.33	0.37	7.48	8.18	2.78	1.06	22.55	26.69	
1991-92	0.34	0.40	8.26	9.00	2.31	0.96	25.37	28.64	
1992-93	0.34	0.43	9.14	9.91	1.30	0.57	29.05	30.92	
1993-94	0.35	0.46	10.11	10.92	0.91	0.15	26.49	27.55	
1994-95	0.37	0.49	11.18	12.04	0.35	0.67	331.14	332.16	
Total	1.73	2.15	46.17	50.05	7.65	3.41	434.90	445.96	

It was further noticed that the actual interest receipts of Rs. 7.65 crores for the years 1990-91 to 1994-95 was on investment of cash balances. The interest receipts from institutions was nil though the Finance Commission projected Rs. 1.73 crores for the year 1990-91 to 1994-95.

(a) The revenue expenditure (Plan) during 1994-95 was Rs. 66.22 crores against the budget provision of Rs. 81.74 crores (including supplementary) disclosing a shortfall of Rs. 15.52 crores in Plan expenditure. The non-Plan revenue expenditure was Rs. 460.20 crores against the budget provision of Rs. 464.49 crores (including

(a) The revenue expenditure (Plan) during 1994-95 was Rs. 66.22 crores against the budget provision of Rs. 81.74 crores (including supplementary) disclosing a shortfall of Rs. 15.52 crores in Plan expenditure. The non-Plan revenue expenditure was Rs. 460.20 crores against the budget provision of Rs. 464.49 crores (including



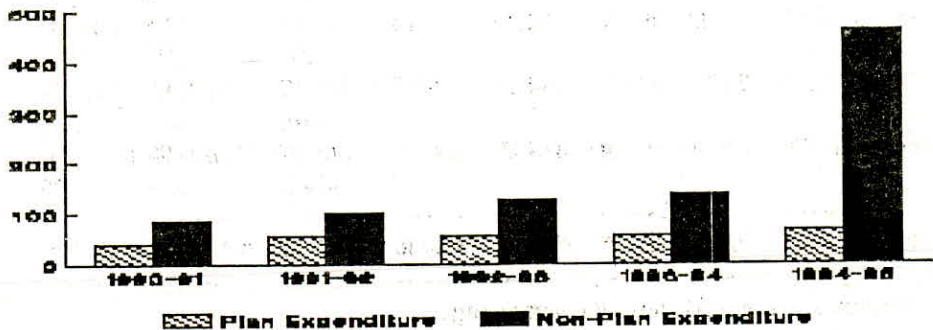
supplementary) disclosing a savings of Rs. 4.29 crores. The main reasons for the variations in expenditure are given in Chapter II of this Report. Further details wherever furnished by the State Government, are available in the Appropriation Accounts of the State Government for 1994-95.

(b) The following table gives the expenditure under Plan and non-Plan during the five years from 1990-91 to 1994-95 together with percentage to the total revenue expenditure:

Year	Total revenue expenditure	Plan expenditure	Percentage to the total revenue expenditure-	Non-Plan expenditure	Percentage to the total revenue expenditure
	(Rupees in crores)			(Rupees in crores)	
1990-91	128.14	40.88	32	87.26	68
1991-92	155.10	53.23	34	101.87	66
1992-93	179.73	56.68	32	123.05	68
1993-94	188.91	52.96	28	135.95	72
1994-95	526.42	66.22	13	460.20	87
	(219.88)	(-)	(30)	(153.66)	(70)

(Figures in brackets indicate the position after adjustment of expenditure on lotteries)

**Growth of Revenue Expenditure**  
(Rupees in crores)





It would be seen that the Plan expenditure has declined from 32 per cent of the total revenue expenditure during 1990-91 to 13 per cent (30 per cent after adjustment of expenditure on lotteries) during 1994-95. The expenditure under Non-Plan has, however, increased by 19 per cent (2 per cent after adjustment of expenditure on lotteries) during the last five years.

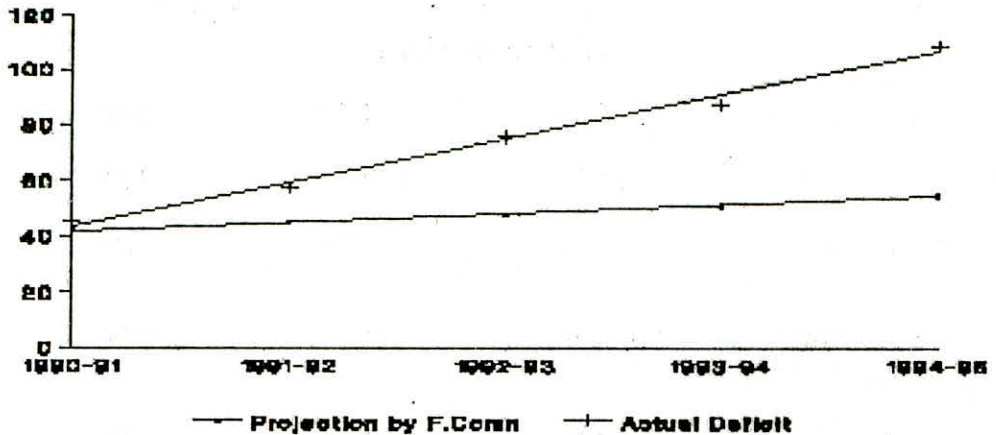
**(c) Non-plan Revenue expenditure**

The Non-plan revenue expenditure inclusive of interest payment, deficits/surplus against the receipts forecast by the Finance Commission and the actuals thereagainst were as follows:

Year	Interest payments		Other Non-plan expenditure		Total Non-plan expenditure		Deficit(-)	
	Finance Commn.	Actual	Finance Commn.	Actual	Finance Commn.	Actual	Finance Commn.	Actual
				(Rupees in crores)				
1990-91	8.75	10.44	54.01	76.82	62.76	87.26 (16)	(-)42.24 (8)	(-)45.27 (17)
1991-92	9.80	14.88	57.90	86.99	67.70	101.87 (17)	(-)44.94 (6)	(-)57.79 (28)
1992-93	10.98	18.92	62.16	104.13	73.14	123.05 (21)	(-)47.88 (7)	(-)75.86 (31)
1993-94	12.30	21.72	66.77	114.23	79.07	135.95 (10)	(-)51.03 (7)	(-)87.51 (15)
1994-95	13.78	26.13	72.21	434.07	85.99	460.20 (239)	(-)54.84 (7)	(-)109.11 (25)
Total	55.61	92.09	313.05	816.24	368.66	908.33	(-)240.93	(-)375.54

(The figures in brackets shows the percentages)

### Growth of Revenue Deficit (Rupees in crores)



The Finance Commission forecast 7 per cent growth in Non-plan revenue expenditure aggregating Rs. 368.66 crores during 1990-95 whereas the actual expenditure was Rs. 908.33 crores with annual growth ranging from 10 to 239 per cent.

Further the total deficit for 1990-95 on Non-plan account was Rs. 375.54 crores as against the projection of Rs. 240.93 crores resulting in 56 per cent increase in deficits. It was also noticed that as against the projected annual growth between 6 and 8 per cent per annum, the actual annual growth in deficits was in between 15 and 31 per cent.

(d) The following table shows the details of non-Plan revenue expenditure other than interest payments, where the increase over the period of five years has been significant:

Department	1990-91	1994-95	Percentage increase 1994-95 1990-91
(Rupees in lakhs)			
1. Income Tax and Sales Tax	16.69	34.57	107
2. Excise	26.77	109.17	300
3. Taxes on Vehicles	5.26	9.93	89
4. Miscellaneous General Service	2993.76	30633.66	924
5. Urban Development	30.36	56.14	85
6. Relief on account of Natural Calamities	125.93	357.84	184
7. Dairy Development	3.67	8.75	138
8. Census Surveys and Statistics	4.21	11.04	162
9. Labour and Labour Employment	6.45	24.97	287
10. Police	691.39	1426.05	106

### 1.6 Capital expenditure

The capital expenditure during the period from 1990-91 to 1994-95 was as follows:



Year	Capital expenditure ( Rupees in crores )	Percentage of growth over the previous year
1990-91	50.38	8
1991-92	68.31	36
1992-93	63.64	(-) 7
1993-94	67.28	6
1994-95	66.78	(-) 1

There was a decrease in capital expenditure by 1 per cent during 1994-95; the same fell short by Rs. 11.16 crores (14 per cent) of the budget provision of Rs. 77.94 crores (revised).

#### **1.7 (a) Public Debt and other liabilities**

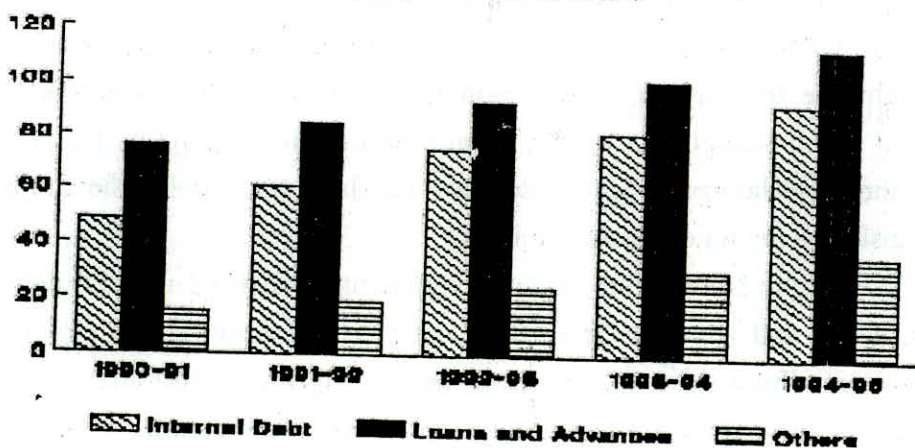
Under Article 293(I) of the Constitution, a State may borrow within the territory of India, upon the security of its Consolidated Fund within such limits as may from time to time be fixed by the Act of the Legislature of State. No Law has been passed by the State Legislature laying down such a limit.

Public Debt of the State Government consists of internal debt and loans and advances from the Central Government. Internal debt comprises long-term loans raised in the open market and loans received from financial institutions, etc. This also includes ways and means advances and bonds issued by the State Government. Loans and advances from the Central Government represent loans received from the Government of India for execution of various Plan and non-Plan schemes. Besides, the Government has other liabilities on account of funds raised through small savings, provident funds etc. The details of total liabilities of the State Government during the five years ending March 1995 are given below:



Year	Internal Debt	Loans and Advances from the Central Government	Total Public Debt	Small Savings Provident Funds etc	Total liabilities
(Rupees in crores)					
1990-91	48.63	76.23	124.86	15.62	140.48
1991-92	60.56	84.40	144.96	19.42	164.38
1992-93	74.54	92.68	167.22	25.20	192.42
1993-94	81.27	101.82	183.09	31.84	214.93
1994-95	92.59	113.60	206.19	37.48	243.67

**Public Debt**  
(Rupees in crores)



It would be seen that while the total liabilities of Government had increased by 73 per cent from Rs. 140.48 crores in 1990-91 to Rs. 243.67 crores in 1994-95, internal debt had increased 90 per cent from Rs. 48.63 crores to Rs. 92.59 crores during the same period.

**(b) Debt Service**

The outflow of funds on account of payment of interest during the five years ending 1994-95 are indicated below :

Year	Interest payments	Opening balance of			Total	Percentage of interest payments to total obli- revenue gation expndr.	
		Internal debt	Small Savings, Provident funds, etc.	Loans and advances from the Central Govt.			
( Rupees in crores )							
1990-91	10.44	33.34	12.51	66.88	112.73	9	8
1991-92	14.88	48.63	15.62	76.23	140.48	11	10
1992-93	18.92	60.56	19.42	84.40	164.38	12	11
1993-94	21.72	74.54	25.20	92.68	192.42	11	12
1994-95	26.13	81.28	31.84	101.82	214.94	11	5(12)

Thus the outflow of funds for payment of interest decreased from 8 per cent in 1990-91 to 5 per cent in 1994-95.

The interest received on all accounts was Rs. 0.35 crore while the interest paid on debt and other obligations was Rs. 26.13 crores leaving a net interest burden of Rs. 25.78 crores.

The repayment of Government of India loans and payment of interest thereon during last five years was as below:

Year	Repay-ment of principal	Interest paid	Total	Loans received during the year	Percentage of repayment to loans received
(Rupees in crores)					
1990-91	2.99	5.13	8.12	12.33	66
1991-92	3.30	7.56	10.86	11.48	95
1992-93	3.54	8.81	12.35	11.82	104
1993-94	3.92	9.38	13.30	13.05	102
1994-95	4.30	10.71	15.01	16.09	93

It would be seen that an amount equivalent to 93 per cent of the loans received in 1994-95 was utilised for discharge of the previous years' liabilities towards principal and interest thereon.

### **1.8 Ways and means advances**

An amount of Rs. 1.15 crores received from the Central Government towards Ways and Means advances in the year 1983-84 could not be adjusted in the accounts for want of advice from the State Government.

### **1.9 Investment and returns**

The total investment of the Government in statutory corporations, Government companies and public sector undertakings was Rs. 23.16 crores at the end of 1994-95. The details of amounts invested and the dividend received thereagainst during the last five years are given below :-

Year	Amount invested during the year	Total investment upto the end of the year	Dividend received	Percentage of dividend/interest received to total investment
( Rupees in Crores )				
1990-91	3.38	14.19	1.06	7
1991-92	1.98	16.17	0.96	6
1992-93	1.99	18.16	0.57	3
1993-94	2.52	20.68	0.15	1
1994-95	2.48	23.16	0.67	3

During the year 1994-95, only Rs. 0.67 crore were received towards dividends. While the total investment rose by 63 per cent over

the years from 1990-91 to 1994-95 the dividend earned decreased sharply from 7 per cent in 1990-91 to 3 per cent in 1994-95.

### 1.10 Loans and Advances by the State Government

The State Government has been advancing loans to Government companies, corporations, autonomous bodies, co-operatives, non-Government institutions etc. for developmental and non-developmental activities. The position of such loans during the five years 1990-95 is given below:

Year	Open ing bala- nce	Advan- ce during the year	Recover- ed during the year	Clos- ing bala- nce	Net addi- tion	Inter- est recei- ved	Net receipts from long- term borrow- ings
( Rupees in crores )							
1990-91	8.86	1.43	0.22	10.07	1.21	*	24.62
1991-92	10.85	0.42	0.30	10.97	0.12	nil	19.94
1992-93	10.97	2.39	2.29	11.06	0.10	nil	22.27
1993-94	11.06	0.63	1.15	10.54	(-)0.52	nil	15.87
1994-95	10.54	0.92	2.16	9.30	(-)1.24	nil	23.10

\* Rs. 75 only.

The net loans and advances disbursed during each of the 3 years 1990-91 to 1992-93 constituted 5, 1 and 0.4 per cent respectively of the net receipts from long term borrowings of the State Government. During 1993-95, however, the recoveries were more than the disbursements of loans.

### 1.11 Guarantees given by Government

Guarantees upto a maximum of Rs. 10 lakhs each were given



by the State Government to the State Bank of Sikkim in August 1975 and July 1976 in respect of advances (overdraft) made by the Bank to the Sikkim Mining Corporation and Sikkim Consumers' Co-operative Society respectively. Further guarantee for Rs. 363 lakhs was given to Sikkim Vanaspati Ltd. No guarantee was invoked during the year.

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

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
2.1	<i>General</i>	33
2.2	<i>Results of Appropriation Audit</i>	33-37
2.3	<i>Unutilised provisions and persistent savings</i>	37-40
2.4	<i>Trend of recoveries and credits</i>	40
2.5	<i>Injudicious / irregular / inadequate reappropriations</i>	41
2.6	<i>Non-receipt of explanation for savings / excess</i>	41



## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 General

The summarised position of actual expenditure during 1994-95 against grants/ appropriations@ is given below:-

	Original grant/ appro- priation	Supple- mentary grant/app- ropriation (Rupees in crores)	Total	Actual expendi- ture	Saving
<b>I. Revenue</b>	196.66	321.09	517.75	503.89	13.86
Voted					
Charged	26.25	1.40	27.65	27.20	0.45
<b>II. Capital</b>					
Voted	73.94	4.00	77.94	67.17	10.77
<b>III. Public Debt</b>					
Charged	6.51	0.80	7.31	7.26	0.05
<b>IV. Loans and Advances</b>					
Voted	0.57	Nil	0.57	0.53	0.04
	<u>303.93</u>	<u>327.29</u>	<u>631.22</u>	<u>606.05</u>	<u>25.17</u>

#### 2.2 Results of Appropriation Audit

The overall saving of Rs. 25.17 crores was the net result of saving in 53 cases of grants/appropriations and excess in 19 cases of grants appropriations as shown below:-

---

@ In a demand, the grants are voted and appropriations are charged.



	Savings		Excesses		Net Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
( Rupees in crores )						
<b>Voted</b>	14.58 (in 37 grants)	10.95 (in 11 grants)	0.72 (in 16 grants)	0.14 (in 2 grants)	13.86	10.81
<b>Charged</b>	0.51 (in 4 appro- priations)	0.05 (in 1 appro- priation)	0.06 (in 1 appro- priation)	Nil	0.45	0.05

**Total Savings**

25.17

The supplementary grants/appropriations of Rs. 327.29 crores obtained during 1994-95 constituted 108 per cent of the original grants/appropriations, as against 6 per cent in the preceding year. This was due mainly to provision of supplementary grants for State Lotteries under grant No. 20 - Miscellaneous General Services.

**2.2.1(a) Excess over grants/appropriations**

In the Revenue section, there was an excess of Rs. 72,26,834 in 16 grants and Rs. 6,00,320 in 1 appropriation while the excess in the Capital Section was Rs. 14,17,332 in 2 grants as detailed below:

	Number and name the grant/appro- priation	Amount of grant/appro- priation ( In rupees )	Actual expen- diture	Excess
<b>Revenue- Voted</b>				
2.	Council of Ministers	1,43,41,000	1,43,70,499	29,499
4.	Election	1,48,85,000	1,48,91,217	6,217
6.	Land Revenue	98,50,000	99,15,765	65,765
9.	Taxes on Vehicles	9,91,000	9,92,928	1,928
15.	Jails	18,30,000	18,72,654	42,654

16. Stationery and Printing	1,08,20,000	1,08,32,471	12,471
18. Other Admn. Services	2,12,52,000	2,15,00,974	2,48,974
20. Miscellaneous General Services.	306,22,40,000	306,53,66,363	31,26,363
21. Education	38,81,65,000	38,92,79,565	11,14,565
23. Art and Culture	69,50,000	70,62,782	1,12,782
25. Water Supply and Sanitation	5,25,45,000	5,31,11,755	5,66,755
26. Urban Development	1,54,60,000	1,68,98,355	14,38,355
33. Secretariat Social Service	17,45,000	17,64,481	19,481
35. Soil and Water Conservation	3,60,50,000	3,61,12,778	62,778
36. Animal Husbandry	3,87,33,000	3,91,05,270	3,72,270
42. Co-operation	1,26,22,000	1,26,27,977	5,977
<b>Total</b>	<b>368,84,79,000</b>	<b>3,69,57,05,834</b>	<b>72,26,834</b>

#### Revenue- Charged

3. Administration of Justice	46,00,000	52,00,320	6,00,320
<b>Total</b>	<b>46,00,000</b>	<b>52,00,320</b>	<b>6,00,320</b>

#### Capital- Voted

26. Urban Development	50,00,000	64,03,024	14,03,024
38. Fisheries	12,00,000	12,14,308	14,308
<b>Total</b>	<b>62,00,000</b>	<b>76,17,332</b>	<b>14,17,332</b>
<b>Grand Total</b>	<b>3,69,92,79,000</b>	<b>3,70,85,23,486</b>	<b>92,44,486</b>

The excess of Rs. 3.79 lakhs under 25 - Water Supply and Sanitation has been attributed to increase in the rate of Interim Relief and payment of arrears of Dearness Allowances and Leave encashment etc.

Reasons for the remaining excesses under grants/appropriation have not been intimated by the concerned departments.

The excess requires regularisation under Article 205 of the Constitution.

**(b) Persistent Excesses**

Persistent Excesses were noticed in the following two grants during the last three years.

Sl. No.	Number and name of the Grant/ Appropriation	Excesses		
		1992-93	1993-94	1994-95
		(Rupees in lakhs)		
<b>Revenue Voted</b>				
1.	23. Art and Culture	0.32 (1)	1.86 (3)	1.13 (2)
2.	26. Urban	8.89 (9)	5.39 (5)	14.38 (9)

(Figures in brackets indicate percentages)

**(c) Delay in regularisation of excesses of earlier years**

The excesses incurred in grants/appropriations during the years from 1990-91 to 1993-94 amounting Rs. 6.16 crores\* mentioned in the Reports of the Comptroller and Auditor General of India for the respective years have not been regularised as of September 1995. Explanatory notes for such excesses have not been received from the Government.

**2.2.2** Supplementary provisions of Rs. 2.63 crores obtained in 7 grants as detailed in Appendix I, proved wholly unnecessary since the actual expenditure during the year was less than even the original

\* 1989-90 : Rs. 0.80 crore, 1990-91: Rs. 0.47 crore, 1991-92: Rs. 1.73 crores, 1992-93: Rs. 1.63 crores, and 1993-94: 1.53 crores.



provision. In 4 appropriations and 14 grants (Appendix II), the supplementary grants of Rs. 10.92 crores obtained proved excessive in view of the final savings of Rs. 4.51 crores.

In 10 grants (Appendix III), supplementary provisions of Rs. 312.27 crores obtained proved insufficient leaving an aggregate uncovered excess of Rs. 0.71 crore.

### 2.3(a) Unutilised Provisions

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

Number and name of the grant/ appropriation	Amount of saving (percentage of saving to total provision) (Rupees in lakhs)	Reasons for savings
<b><u>Revenue- Voted</u></b>		
8. Excise (Abkari) Services	86.12 (44)	Due to decision of the Government to defer the payment.
17. Public Works (Bldg)	161.35 (17)	Saving of Rs. 1.39 lakhs has been attributed to economy of expenditure imposed by Govt. and Rs.62.70 lakhs due to purchase of materials directly from works. Reasons for saving of balance amount has not been intimated (September 1995).
28. Social Security and Welfare	50.96 (14)	Not intimated (September 1995).
31. Relief on account of Natural Calamities	77.99 (13)	Savings of Rs. 58.61 lakhs was due to non-allocation of calamity relief fund.



37. Dairy Development	106.47 (40)	Due to non-receipt of Central share under the centrally sponsored scheme of Integrated Dairy Project.
40. Other Agricultural Programme	22.17 (11)	Anticipated savings of Rs. 7.70 lakhs has been attributed to (i) non-availability of specific /recommended minkit seeds (0.03 lakh) and (ii) less amount of administrative sanction from Govt. of India (Rs. 1.23 lakhs) and (iii) reduction in amount of productivity award and inability to conduct additional crop competition owing to lack of execution time and also due to non-availability of recommended implements in Sikkim thereby no claims for incentive / subsidies (Rs. 6.17 lakhs). Reasons for the saving of balance amount has not been intimated(September 1995).
48. Roads and Bridges	476.01 (31)	Savings of Rs. 400.93 lakhs were due to non-receipt of details of expenditure from Border Roads Organisation. Reasons for balance amount of savings were not intimated (September 1995).
50. Other Scientific Research	21.07 (22)	Not intimated (September 1995).
52. Tourism	83.77 (34)	Not intimated (September 1995).

### Capital- voted

41 Food storage and Warehousing	10.99 (34)	Not intimated (September 1995).
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46 Industries	79.62 (20)	Saving of Rs. 72.61 lakhs has been attributed to non-disbursement of loans to different units. The reasons for the saving of balance amount has not intimated (September 1995).
48 Roads and Bridges	873.47 (39)	Due to non-receipt of expenditure statement from Border Roads Organisation.

### 2.3 (b) Persistent Savings

Persistent savings of 10 per cent and above were noticed in the following cases during the last three years:-

Sl. No.	Grant/ appropriation	Savings		
		1992-93	1993-94	1994-95
(Rupees in lakhs)				
(Percentage to the total provision in brackets)				
Revenue- Voted				
1.	7- Stamps and Registration	0.25 (50)	0.50 (100)	0.50 (100)
2.	14- Police	101.80 (9)	66.05 (5)	28.48 (2)
3.	17- Public Works (Buildings)	46.80 (5)	50.56 (6)	161.35 (16)
4.	31- Relief on account of Natural Calamities	315.67 (52)	146.67 (24)	77.99 (13)
5.	37- Dairy Development	27.87 (44)	232.26 (87)	106.47 (40)
6.	45- Power	21.70 (2)	19.00 (2)	23.54 (2)
7.	48- Roads and Bridges	343.15 (26)	365.65 (26)	476.01 (31)
8.	50- Other Scientific Research	19.10 (22)	29.30 (26)	21.07 (22)

9. 53- Aid Materials and Equipments	0.05 (100)	0.05 (100)	0.05 (100)
<b>Capital- Voted</b>			
10. 17 - Public Works (Buildings)	891.25 (44)	196.27 (10)	108.24 (6)
11. 46 - Industries	412.78 (48)	22.75 (8)	79.62 (20)
12. 48 -Roads & Bridges	1204.30 (48)	1205.01 (48)	873.47 (39)
13. 54-Loans to Government Servants	14.80 (34)	12.26 (21)	3.75 (7)

#### 2.4 Trend of recoveries and credits

Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. During 1994-95, such receipts and recoveries anticipated were Rs. 7.85 crores (Revenue) and the actuals were Rs. 4.67 crores as detailed below:-

Number and name of the grant	Budget estimate (Rupees in lakhs)	Actuals	Excess(+)/ Shortfall(-)
17-Public Works (Buildings)	325.00	145.22	(-)179.78
26- Urban Development	Nil	0.33	(+)0.33
31- Relief on account of Natural Calamities	300.00	222.01	(-)77.99
44- Irrigation and Flood Control	60.00	27.04	(-)32.96
45- Power	20.00	32.33	(+)12.33
48- Roads and Bridges	80.00	40.30	(-)39.70
	----- 785.00 -----	----- 467.23 -----	----- (-)317.77 -----



## **2.5 Injudicious/irregular/inadequate reappropriations**

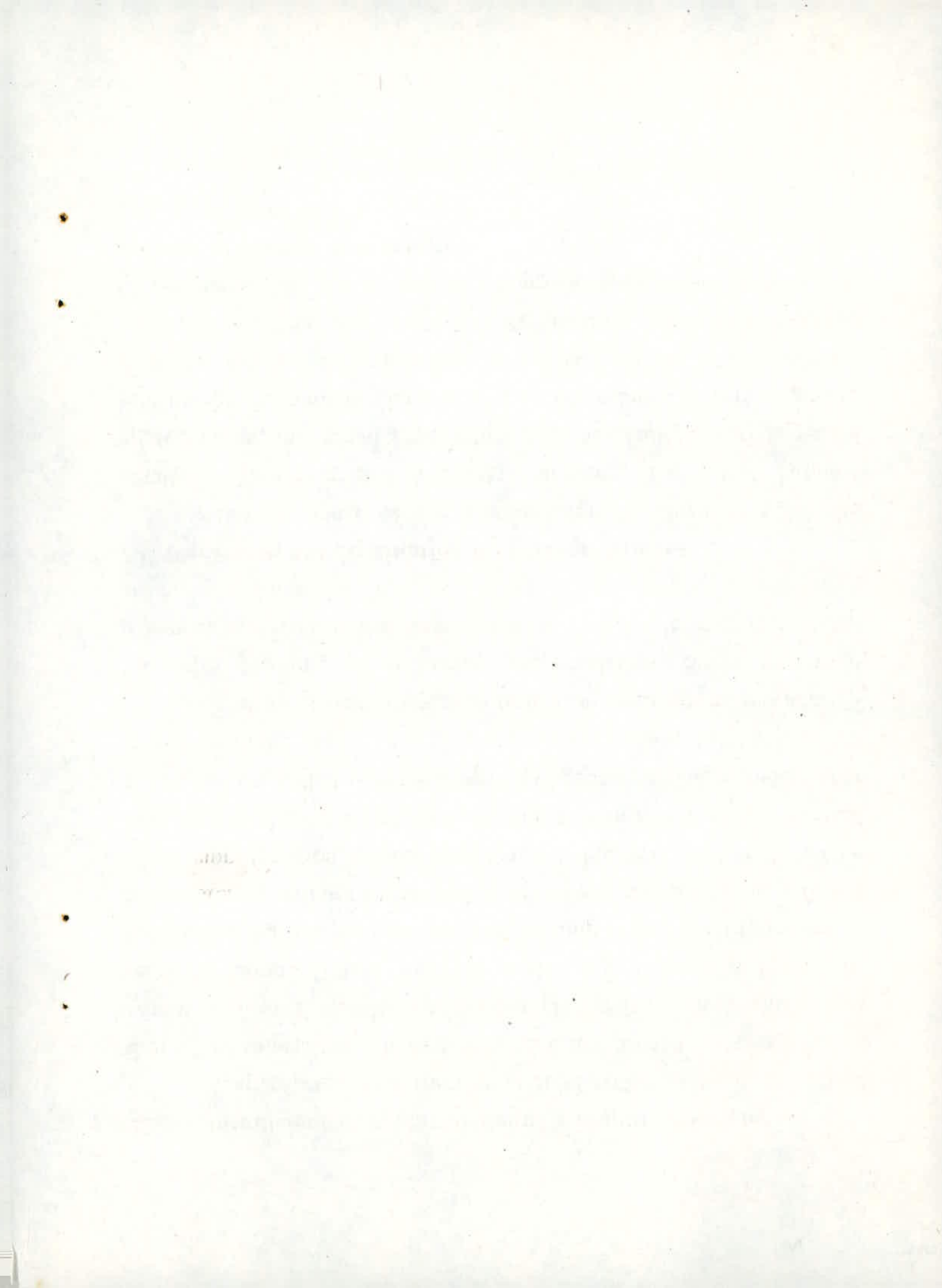
Reappropriation is transfer of fund within a grant, from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. Financial Rules enjoin that reappropriation of fund shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount. Further, fund shall not be reappropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.

Scrutiny of reappropriation orders revealed non-observance of the rules resulting in incorrect reappropriation. Some important instances involving injudicious/ irregular/ inadequate reappropriations are given in Appendix IV.

## **2.6 Non-receipt of explanation for savings/excesses**

After the close of the accounts for the financial year, the detailed Appropriation Accounts showing the final grants/ appropriation, the actual expenditure and the resultant variations are sent by the Accountant General to the Controlling Officers requiring them to explain the variations. In regard to the Appropriation Accounts for the year 1994-95, explanations were not received (September 1995) for 12 out of 54 grants/ appropriations in which excesses or savings were reported.

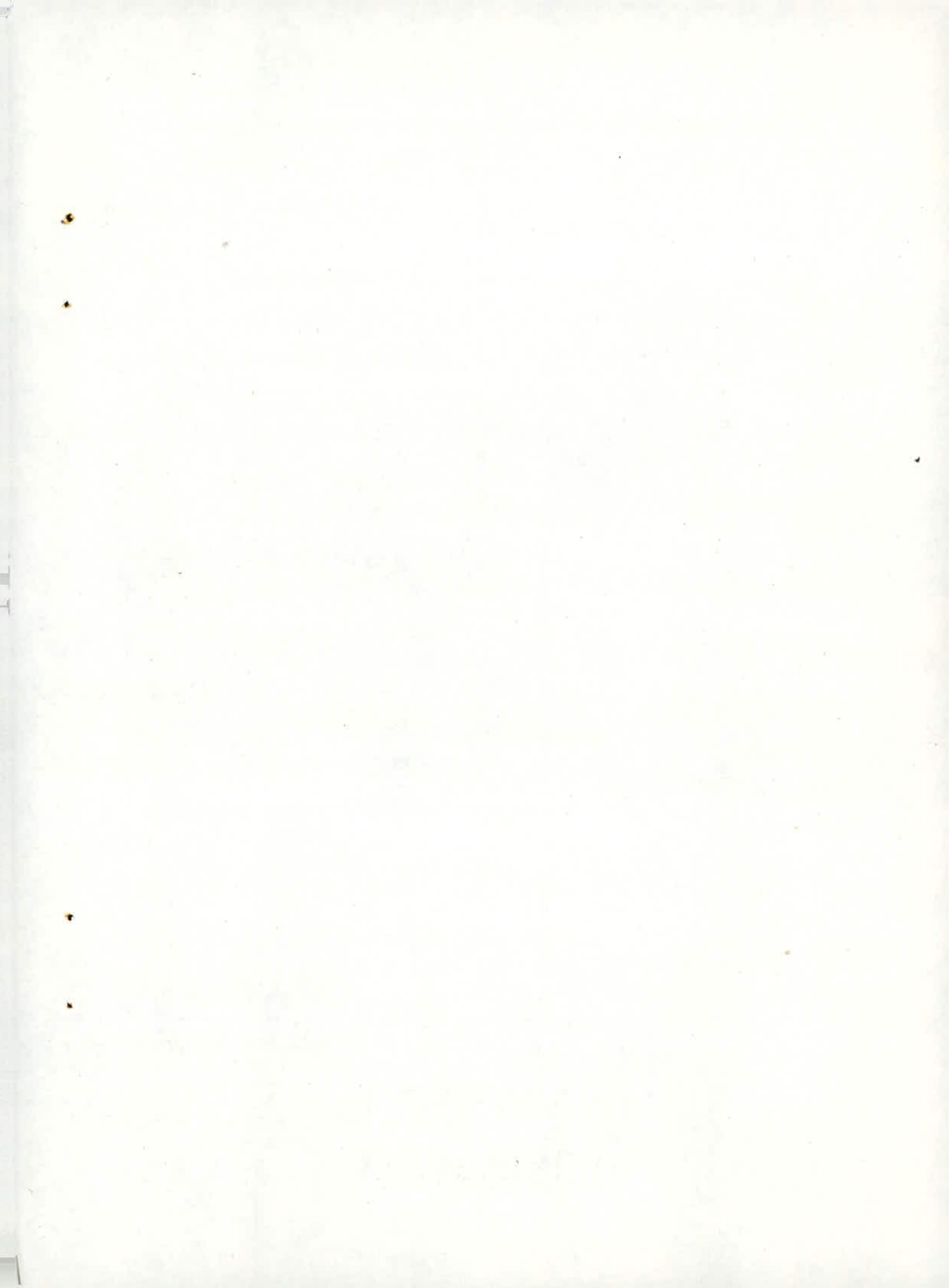




## CHAPTER III

### CIVIL DEPARTMENTS

<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
<u><i>Audit Reviews on</i></u>		
3.1	<i>National Watershed Development Programme in Rainfed Areas</i>	45-64
3.6	<i>Public Distribution System for Tribal and Backward Areas</i>	68-81
<u><i>Audit comments on various irregularities</i></u>		
3.2	<i>Infructuous Expenditure for the visit of two representatives to Hongkong and Singapore</i>	64-65
3.3	<i>Excess payment to the publishers</i>	65
3.4	<i>Irregular retention of money outside government account</i>	65-66
3.5	<i>Non-realisation of compensation and blockage of Government fund</i>	66-68
3.7	<i>Loss due to sale of rice at pre-revised rates</i>	81
3.8	<i>Huge expenditure on irregular purchases of magazines</i>	81-82
3.9	<i>Extra expenditure on purchase of disposable syringes</i>	82-83
3.10	<i>Undue financial benefit to suppliers</i>	83-84
3.11	<i>Wasteful expenditure on preparation of a documentary film</i>	84-85
3.12	<i>Unauthorised utilisation of compensation funds</i>	85-86
3.13	<i>Infructuous expenditure on a hostel building for working women due to non-utilisation of the same</i>	86-87
3.14	<i>Non-utilisation/refund of grants from Central Government</i>	87



# **CHAPTER III**

## **CIVIL DEPARTMENTS**

### **AGRICULTURE DEPARTMENT**

#### **3.1 National Watershed Development Project For Rainfed Areas**

##### **3.1.1 Introduction**

The National Watershed Development Project for Rainfed Areas was launched by the Government of India in 1986-87 with a view to achieving the twin objectives of stabilising agricultural production of and restoration of ecological balance in the the rainfed areas.

The main objectives were:

(i) Conservation, upgradation and utilisation of natural endowments like land, water, plant, animal and human resources in a harmonious and integrated manner for perpetual availability of food, fodder, fuel, fibre, timber and biomass for rural needs.

(ii) Reinforcement of production environment through moisture conservation, net-work of run off management structure, devices for recharge of ground water and restoration of ecological balance through scientific management of land and rainwater.

The other secondary objectives were:

-generation of massive employment during the project period and regular employment after completion of the projects for enhancing the employment opportunities,

-reduction of inequalities between irrigated and rainfed areas,



- enhancement of cash availability with the rainfed farmers and labourers through casual employment and cash crops and other produce.

The approach and strategy aiming at harmonising of ecology, economy and equity was targeted to be achieved through the following activities:

- mixed and diversified farming systems including production on individual holdings and common property resources,

- livestock management,

- household production system,

- subsidiary activities to enhance food, fodder, fuel and cash flow from incomes generated,

- promotion of organic farming as integrated nutrient management and pest control system easily affordable by the people,

- animal husbandry, agroforestry, horticulture, fisheries, sericulture and primary agroprocessing and training.

The project was converted into a major programme in the Eighth Five Year Plan with each watershed having an area ranging between 500 hectares and 5000 hectares and with a limit of 25000 hectares in each district. The scheme was funded entirely by Central Government with 75 per cent grant and 25 per cent loan. The projects were taken up in the State in 1990-91.

### **3.1.2 Organisational set up**

The projects are implemented by the Agriculture Department headed by the Secretary who is assisted by a Director and an Additional Director. The Additional Director had been designated as the Nodal Officer at State level. The works under the projects are

executed through Deputy Directors, Soil Conservation Officers, Inspectors and Junior Engineers at district/field level. The panchayats are also involved in the process at the grassroot level works.

### **3.1.3 Audit coverage**

The review of the projects for the years 1990-91 to 1994-95 was conducted during January-April 1995 on the basis of test check of records maintained at the head office of the Agriculture Department, offices of Deputy Directors at Namchi and Gangtok and 4 projects located at Dickling khola, Backchachu, Melli-Khani khola and Chhangey khola. The results of the review are summarised in the succeeding paragraphs.

### **3.1.4 Highlights**

Though all the 12 watershed projects were to be completed within 5 years of its commencement and also within the VIII plan period, the Department could not complete any of the projects owing to improper planning and delay in commencement.

(Paragraph 3.1.5)

Rupees 222.36 lakhs were spent in 12 watershed projects during 1990-91 to 1994-95 as against the central assistance of Rs. 318.91 lakhs resulting in an unspent balance of Rs. 96.55 lakhs.

(Paragraph 3.1.6)

There was a shortfall of 28 per cent in the progress of 5 projects taken up in 1990-91 scheduled to be completed by 1994-95. The percentage of shortfall in respect of the remaining 7 projects taken up between 1991-92 and 1993-94 varied between 10 to 50 per cent.

(Paragraph 3.1.7)

Adequate survey regarding hydrology, deficiency in food, fodder etc. was not conducted despite availability of funds of Rs. 15.62 lakhs for this purpose. This led to slow implementation of the essential activities like water harvesting, livestock management etc. of the projects.

(Paragraph 3.1.8 (a))

As against the allotment of Rs. 5.56 lakhs for composite nurseries, Rs. 23.92 lakhs (430 per cent) were spent during 1990-91 to 1994-95. As a result the other components of the scheme suffered to the extent of Rs. 18.36 lakhs. Besides the benefits derived from the activities could not be ascertained due to non-maintenance of details regarding production and distribution.

(Paragraph 3.1.8 (b))

High surface flow and absence of ground water in hilly area necessitates water harvesting. This component, however, remained totally unattended except for 1994-95.

(Paragraph 3.1.8 (c))

The minimum wage element the main component of each item of work, increased by 43 per cent during 1990-91 to 1994-95 decreasing the scope of work by 30 per cent. But the Department did not initiate action for increasing unit cost of Rs. 5,000 which ultimately affected the physical progress of the projects.

(Paragraph 3.1.9)

From 1994-95, the Department imposed recovery of 15 per cent on the subsidy given to activities implemented on private holdings instead of effecting recovery as arrears of land revenues



which resulted in reduction of the available resources to the beneficiaries.

(Paragraph 3.1.10)

No step was taken to ensure monitoring and evaluation for better management, field worthiness and efficiency of the project though Rs. 5.56 lakhs were provided for this purpose.

(Paragraph 3.1.11)

### 3.1.5 Planning

All the three components of a watershed i.e. arable lands, non-arable lands and network of drainage lines were to be treated as one organic entity. The Department was to select the project area and prepare a "model project" for approval by Government of India for execution by the State after initial survey on existing productivity and the remaining projects were to be prepared in the same manner and got approved by the State Level Committee, for execution. In Sikkim, the model project was "Melli-Khani khola" watershed project launched in 1990-91 at an estimated cost of Rs. 32.34 lakhs. The remaining 11 projects at an estimated cost of Rs. 339.10 lakhs were prepared and got approved by Government of India. The Department took up 5 projects during 1990-91, 3 projects in 1991-92, 2 projects in 1993-94 and 2 projects in 1994-95 for execution. According to guidelines all the projects were to be completed within VIII plan period (1992-97). But as per the project reports, 5 projects were to be completed in 1994-95, 3 projects in 1995-96 and the remaining 4 projects in 1996-97. It is thus evident that the Department failed to make proper planning so as to complete all the projects within the scheduled period.

The Department stated (September 1995) that they could not adhere to the planning reflected in the project reports due to late



releases of funds by Government of India. The reply is not convincing as the unspent balances for 1992-93 and 1993-94 ranging from 34 to 43 per cent were not taken into consideration for the subsequent years.

### 3.1.6 Financial Assistance

#### (a) Funding Pattern

The expenditure on the projects was financed fully by the Centre and the State in the form of 75 per cent grants and 25 per cent as long term loan to the State.

The details of release of funds and expenditure incurred on twelve watershed projects during the years 1990-91 to 1994-95 are given below:

Year	Grants	Release Loans	Total	Bud- get	Expen- diture	Unspent balance
( Rupees in lakhs )						
1990-91	4.95	---	4.95	5.00	4.99	(-) 0.04
1991-92	18.23	7.73	25.96	25.95	25.95	0.01
1992-93	48.50	21.50	70.00	50.00	39.71	30.29(43)
1993-94	85.00	23.00	108.00	50.00	71.81	36.19(34)
1994-95	NA	NA	110.00	80.00	79.90	30.10(27)
Total	---	---	318.91	210.95	222.36	96.55(30)

Test check of records revealed that the unspent balance of Rs. 30.29 lakhs and Rs. 36.19 lakhs at the end of 1992-93 and 1993-94 respectively were not taken into consideration while fixing financial targets for subsequent years. Ultimately the total

**Improper planning and inadequate execution led to unspent balance of Rs. 96.55 lakhs at the end of 1994-95.**

accumulation of unspent balance stood at Rs. 96.55 lakhs at the end of fifth year of implementation of the projects. Moreover, the State Government also failed to make budget provision to the extent of availability of funds under the projects.

The Department stated (September 1995) that the financial targets envisaged in the project reports had to be deviated due to inadequate and delayed releases of funds and budget provisions were made based on the year-wise targets fixed subsequently.

The reply is not tenable as adequate funds were released except for first two years and there were sufficient unspent balances at the end of the three subsequent years.

**(b) Sectoral allocation of funds**

To cover all the item of works giving due attention to the important sectors, the indicative cost structure was prescribed by Government of India.

Not exceeding 30 per cent of the expenditure was to be incurred each for "Conservation" and "Production"; 10 per cent each for "Survey", "Training", and "Establishment"; 5 per cent for "Research" and 2.5 per cent each for "Establishment of nurseries" and "Innovative activities".

It was noticed that while allocating the funds against the projects, no attempt was made to ascertain the component-wise distribution of funds/shortfall thereunder in the previous years. As a result the expenditure in some of the components was more than the prescribed limit whereas the other components suffered due to financial deficiency. Thus demand based allocation caused negligence in certain areas of the projects.

The Department stated (September 1995) that allocations were made on the basis of needs of the projects and demand of the farmers. The reply is not convincing as the Department failed to give appropriate attention to the various activities as detailed under implementation.

### (c) **Diversion of funds**

As per the guidelines, only primary agroprocessing systems were to be taken up under the projects. Test check of records, however, revealed that the Department purchased (March 1994) two rice-hollers and four oil-expellers from the funds of the projects at a cost Rs. 7.09 lakhs which was contrary to schemes. Thus, expenditure was not accepted for reimbursement by the Government of India.

**Rs. 7.09 lakhs spent on purchase of rice-hollers and oil-expellers (March 1994) remained diverted from the project as the equipments did not fall under primary agro-processing system.**

So, the entire expenditure was to be reimbursed to the project funds. The diversion affected the scope of the projects to the extent of Rs. 7.09 lakhs besides the machineries purchased were not falling under the category of primary agro-processing systems.

The Department stated (November 1995) that the Ministry of Agriculture, Government of India had cleared (October 1995) the expenditure made towards purchase of oil-expellers and rice-hollers.

### **3.1.7 Implementation**

The Department took up 12 micro watershed projects during the years from 1990-91 to 1994-95 at a total cost of Rs. 371.44 lakhs. Though the women were to play important role in implementing the projects, the activities to be undertaken by women were not



identified, thus depriving the benefit of the projects to the women-folk. The details of project-wise cost and expenditure were as below:

Name of watershed	Estimated cost	Schedule date of completion	Expenditure (In lakhs of rupees)						Financial shortfall at the end of 1994-95*
			1990-91	1991-92	1992-93	1993-94	1994-95	Total	
Mabong-Suntaley	30.64	1994-95	1.09	3.02	5.54	6.44	5.55	21.64	9.00 (29)
Rumbuk-Bariyakhop	31.52	1994-95	1.09	2.99	5.64	6.54	6.06	22.32	9.20 (29)
Melli-Khanikhola	32.34	1994-95	1.10	4.54	5.45	8.10	5.70	24.89	7.45 (23)
Seti Khola	32.05	1994-95	0.86	3.03	5.23	7.83	6.20	23.15	8.90 (28)
Raley-Samdong	33.07	1994-95	0.85	2.93	4.67	8.01	6.51	22.97	10.10 (31)
Dickling Khola	29.03	1995-96	Nil	3.30	4.57	7.75	5.88	21.50	7.53 (26)
Bakcha Chu	27.91	1995-96	Nil	3.06	4.30	6.70	6.19	20.25	7.66 (27)
Maktin	28.64	1995-96	Nil	3.08	4.31	6.69	5.73	19.81	8.83 (31)
Cheel Khola	34.68	1996-97	Nil	Nil	Nil	6.94	8.69	15.63	19.05 (55)
Rungyang Kyong	31.80	1996-97	Nil	Nil	Nil	6.81	9.15	15.96	15.84 (50)
Changey Khola	31.56	1996-97	Nil	Nil	Nil	Nil	7.06	7.06	24.50 (78)
Rayong Khola	28.20	1996-97	Nil	Nil	Nil	Nil	7.18	7.18	21.02 (75)
Total	371.44		4.99	25.95	39.71	71.81	79.90	222.36	149.08

(\* Figures in the brackets indicate the percentage of shortfall)

All the projects were to be completed within 5 years of their commencement and also within the VIII plan period.

Scrutiny of the project reports revealed that targets were spread over a period of 5 years extending the schedule date of completion



beyond the plan period. At the end of 1994-95 the progress in respect of 5 projects taken up in 1990-91 at an estimated cost of Rs. 159.62 lakhs was only 72 per cent though they were due for completion by 1994-95 resulting in 28 per cent shortfall.

Three more projects were started in 1991-92 at the estimated cost of Rs. 85.58 lakhs scheduled to be completed in 1995-96. At the end of the fourth year of their implementation, the achievement was only 72 per cent (Rs. 61.56 lakhs) as against the target of 82 per cent of total cost resulting in 10 per cent shortfall.

Out of the remaining 4 projects, two were started in 1993-94 at a cost of Rs. 66.48 lakhs and two in 1994-95 at a cost of Rs. 59.76 lakhs. The achievements in the above projects were 22 to 50 per cent.

While accepting the shortfalls the Department stated (September 1995) that extra efforts were being made to complete the projects by the end of the current 5 year plan.

### **3.1.8 Sectoral performance**

The Department did not maintain project-wise details of works executed and achievement thereagainst. In absence of project-wise details, the performance of all the components of each of the projects could not be scrutinized separately. The analysis of progress reports of overall expenditure and performance under various components revealed the following:

#### **(a) Survey and investigation**

Integrated surveys were to be conducted with the objectives of collecting facts and figures regarding production systems, environment for project formulation and establishing bench marks for evaluation of impact made by the project on selected parameters. Priority must be given to rainwater conservation and treatment of

rainwater catchment areas after confirming average rainfall and amount and nature of surface flow. Scrutiny of project reports and related records revealed that only productivity of the areas was investigated and land-resources survey was only partially done. Moreover, no survey was conducted regarding hydrology, deficiencies in food, fodder fuel and infrastructural facilities. As against the available funds of Rs. 22.24 lakhs (10 per cent), the department utilised only Rs. 6.62 lakhs on survey and investigation ignoring the important aspects, like hydrology, deficiencies in food, fodder, etc. These ultimately led to negligence in implementation of essential activities viz. water harvesting, live fencing, live stock management etc.

The Department stated (September 1995) that the deficiencies in survey and investigation were mainly due to absence of infrastructural facilities in the State. However, post-operational data were collected to the extent possible. But such post-operational data can not be substituted for data required for formulation of the projects.

#### **(b) Composite Nurseries**

Though not more than 2.5 per cent of project cost was earmarked for establishment of nurseries, it had an important role to play in overall development of the project area. The nurseries aimed at conservation of flora, horticultural and forestry species, grasses etc. had a total allocation of Rs. 5.56 lakhs against which the expenditure was Rs. 23.92 lakhs. In the absence of record relating to production of various species and their distribution, the benefits derived from the investment (430 per cent of the allotment) could not be ascertained. Moreover, other components of the projects suffered to the extent of Rs. 18.36 lakhs which was spent in excess under this sector.

The Department stated (September 1995) that independent wings had been set up to improve the system.

**(c) Conservation works**

Under conservation measures, contour vegetative hedges, contour furrows, use of bio-fertilisers and bulky organic manures etc. were to be adopted to promote moisture holding capacity of the soil. Conservation being one of the main objectives, funds upto 30 per cent was to be earmarked for this purpose. During 1990-91 to 1994-95, the Department spent an amount of Rs. 69.02 lakhs on conservation works but did not maintain records regarding change of characteristics of land so treated. The suitability of activities like check dam, loose boulder structure, earthen structure, contour hedges, gully control etc. all with vegetative support was not ascertained. The coverage and expenditure under various activities of conservation were as follows:

	1990-91		1991-92		1992-93		1993-94		1994-95		Total Expen- diture (F)
	P	F	P	F	P	F	P	F	P	F	
Repairs of existing conservation work (in hecs)	306	3.04	340	1.70	600	3.00	937	1.50	-	-	9.24
Vegetation contour hedges (in hecs)	-	-	361	1.80	430	2.15	16	3.50	100	5.00	12.45
Bank stabilisation (in Km)	-	-	3	0.45	10	1.50	62.67	9.40	1.2	1.80	13.15
Loose boulder structure (in number)	-	-	153	1.84	393	5.79	3145	13.00	600	5.72	26.35
Live fencing	-	-	180	0.18	620	0.62	-	-	950	1.65	2.45
Gully control	-	-	-	-	-	-	-	-	-	-	-
Gabion structure (in number)	-	-	180	0.68	32	0.82	-	-	86	0.80	2.28
Water harvesting (in number)	-	-	-	-	-	-	-	-	250	3.10	3.10
Total Expenditure	-	3.04	-	6.65	-	13.86	-	27.40	-	18.07	69.02

(Note: P = Physical achievement, F = Financial achievement in lakhs of rupees)



It may be seen that no water-harvesting work was taken up except in 1994-95 though all the projects were in irrigation-deficit areas. Water-harvesting was essential due to high surface-flow and absence of ground water in hilly terrain but it remained totally unattended during the first 4 years though priority was to be given to rain-water conservation.

<p>High surface-flow and absence of ground water necessitates water harvesting which remained unattended.</p>
---

It was also noticed that during 1990-91 the entire amount of Rs. 3.04 lakhs was incurred only on repair of existing conservation measures neglecting the other activities under the components.

The Department stated (September 1995) that water-harvesting works could not be taken up because of their high cost. They, however, provided fishing ponds wherever possible with dual objectives of conservation and production.

The fact remained that the ponds under individual ownership in selected area can not serve the purpose of water harvesting for the entire project area.

#### **(d) Production system**

The production system involving demonstration on crop production, agro-forestry, silvi-pastoral system, fuelwood plantation, sericulture and other utility plantation was also given the same importance like conservation. Under the system, the cost limit was upto 30 per cent of the total cost. The Department had not taken up any works under this component during 1990-91. During 1991-92, only three activities viz. demonstration (128 hectares), fodder production (180 families) and fisheries (9 beneficiaries) were taken up at a total cost of Rs. 6.05 lakhs. They, however, spent an amount of



Rs. 71.01 lakhs on crop demonstration, agro-forestry, horticulture and other household production system like bee-keeping, piggery and fishery during the remaining period.

The details of activities and expenditure for the period from 1991-92 to 1994-95 were as under:

	1991-92		1992-93		1993-94		1994-95		Total
	A	E	A	E	A	E	A	E	E
Demonstration of crops (Numbers)	128	2.00	740	3.35	1650	1.54	750	8.50	15.39
Agroforestry (hecs)	-	-	16	1.20	55000	3.15	-	2.55	6.90
Horticulture (hecs)	-	-	NA	1.95	21000	1.78	17000	2.54	6.27
Overseeding (hecs)	-	-	750	1.50	1590	1.68	500	1.00	4.18
Organic farming (no. of families)	-	-	-	-	193	1.93	660	6.60	8.53
Homestead farming (no. of families)	-	-	150	1.50	1290	1.29	1500	2.00	4.79
Fodder production (no. of families)	180	1.80	180	1.80	730	5.50	350	5.00	14.10
Fisheries (no. of families)	9	2.25	21	1.68	-	1.29	250	3.75	8.97
Livestock (no. of families)	-	-	-	-	1074	4.67	125	0.75	5.42
Planting shrubs	-	-	-	-	33600	2.52	-	-	2.52
Total Expenditure		6.05		12.98		25.35		32.69	77.07

(A : Achievement, E: Expenditure in lakhs of rupees)

The activities under production system were taken up individual/family-wise and only 50 per cent of the cost of the activity was released to the beneficiaries irrespective of their financial condition. Under piggery development, only one piglet was distributed to each family without considering the scope of

reproduction. The organic farming which increases permeability of soil and adds to productivity remained unattended during the



### **Fodder Production at Seti Khola Watershed**

first 3 years from 1990-91 to 1992-93. Similarly, the development of livestock and its management aimed at increasing productivity were not taken up during 1990-91 to 1992-93.

While accepting non-implementation of organic farming and livestock management at the beginning, the Department stated that the distribution of piglets had to be limited to ensure diversification of activities. The piglets were distributed in such a way as to keep the



reproduction uninterrupted. They further stated that they bagged productivity awards in the years 1991-92 and 1992-93.

The fact, however, remained that the Department failed to take up the above activities in the first 2 years.

**(e) Training**

The main aspects covered under the training were soil and water conservation and integrated farming system. While imparting training, Mitra Kisans, the contact farmers were to be made aware of conservation of soil and water by adopting contour farming, vegetable contour hedges etc. without disturbing ecological balance. The Mitra-kisans so selected were to be trained to evolve as a group of enlightened farmers who were to provide feed-back to scientists. Upto 10 per cent of the cost was earmarked for the purpose. Scrutiny of records revealed that except for 1990-91 and 1994-95, only 20 to 60 per cent of the funds was spent on training during 1991-92 to 1993-94. Thus, shortfall in organising training did not create the expected awareness amongst the farmers.

The Department stated (September 1995) that the expenditure under this component was less due to low density of population in the project areas.

The reply is not convincing as the extent of coverage and benefits derived therefrom have not been quantified.

**(f) Research**

Upto 5 per cent of the cost of each project was to be allocated for research support for integrated farming system and the National Agricultural Research Project (NARP) system. The research was to involve the farmers and the extension workers in their innovative trials and experiments. Scrutiny of records revealed that only Rs. 2.00 lakhs

was released to other institutions (Rs. 1.00 lakhs in 1992-93 and Rs. 1.00 lakh in 1994-95). The details of research, if any, conducted in any of the projects by the institution had not been received by the Department. Moreover, there was no record regarding the feed-back, if any, provided by the contact farmers i.e. Mitra-kisans. As per guideline, 50 per cent of research funds was exclusively meant for innovative trials and experiments of the farmers and extension workers, but the Department failed to take up any such works during 1990-91 to 1994-95. As a result, the entire innovative trials and experiments remained confined to the recipients only. Further, due to the delay in conducting research by an outside agency, the assessment of deficiencies in implementation could not be made in time.

In September 1995 the Department stated that the findings of the Research Institute were being taken into consideration.

### 3.1.9 Average cost

As per the guidelines, the average cost to implement the scheme in every hectare of hilly area was Rs. 5000 including management cost. The project records revealed that the project estimates were prepared on the basis of cost prevailing during 1990. The works like agro-forestry, dry-land

<p><b>Increase in minimum wage reduced the scope of work by 30 per cent.</b></p>
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horticulture, planting of shrubs and other conservative and productive works involved wage component ranging from 70 to 90 per cent of each item of work. Due to increase in minimum wage rate from Rs. 14 to Rs. 20 i.e by 43 per cent during 1990-91 to 1994-95, the scope of physical achievement decreased by 30 per cent. The Department



had not taken up the matter with Government of India for revision of the unit cost of the projects.

While accepting the fact that the increase in minimum wage had reduced the scope of work, the Department stated (September 1995) that the unit cost fixed by Government of India could not be changed.

### 3.1.10 Subsidy and Recovery

The projects envisage that there will be some financial contribution from the beneficiaries so that they are financially involved and do not perceive the projects only as a total government exercise. The State Government was to effect recovery as per the existing norms of subsidy from different categories of farmers. The recovery was to be effected only for activities implemented on private holdings of individual farmers.

Test check revealed that during 1990-91 to 1993-94, no recovery was made from the works. However, from 1994-95, the

<p><b>Recovery at source instead of as arrears of land revenue reduced the available resources to the beneficiaries.</b></p>
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Department started recovery of 15 per cent of the subsidy given to all works while releasing the funds thereby reducing the availability of resources to the recipients instead of effecting recovery as arrears of land revenue as envisaged in the scheme.

The Department stated (September 1995) that recovery as arrears of land revenue being difficult, it was effected at source without affecting the works.

The reply is not convincing because such recovery at source was not prescribed in the guidelines.

### **3.1.11 Monitoring and evaluation**

The projects envisage two types of Monitoring - Internal Built-in Monitoring and External Monitoring and Evaluation by professional bodies and non-government organisations. Appropriate fund of Rs. 5.56 lakhs ( 2.5 per cent including innovative activities) was also provided for the purpose. The Department failed to develop, within the management, a system for monitoring the project activities and to collect day to day information for helping the project managers at different levels. Further, no external evaluation was ever made to ensure fieldworthiness and efficiency of the projects.

The Department stated (September 1995) that proper monitoring could not be done at the initial stage as there were no separate wings at the district level. They further stated that project-wise details would be kept from 1995-96 onwards.

### **3.1.12 Audit conclusion**

With the objective to promote a more broad based pattern of agricultural growth together with harmonisation of economy and equity, the National Watershed Development Project for Rainfed Areas was taken up in the State in 1990-91. Improper planning and delay in commencement of the projects and under utilisation of the available resources resulted in an unspent balance of Rs. 96.55 lakhs at the end of 1994-95. Out of the 12 watershed projects, there was a shortfall of 28 per cent in the progress of 5 projects while the percentage of shortfall varied between 10 and 50 in respect of the remaining 7 projects. Excess utilisation of funds in components like composite nursery etc., reduced the available resources for other

components of the scheme. The basic necessary component viz water harvesting was not taken up at all. Due to absence of proper monitoring and evaluation the extent of the benefits derived by the beneficiaries could not be assessed.

**3.1.13** The points above were reported to the Department and the Government in July 1995; final replies have not been received (October 1995).

## DEPARTMENT OF ECCLESIASTICAL AFFAIRS

### **3.2 Infructuous expenditure**

The Government nominated (September 1992) one officer as official delegate and another as an observer on own expenses to attend the XVIIIth World Fellowship of Buddhist Conference held at Taiwan. The nomination was sent (10 September 1992) to Government of India for approval. Subsequently the State Government sent the nomination of two more representatives to Government of India to be sent on State Government expenses. Government of India accorded (26 October 1992) permission to the first two nominees; but no clearance was given to the other two nominees.

However, both the later nominees were paid (17 October 1992) a sum of Rs. 1.64 lakhs to attend the conference even without ascertaining the consent of Government of India as well as that of the host country. As

<p><b>Infructuous expenditure of Rs. 1.64 lakhs for the visit of 2 representatives to Hongkong and Singapore without any official purpose.</b></p>
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the later two nominations had not been cleared by Government of India, Government of Taiwan did not grant visa to them. Records



further indicated that these two representatives proceeded to Hongkong and Singapore without any official purpose. Thus, the payment of Rs. 1.64 lakhs made to the two representatives was irregular and infructuous.

The matter was reported to the Government in July 1994; reply has not been received (October 1995).

## **EDUCATION DEPARTMENT**

### **3.3 Excess payment to the publishers**

In terms of Cabinet Memorandum dated 19 November 1993 and terms and conditions of the supply orders, the Department was to purchase text books for the 1994 Session from publishers at 15 per cent discount on the gross value of books.

Scrutiny of records (August 1994) revealed that while making payment (March 1994) full amount of Rs. 18.93 lakhs was released to four publishers without deducting the discount of Rs. 2.84 lakhs. This has resulted in excess payment of Rs. 2.84 lakhs to the publishers.

**Non-deduction of 15 per cent discount on the gross value of books led to excess payment of Rs. 2.84 lakhs to the publishers.**

The matter was reported to the Government (August 1994); reply has not been received (October 1995).

### **3.4 Irregular retention of money outside Government account**

According to Sikkim Financial Rules, no money should be drawn from the bank unless it is required for immediate disbursement. Further, in its 5th report on the Audit Report 1979-80, the PAC had observed that drawal of money not needed for immediate



disbursement and its retention out of Government account were serious financial irregularities to be viewed with concern.

Scrutiny of records revealed (February 1994) that the Department was drawing money in advance in anticipation of expenditure during the closing month of a financial year and keeping it in Managers (MG)† cheque for expenditure to be incurred after that financial year. As on 2 March 1993, an amount of Rs. 47.64 lakhs was kept in Manager (MG) cheque for the periods ranging from 1 year to 7 years. In reply (February and September 1994) the Department stated that all the cheques ( except for Rs. 0.31 lakh which was drawn in 1987-88 and was credited to Government account in June 1994) were disposed off by making actual payments. It may be mentioned that these amounts were drawn through Contingent Bills instead of Advance Contingent Bills (which stipulates submission of Detailed Contingent Bills) and were shown in the Cash Books as payments made on the dates of drawals. This exercise was in total violation of financial proprieties.

The matter was reported to the Government/ Department (May 1994); final reply is awaited (October 1995).

### **3.5 Non-realisation of compensation and blockage of Government fund**

Under the Centrally sponsored scheme Restructuring and Reorganisation of Teachers' Education, the Government of India released Rs. 61 lakhs during 1988-92 for construction of building for District Institute of Education and Training (DIET).

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† The negotiable instrument issued by the State Bank of Sikkim against the original cheque by liquidating Government's liability.

The construction work (estimated at Rs. 56.69 lakhs ) was taken up at Tadong (East Sikkim) in March 1990 and 67 per cent of construction of the DIET complex was completed (May 1992) at an expenditure of Rs. 46.87 lakhs.

Meanwhile, the complex area was selected (by the Government) for construction of a Medical Institute to be managed by a private group. The complex was handed over (May 1992) to the Health and Family Welfare Department who in turn handed it over to the private group responsible for payment of compensation. The Department

**Handing over of partially completed DIET complex without realisation of compensation resulted in blockage of Central assistance of Rs. 46.87 lakhs.**

assessed and claimed (August 1992) an amount of Rs. 100.06 lakhs ( Rs. 80.05 lakhs plus 25 per cent escalation charges ) towards compensation. However, at the Hospital Committee meeting (represented by the private group) it was finally agreed (October 1992) that Rs. 73.12 lakhs ( Rs. 58.50 lakhs plus 25 per cent escalation costs) would be paid to the Education Department.

In June 1994, the Health and Family Welfare Department assured the Education Department that in case of non-payment by the private group, the compensation would be settled by them within one month.

But due to non-realisation of the compensation of Rs. 73.12 lakhs till October 1995, the construction of DIET could not be taken up as of September 1995. As a result, the central assistance of Rs. 46.87 lakhs has remained blocked for more than 4 years.

The matter was initially brought to the notice of the Government in March 1993 and July 1995; reply has not been received (November 1995).

## **FOOD AND CIVIL SUPPLIES DEPARTMENT**

### **3.6 Public Distribution System for Tribal and Backward Areas**

#### **3.6.1 Introduction**

The Government of India from April 1992 through a network of Fair Price Shop (FPS) in urban and rural areas launched the RPDS for better distribution of essential commodities at affordable prices. In Sikkim, the system of distribution of foodgrains at cheaper rates by Rs 50 per quintal under the Integrated Tribal Development Project was revamped in 194 villages from April 1992.

The following 4 components were taken up for implementation under the scheme:

- (i) Subsidy for Commodities;
- (ii) Financial Assistance for Construction of Godown;
- (iii) Intelligence Enforcement and Manpower Training for Public Distribution System and
- (iv) Financial Assistance for Purchase of Vans

#### **3.6.2 Organisational Setup**

The Secretary, Food and Civil Supplies Department was responsible for implementation of the scheme at the State level. He was assisted by two Joint Secretaries and three District Civil Supply Officers.



### 3.6.3 Audit Coverage

The implementation of the scheme for the years 1992-93 to 1994-95 was reviewed during June-July 1995 on the basis of test check of records maintained at the Secretariat of Food and Civil Supplies Department, District Offices and selected Godowns. The results of the review are summarised in the succeeding paragraphs.

### 3.6.4 Highlights

Selection of area was on tribal population only irrespective of its backwardness.

(Paragraph 3.6.5)

Out of 113000 tonnes of foodgrains allotted by the Government of India during 1992-93 to 1994-95, the State lifted only 93211 tonnes of foodgrains. Less lifting of 19789 tonnes of foodgrains deprived the beneficiaries of the intended benefit of the scheme. Besides intermediaries were engaged for lifting and distribution of wheat in contravention of the Government's instructions.

(Paragraph 3.6.6(b) & (e))

Irregular fixation of issue rates resulted in extra financial burden of Rs. 390.12 lakhs on the beneficiaries.

(Paragraph 3.6.8)

Central assistance of Rs. 43.50 lakhs was received during 1992-93 to 1993-94 for construction of 5 godowns. Though an expenditure of Rs. 12 lakhs was incurred on 2 godowns, the work was still in progress. The work on the other 3 godowns have not even been commenced as of September 1995.

(Paragraph 3.6.10)



Though Central assistance of Rs. 16 lakhs was received in 1993-94 for purchase of mobile vans, the Department has not purchased the vans as of September 1995. This has resulted in non-utilisation of the Central assistance, besides defeating the very objective of strengthening the distribution system.

(Paragraph 3.6.11)

The Department allowed enhanced carriage charges owing to cost escalation with retrospective effect from April 1992. This led to undue financial benefit of Rs. 2.64 lakhs to carriage contractor.

(Paragraph 3.6.13)

Neither was any proper system created to monitor the implementation of the scheme nor evaluation conducted to ascertain the extent of success.

(Paragraph 3.6.14)

### 3.6.4 Financing and funding pattern

(a) Subsidy for commodities: Grants of subsidy for the commodities were made at the rate of Rs. 50 per quintal by Government of India directly to Food Corporation of India.

#### (b) Loans and subsidy for construction of godowns

Year	Amount		
	Grants/subsidy	Loan	Total
	(Rupees in lakhs)		
1992-93	5.00	--	5.00
1993-94	7.00	--	7.00
1994-95	15.75	15.75	31.50
<b>Total</b>	<b>27.75</b>	<b>15.75</b>	<b>43.50</b>

#### (c) Loans and subsidy for purchase of mobile vans:

1993-94	8.00	8.00	16.00
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**(d) Intelligence enforcement to manpower training:**

No grant/loan were received by Government of Sikkim under this component.

**3.6.5 Selection of Area and Beneficiaries**

Out of 440 villages of the State, 194 villages covering 2 lakhs population were selected for distribution of cheaper foodgrains under the scheme. The villages were identified from 12 tribal constituencies and tribal dominated (more than 50% tribal population) areas of the State. The selection of the areas was on the basis of tribal population and irrespective of its backwardness which remained to be identified.

The Department stated (November 1995) that all tribal and tribal dominated villages were selected for the ITDP scheme. The Department, however, did not make any fresh survey to identify the other backward areas to be covered under the revamped PDS.

**3.6.6 Distribution System**

The guidelines of the scheme provided for distribution of foodgrain to the intended beneficiaries through a net work of Fair Price Shops under the joint responsibilities of Central and State Government. While Central Government was responsible for procurement and transportation of public distribution system items, the State Government was responsible for lifting these commodities from central godown and distribution to the beneficiaries. An advisory council was to be formed to suggest corrective measures to be adopted to ensure proper distribution of food grains. But, no such council was formed in the State.

Further, no system was developed to ascertain the quality of food grains before their release to fair-price shops/nominees.

**(a) Procurement**

The Department used to procure RPDS (I.T.D.P.), rice from departmental Revolving Fund maintained for activating Public Distribution System in the State. The sale proceeds of commodities were being credited to this fund. However, no separate accounts were being maintained due to which audit could not verify the transactions relating to I.T.D.P. commodities.

**(b) Engagement of nominees**

According to the Sikkim Food Stuff Distribution Order 1978, employment of nominees was not permissible. In contravention to the above order, allotment orders were issued to the Panchayat/MLA nominees for lifting and distribution of wheat to the public. No system was evolved to ensure actual distribution of the commodity to the intended beneficiaries. Further, the authority under which nominees were engaged in the distribution could not be made available to audit.

The Department stated (November 1995) that the nominees were engaged due to fund constraints. The reply is not convincing as the same arrangement could have been made with the authorised fair price shops.

**(c) Fair Price Shops**

Foodgrains were being distributed in the State through licensed retail shops known as Fair Price Shops(FPS) among the ration card holders. There were 248 FPSs between 1992-93 and 1993-94 and 253 FPSs during 1994-95 for distribution of ITDP commodities to about 2 lakhs population of 194 villages. No record was maintained regarding surveys, if any, conducted to ensure whether every family coming under the scheme was provided with ration cards. However, the



department stated that household enumeration was conducted and reverification made in this regard. It was further stated that 207 bogus ration cards were eliminated during 1992-93 to 1993-94.

**(d) Control over distribution**

In terms of Sikkim Food Stuffs (Distribution) Control Order 1978 duly amended in January 1993, every authorised retail distributor was to maintain true and correct accounts of all purchases, sales and shortage to be written off at the end of each day and such distributors should furnish such return as directed by the Department. Although the Department was responsible for ensuring proper distribution and accounting of essential commodities, it has neither issued such directions to the Fair Price Shops/Nominees regarding periodical submission of returns nor adopted any other alternative methodology to ensure proper distribution. In the absence of such returns/reports from the distributors the fact regarding actual distribution of essential commodities to the user beneficiaries could not be ascertained.

**(e) Allotments and lifting of foodgrains**

The yearwise allotment by Government of India and their lifting by the State during 1992-93 to 1994-95 were as under:

Year	Commo- dities	Allotment from Govt. of India ( In tonnes)	Quantity Lifted	Quantity short, lifted#
1992-93	Wheat	7200	2505	4695(65)
	Rice	30000	28530	1470 (5)
1993-94	Wheat	7200	3025	4175(58)
	Rice	30000	26867	133(10)
1994-95	Wheat	8000	4385	3165(40)
	Rice	30600	27899	2701( 9)
Total	Wheat	22400	9915	12485(58)
	Rice	90600	83296	7304( 8)

(# Percentage in brackets)



The percentage of short lifting of wheat during 1992-93 to 1994-95 varied between 65 and 58 while that of rice was 5 and 8 only.

During 1992-93 to 1994-95, 12485 tonnes of wheat worth Rs. 511.88 lakhs and 7304.06 tonnes of rice worth Rs. 388.58 lakhs were short lifted depriving beneficiaries of the intended benefit of cheaper foodgrains.

The Department stated (November 1995) that the entire quota of wheat could not be lifted due to inadequate stock in FCI and also due to inability of

**12485 tonnes of wheat and 7304.06 tonnes of rice were short lifted which deprived the beneficiaries of the intended benefits.**

the SNT to provide sufficient vehicles. However, no documentary evidence could be produced to audit in support of inadequacy of stock in the FCI and non-availability of sufficient transport vehicles with the SNT.

They further stated that short lifting of rice was due to the declining trend of demand during harvesting season.

### **3.6.7 Shortages/non-accountal**

(a) Scrutiny of godown records at Ranipool revealed that during handing and taking over of charges, 295.42 quintals # of rice valued at Rs. 1.92 lakhs were not handed over to the successor and the whereabouts of the stock remained unascertained.

The Department stated (November 1995) that incorporation of transportation charges upto fair price shops reduced the difference

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# 265.99 quintals of SF(ITDP) rice valued at Rs. 1.76 lakhs and 29.43 quintals of LB (ITDP) rice valued at Rs. 0.16 lakh were lying in stock on 27 August and 26 August 1994 respectively

from Rs. 50 to Rs. 40. However, such fixing of rate imposing extra burden on the consumers defeated the objectives of the scheme.

(b) Test check of godown records further revealed that closing balances of previous months were not correctly carried forward to the subsequent months. This resulted in non-accounting of 222.15 quintals of rice valuing Rs. 0.78 lakh during August 1994 to March 1995.

The Department did not work out the total losses occurring in all the godowns. In the absence of this, actual loss in transit/godown during the period under review could not be ascertained.

### **3.6.8 Fixation of rates**

(a) As per the guidelines of the scheme, issue price of commodities was to be fixed lower by Rs. 50 per quintal. Scrutiny of records however revealed that the difference between issue price of general commodity and ITDP commodity was Rs. 40 per quintal. This resulted in extra

**Fixation of rates for ITDP commodities at higher side during 1992-93 to 1994-95 caused extra burden of Rs. 325.10 lakhs on the consumers.**

burden on the consumers to the tune of Rs. 325.10 lakhs for distribution of 325097 tonnes of rice during 1992-93 to 1994-95.

(b) While working out the issue price, rates were fixed at Rs. 643 (Super Fine), Rs. 611 (Fine) and Rs. 532 (Long Bold) per quintal of rice. Although all the essential and inherent items (including 0.2 per cent storage charge and 0.5 per cent godown shortage charge) were taken into account at the time of fixation, the rates were increased by Rs. 2 per quintal for all kinds of rice without assigning any reasons for

such increase. This resulted in additional burden on the consumers to the tune of Rs. 65.02 lakhs during 1992-93 to 1994-95.

The Department stated (November 1995) that Rs.2 per quintal was kept for meeting incidental charges like temporary godown charge and transportation charge during monsoon season.

The reply is not convincing as incidental charges resulting in additional burden on the consumers were added in addition to transportation charges (15.3 per cent ) and godown shortage (0.2 per cent).

### 3.6.9 Security Deposit

According to Amendment of Sikkim Food Stuffs (Distribution) Control Order 1978, the Department was to obtain Rs. 5000 as security deposit from all Fair Price Shops. Notwithstanding the above instructions, security deposit to the tune of Rs. 12.65 lakhs was not collected from any of the Fair Price Shops involved in the scheme.

### 3.6.10 Construction of godowns

The Department received Rs. 43.50 lakhs for construction of godowns at 5 different locations from the Government of India as detailed below:

Year	Amount		
	Grants/Subsidy (Rupees in lakhs)	Loan	Total
1992-93	5.00	-	5.00
1993-94	7.00	-	7.00
1993-94	15.75	15.75	31.50
			<b>43.50</b>



Out of the total amount received, Rs. 12 lakhs was transferred to Building and Housing Department during 1993-94 for construction of 2 godowns at Melli and Soreng scheduled to be completed by May and October 1994 respectively as per sanction order of the assistance. The same had not been completed till July, 1995. The construction of other 3 godowns was yet to be taken up as of September 1995. The reasons for delay were attributed to non-selection of lands for construction, inability of the Department and Finance Department to make the provision and administrative and technical difficulties faced by Building and Housing Department.

As per the terms and conditions of financial assistance, the loan component i.e. Rs. 15.75 lakhs was to be repaid with 12 per cent interest per annum within 5 years in 5 instalments from the first anniversary of grant of loan. In case of default, 2.75 per cent additional penal interest was to be paid. Till date, no amount has been paid towards repayment of loan for which penal interest to the tune of Rs. 0.54 lakh would have to be borne by the department for the period from February 1994 to June 1995 ( presuming that regular payments would be made thereafter). Besides, the department was incurring rental expenditure of Rs. 2,453 per month for the godowns taken on hire from private parties.

No quarterly return regarding utilisation of funds, as required under the terms and conditions of assistance, was sent to the Government of India.

The Department stated (November 1995) that the construction of 2 godown at Soreng and Melli had been completed.



### **3.6.11 Purchase of mobile vans**

The Department received Rs. 16 lakhs during 1993-94 (50 per cent being loan) for purchase of 4 mobile vans. The Department could not utilise the funds received till September 1995. The reason was attributed to indecision of the department regarding types of vehicles to be purchased. This has led to non-utilisation of central assistance besides adversely affecting the the very objective of strengthening the distribution system.

### **3.6.12 Intelligence enforcement and manpower training**

Although 'Intelligence enforcement and manpower training' for PDS was an important component of the RPDS, the Department had not taken any step to implement the system to inculcate work efficiency.

### **3.6.13 Other Points of Interest**

#### **(a) Excess payment and undue financial benefit to carrying agent**

On the representation of a particular carriage agent, the Department enhanced (January 1993) the carriage charges from Rs. 7.32 to Rs. 12.50 per quintal with retrospective effect from April 1992 on the ground of price escalation. The increased rate was paid without the approval of Finance Department resulting in undue financial benefit to the tune of Rs. 2.64 lakhs to the carriage agent.

Scrutiny of computation of revised rate revealed that the carriage charge was wrongly worked out at Rs. 12.50 as against Rs. 11.50 per quintal. Thus, due to incorrect computation, the Department had to incur excess expenditure of Rs. 0.70 lakh towards transportation of 69725 quintals of foodgrains.

The Department stated (November 1995) that enhanced rate was allowed to the agent in view of revision of freight rate by the SNT. The reply is not convincing as the revised rate was allowed to a particular agent and not in general. No reply was given for excess payment.

**(b) Short delivery of grains by transporter**

A test check of carriage challans revealed that 194.91 quintals of ITDP rice valued at Rs. 1.32 lakhs was short delivered to the distributing godowns during October 1994 to February 1995. No action was taken by the Department to recover the cost of foodgrains short delivered till October 1995.

**(c) Non deduction of Income Tax**

In terms of circular issued by Finance Department, Income Tax at the rate of 2 per cent on the value of work executed was to be recovered from the contractors. However, test check of records revealed that in 16 cases, Income Tax to the tune of Rs. 0.55 lakh was not deducted from the carriage bills (April 1992 to March 1995) of the carrying agents.

**3.6.14 Monitoring and Evaluation**

According to the guidelines of the scheme, elimination of bogus cards, vigilance arrangement and credit arrangements at all levels, full involvement of Chief Secretary and District Collectors as the nodal points of the programme were to be ensured. However, no vigilance/credit arrangement at any level was made by the department. Further, the suggestions from the user beneficiaries and other agencies were never obtained. They were neither motivated to give such suggestions in making the distribution system more effective. The District Collectors were also not directly involved in the programme.

It was however stated by the department that Vigilance Committees involving panchayats at village levels were constituted and District Collectors being the heads of districts were automatically treated as involved in the programme.

No evaluation study regarding its performance and proper implementation of the scheme was ever conducted by the department. Further, the joint team from Central and State Governments has not yet been constituted for monitoring and inspection of successful implementation of the scheme.

### **3.6.15 Audit conclusion**

The State was covered under the Integrated Tribal Development Programme since 1988 for better distribution of essential commodities like rice, wheat etc., at an affordable price to the common man particularly to the poor and vulnerable sections of the Society which was merged with the Revamped Public Distribution System launched by Government of India in April 1992.

Under the scheme 194 villages with a population of 2 lakhs was targeted to be covered through a net work of Fair Price Shops. These villages were selected on the basis of percentage of tribal population rather than their backwardness. Non lifting of foodgrains to the extent of 19789 tonnes during 1992-93 to 1994-95 besides involvement of intermediaries in the distribution system deprived the targeted beneficiaries of the intended benefits of the scheme. The progress of work of construction of the godowns was very slow. Despite receipt of central assistance the mobile vans have not been purchased. There was no, proper system either to monitor or evaluate the achievement of the object of strengthening the Public Distribution System.



**3.6.16** The points mentioned above were reported to the Department/Government in August 1995; their final replies have not been received (November 1995).

### **3.7 Loss due to sale at pre-revised rate**

In terms of notifications issued by the Department on 18 January 1993 and 4 February 1994, issue rates of various categories of rice sold through the departmental depots were revised with immediate effect. Prior intimation regarding decision for revision of rates was sent to the Godown-in-charge. Wireless messages communicating the revision of rates were also sent on 4 February 1994.

Test check of records of 3 depots at Ranipool, Ravangla and Gyalshing revealed (December 1994) that 2133.33 quintals of rice were issued between 22

**Loss of Rs. 2.65 lakhs due to sale of rice at pre-revised rate.**

January 1993 and 7 February 1994, at pre-revised rates resulting in loss of Rs. 2.65 lakhs.

While accepting the findings the Department stated (November 1995) that the loss occurred due to late receipt of message by the respective godown-in-charge. This indicated that the Department failed to take prompt action in communicating the revised rates to avoid losses.

## **HEALTH AND FAMILY WELFARE DEPARTMENT and FOREST DEPARTMENT**

### **3.8 Irregular purchase of magazines**

Appendix 3 read with Rule 55 of Sikkim Financial Rule specifies that the Head of the Department can purchase books, journals for office library, subject to the condition that these are relevant to the



functioning of the concerned Department and in accordance with norms prescribed by the Government from time to time.

Scrutiny of records of the Health and Family Welfare Department revealed (October - November 1994) that the Department purchased (March 1994) 1000 copies of the special issue of a local magazine valued at Rs. 0.71 lakh.

Similarly, the Forest Department also procured (August 1993) 1000 copies of the same magazine and paid Rs. 0.71 lakh (December 1993). The purchase of 1000 copies each by the two departments involving an expenditure of Rs. 1.42 lakhs, was injudicious and infructuous.

**Injudicious purchase of local magazine at a cost of Rs. 1.42 lakhs was infructuous.**

## **HEALTH AND FAMILY WELFARE DEPARTMENT**

### **3.9 Extra expenditure on purchase of disposable syringes**

According to the Financial Rules, all purchases should be in the most economical manner and purchases costing more than Rs. 1.00 lakh should be on the basis of open tenders after giving wide publicity in the leading newspapers.

During May 1992, the Department purchased 25000 disposable syringes from a local firm on the basis of quotations invited locally.

While according concurrence to the purchase, the Finance Department categorically directed that all future purchases be made directly from the

**Purchase of disposable syringes from local supplier instead of the manufacturers resulted in extra expenditure of Rs. 1.18 lakhs.**

manufacturers or their authorised dealer as provided in the Financial Rules. Despite this specific instruction, the Department made further purchases of 56500 syringes (July, October 1992 and July 1993) from the same local supplier. The total cost of 56500 syringes so purchased was Rs. 3.13 lakhs.

Test check of records revealed (October 1993) that as per the rates offered (effective from April 1992) by a Delhi based manufacturing company which was also one of the major suppliers of hospital equipments to the Department, the cost of 56,500 syringes was Rs. 1.95 lakhs only (F.O.R destination).

Thus failure to comply with codal provisions and the specific instruction of the Finance Department for making all purchases directly from the manufacturers, resulted in an excess expenditure of Rs. 1.18 lakhs.

The matter was reported to the Government in October 1993; reply has not been received (October 1995).

### **3.10 Undue financial benefit to suppliers**

The responsibility for assessment, purchase and distribution of medicines, equipments, chemicals etc. required by the Department rests with the Central Medical Stores Organisation (CMSO). The purchases are made from the local authorised dealers on the basis of price lists obtained from the manufacturers.

Test check of records revealed (October 1993) that during the period from October 1992 to July 1993, the CMSO purchased medicines valued at Rs. 8.38 lakhs from 5 local dealers. The rates

communicated by the manufacturers were inclusive of all taxes. There was no provision/ mention of payment of any additional charges. The

**Payment of Rs. 0.50 lakh to the supplier towards surcharge (4 per cent) and Sales Tax (3 per cent) resulted in undue benefit to the supplier.**

Department, however, paid Rs. 0.50 lakh on account of surcharge (4 per cent) and sales tax (3 per cent) on the cost of Rs. 8.38 lakhs resulting in loss of Rs. 0.50 lakh to the Government.

The matter was referred to the Government in April 1995; reply has not been received (October 1995).

## **INDUSTRIES DEPARTMENT**

### **3.11 Wasteful expenditure**

During December 1991, the work of preparing a documentary film on Industries Department, was assigned to a Gangtok based firm at an approved cost of Rs. 1.50 lakhs with the stipulation to complete it within three months and Rs. 0.75 lakh was advanced to the firm without entering into any agreement.

Since the firm did not prepare the documentary work or respond to the correspondences made by the Department, the assignment was cancelled during September 1992 and the firm was asked to refund the advance. The firm has not yet refunded the same (October 1995).

**Payment of Rs. 0.75 lakh paid to a firm (December 1991) for making a documentary film remained unrecovered (October 1995).**

Thus, advance payment made without executing any agreement and lack of supervision to get the work executed led to wasteful expenditure of Rs. 0.75 lakh.



The Department stated (June 1995) that they had not gone for legal action as that would involve additional expenditure. The final reply is awaited (October 1995).

The matter was reported to the Government in 1995; their reply has not been received (November 1995).

### **LAND REVENUE DEPARTMENT**

#### **3.12 Unauthorised utilisation of compensation funds**

As per standing orders of Government, the assessment of compensation for the lands acquired by the Government is to be done by the Land Revenue Department through the District Collectors. The amount of compensation after realisation from the concerned departments (acquiring the land) is to be kept in the custody of the District Collector who is responsible for immediate payment to the land owners. The funds so received are to be kept in the personal deposit account in the bank and the receipts and disbursements watched through a separate cash book maintained by the respective District Collector.

Scrutiny of cash book and other related records of the District Collector, West District, Gyalshing revealed

**Amount of Rs. 2.94 lakhs meant for payment of compensation to the land owners was irregularly used for the purchase of a vehicle.**

(November 1994) that as on March 1994 an amount of Rs. 6.60 lakhs was lying with the Department for payment to the land owners in 8 project areas. Out of this an amount of Rs. 2.94 lakhs was drawn (March 1994) from compensation funds meant for early release to the land owners. The amount so drawn was utilised for purchase of one vehicle. Thus the unauthorised expenditure from the funds delayed



the prompt payment of compensation to the land owners. Further, purchase of vehicle without appropriate provision was also irregular.

The matter was reported to the Department and Government in November 1994; reply has not been received (October 1995).

## **SOCIAL WELFARE DEPARTMENT**

### **3.13 Infertuous Expenditure**

Under the centrally sponsored scheme the construction of Hostel Buildings for Working Women was to be taken up after proper survey with respect to the need for such accommodation. The accommodation in Working Women's Hostel was to be provided to eligible working women only and the facility was not to be extended to regular students.

A Working Women's Hostel at Namchi (South Sikkim) was constructed to accommodate 49 working women (September 1988) at a total cost of Rs. 16.83 lakhs. However, no survey was conducted prior to the construction as specified in the guidelines. Scrutiny of records revealed (October 1992) that due to non-provision of water facilities and unwillingness of the working women to stay in the hostel, the hostel was lying vacant except for 6 regular girl students who were allowed to stay temporarily in the hostel.

Thus, due to the construction of the hostel without assessing the suitability of the area and failure to motivate the beneficiaries, the expenditure of Rs. 16.83 lakhs remained

**Working women Hostel constructed during 1988 at a cost of Rs. 16.83 lakhs remained unutilised till July 1995.**

infructuous till date and the intended objectives could not be achieved under the scheme.

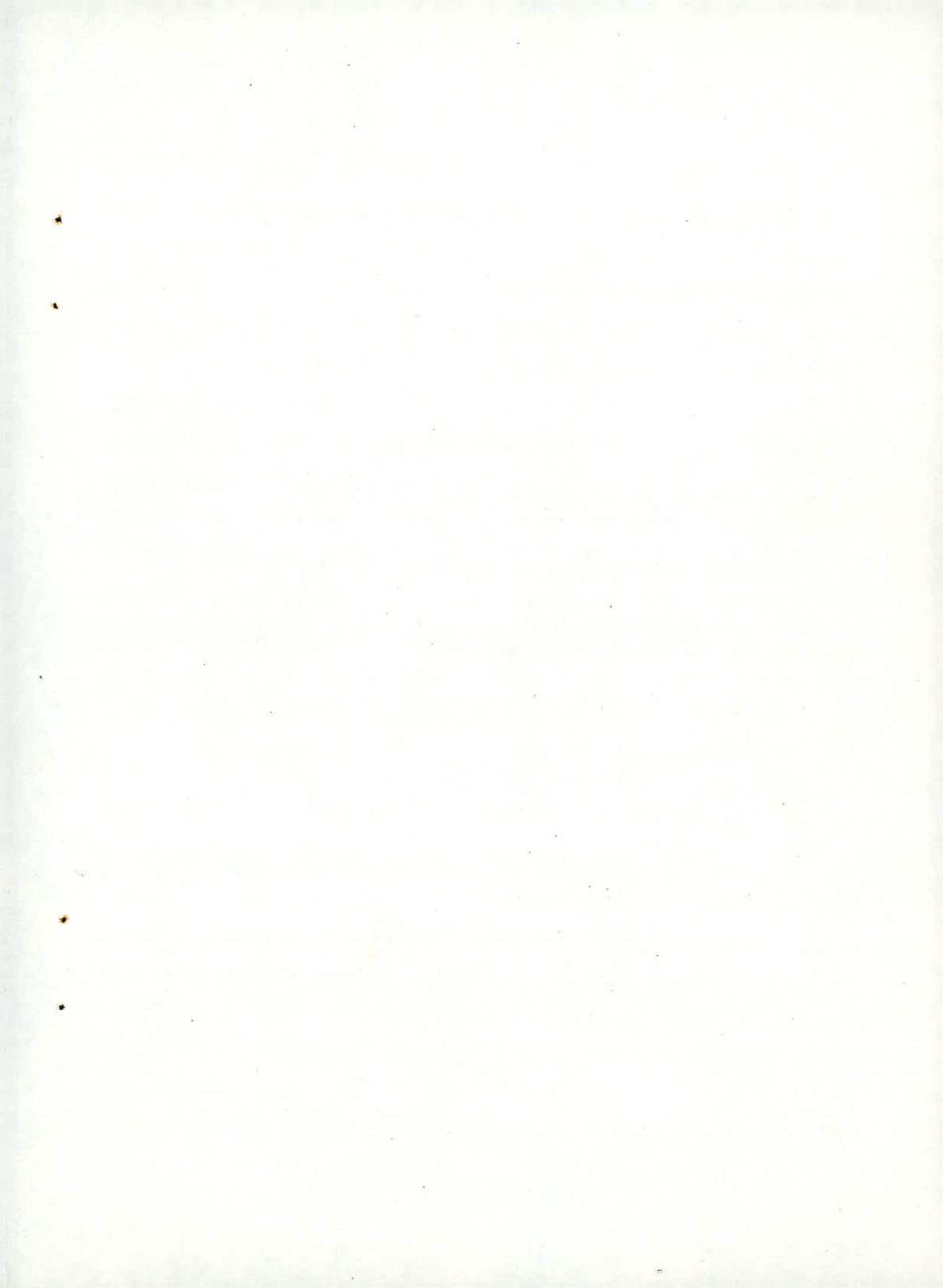
The Department stated (July 1995) that some inmates who were staying after completion of the building left the hostel due to some superstitious incident. The reply is not convincing as some girl students continued to stay even after the reported incident. The Department has further stated that a proposal for utilisation of the hostel for office/residential purpose was under consideration.

### **3.14 Non-utilisation / refund of grants from Central Government**

For implementation of the centrally sponsored scheme of Prevention and Control of Juvenile Social Maladjustment Scheme under Juvenile Justice Act 1986, an amount of Rs. 8.83 lakhs was received from Government of India during 1987-93. The Department could not utilise the funds till 1993-94 which was attributed to want of suitable land and funds from the State Government as its matching share.

<p><b>Central grant of Rs. 8.83 lakhs received during 1987-93 for the scheme - Prevention and Control of Juvenile Social Maladjustment remained unutilised till October 1995.</b></p>
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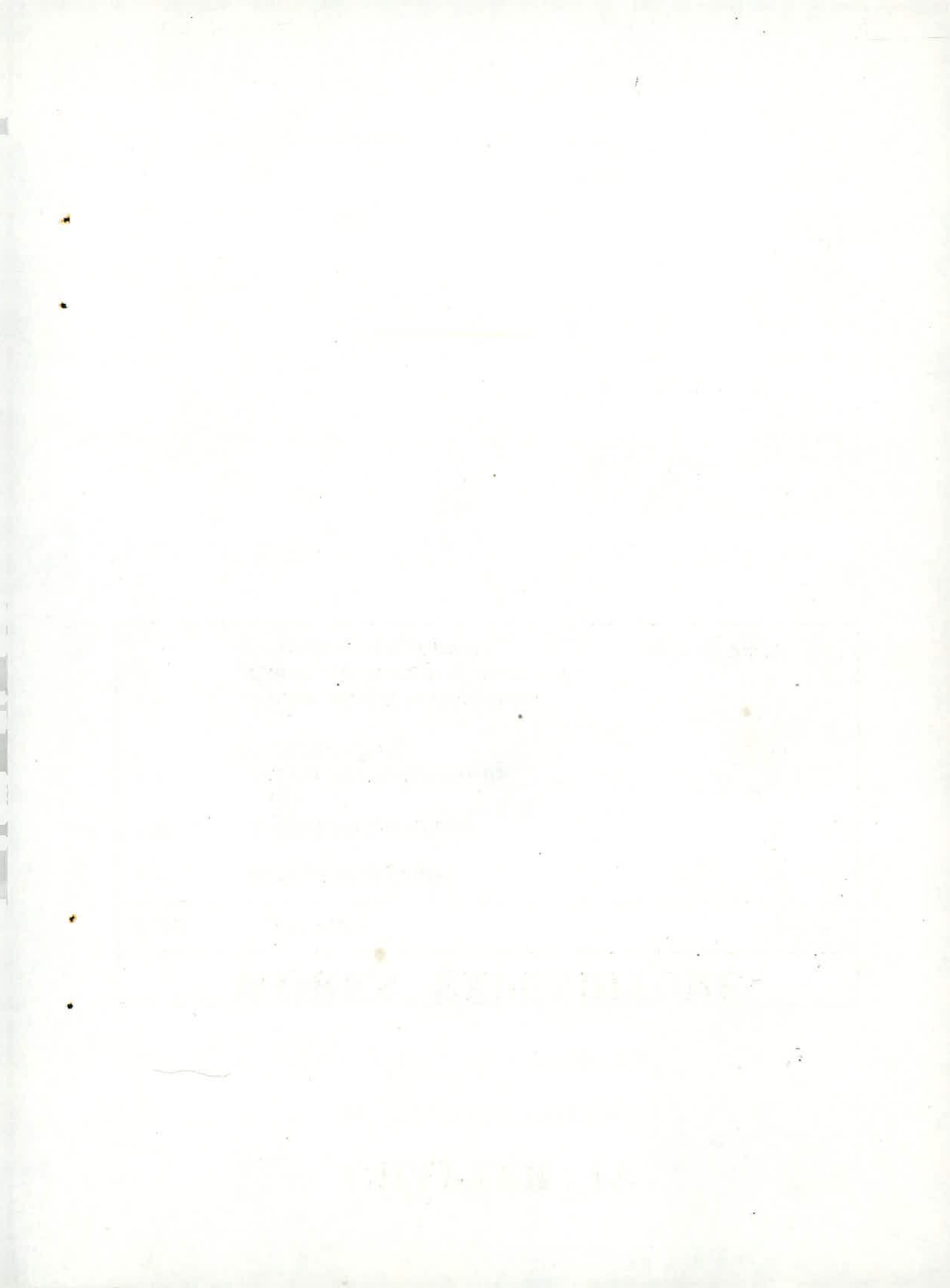
The Department further stated (July 1995) that matching grant from State Government was received during 1994-95 and Rs. 9.71 lakhs was transferred to Land Revenue Department for acquisition of land with building. However, the fact remain that the Department failed to implement the scheme till August 1995 and could not achieve the intended objectives.



## CHAPTER IV

<b>WORKS EXPENDITURE</b>		
<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
4.1	<i>Diversion of funds</i>	91
4.2	<i>Irregular expenditure</i>	92
4.3	<i>Excess payment towards carriage charge</i>	92-93
4.4	<i>Undue benefit to Contractor due to application of incorrect formula on escalation</i>	94-95





# CHAPTER IV

## WORKS EXPENDITURE

### FOREST DEPARTMENT

#### 4.1 Diversion of funds

Under the scheme "Aesthetic Forestry", aimed at improving the environment, the Department's target was to cover 200 kms of avenue plantation# during the Eighth Five Year Plan period. Besides, 4 Orchid Sanctuaries, (40 hectares each) were to be created for preservation, research, multiplication and propagation of orchids to other adjoining areas through natural agencies.

A test check of the records of the Forest Department revealed (February 1995 to April 1995) that during 1990-91 to 1994-95 an amount of Rs. 35.84 lakhs meant for Aesthetic Forestry was utilised on maintenance of parks and gardens.

Similarly, during 1990-91 to 1994-95, Rs 18.21 lakhs meant for Rural Fuelwood Plantation were also utilised on maintenance of parks and gardens. This resulted in non-implementation of the schemes

**Rs. 54.05 lakhs meant for Aesthetic Forestry and Rural Fuelwood Plantation were spent on maintenance of parks and gardens.**

besides involving diversion of funds for the programmes not covered under the schemes.

The matter was reported to the Government in September 1995; reply has not been received (October 1995).

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# : Avenue plantation means road-side plantation

## 4.2 Irregular expenditure

Under the Centrally sponsored scheme "Fuelwood and fodder project", the beneficiaries were required to contribute 50 per cent cost either in cash or in the form of voluntary labour towards the cost for plantation on private lands. The balance 50 per cent was to be borne by the Government. The plantation scheme on private land was however, discontinued from July 1990 by Government of India.

Test check of records of the Forest Department revealed (February to April 1995) that during 1990-91 to 1993-94, an expenditure of Rs. 29 lakhs was incurred for plantation on private land covering an area of 942.59 hectares in all the 4 districts. Despite the discontinuance of the scheme by the Government

**Despite discontinuance of the plantations on private land by Government of India, Rs. 29 lakhs were spent on such plantations during 1990-94 which was irregular.**

of India in July 1990, the Department continued the plantations in private land (till March 1994) which was irregular. Besides, the beneficiaries' contributions of Rs. 14.49 lakhs for the plantations carried out prior to July 1990 has not been recovered as of September 1995. Reasons for not effecting the recovery by way of cash or labour has not been intimated (November 1995).

The matter was reported to the Government in September 1995; reply has not been received (October 1995).

## IRRIGATION DEPARTMENT

### 4.3 Excess payment towards carriage charge

In works executed by the Department, appropriate provisions are to be made for proper utilisation of materials available at site.

Accordingly, a minimum of 30 per cent of hill cutting and excavation in hard rock and blasting rock is to be provided for as usable stone and the carriage cost of stone used in work is reduced to that extent.

Scrutiny of vouchers and other related records of 3 minor irrigation channels (Sardong Salley MIC, Omchu MIC and Upper Lingi MIC) executed during March 1990 to February 1994 revealed that while making payment, the carriage charge of stone was not adjusted to the extent of availability of stone on hill-cutting/ excavation of hard rock and blasting rock at work site.

**Non-adjustment of carriage charges of stones available at site, led to excess payment of Rs. 0.72 lakh.**

However, the Department adjusted carriage cost of only 124 cu.m. as against the availability of 3860 cu.m. of stone. This resulted in an excess payment of Rs. 0.89 lakh being the carriage cost of 3736 cu.m. of stone to the contractors.

The Department stated (June 1995) that the materials from cutting works used to roll down the hills and payments on carriage had to be made as per agreements. They further stated that they had deducted 7.9 to 10.6 per cent of the cuttings in two cases.

The reply was not convincing in view of the fact that the Department had effected adjustment in certain bills. Further, the estimates are prepared on the basis of actual survey and deduction (30 per cent) are projected in the technically accepted estimates allowing 70 per cent wastage due to roll down considering the difficult terrain of sites. Even after partial deduction (Rs. 16,385), the excess payment to the contractors stood at Rs. 0.72 lakh.



## POWER DEPARTMENT

### 4.4 Undue benefit to Contractor due to adoption of incorrect formula on escalation

The work 'construction of 66 KVA Transmission Line from Meyong to Phodong' was awarded (March 1989) to a contractor at his lowest tendered rate of Rs. 219.56 lakhs which included civil work of Rs. 84.48 lakhs.

According to the terms and conditions of tender specifications, escalation due to price variation was to be allowed to the contractor. As such Rs. 19.98 lakhs were paid (December 1992) to the contractor towards escalation by adopting the formula  $P = P_0/100(25 + 20D/D_0 + 10PT/PT_0 + 50W/W_0) - P_0$ .<sup>\*</sup> Scrutiny revealed (November 1994) that the formula extended 5 per cent extra benefit to the contractor due to taking of 'the constant' as 25 against 20 allowed to other contractors while computing escalation. Due to computation

**Adoption of incorrect formula resulted in excess payment of Rs. 6.25 lakhs.**

of escalation based on the incorrect formula, additional benefit of 5 per cent was extended to the contractor. Thus, the payment of

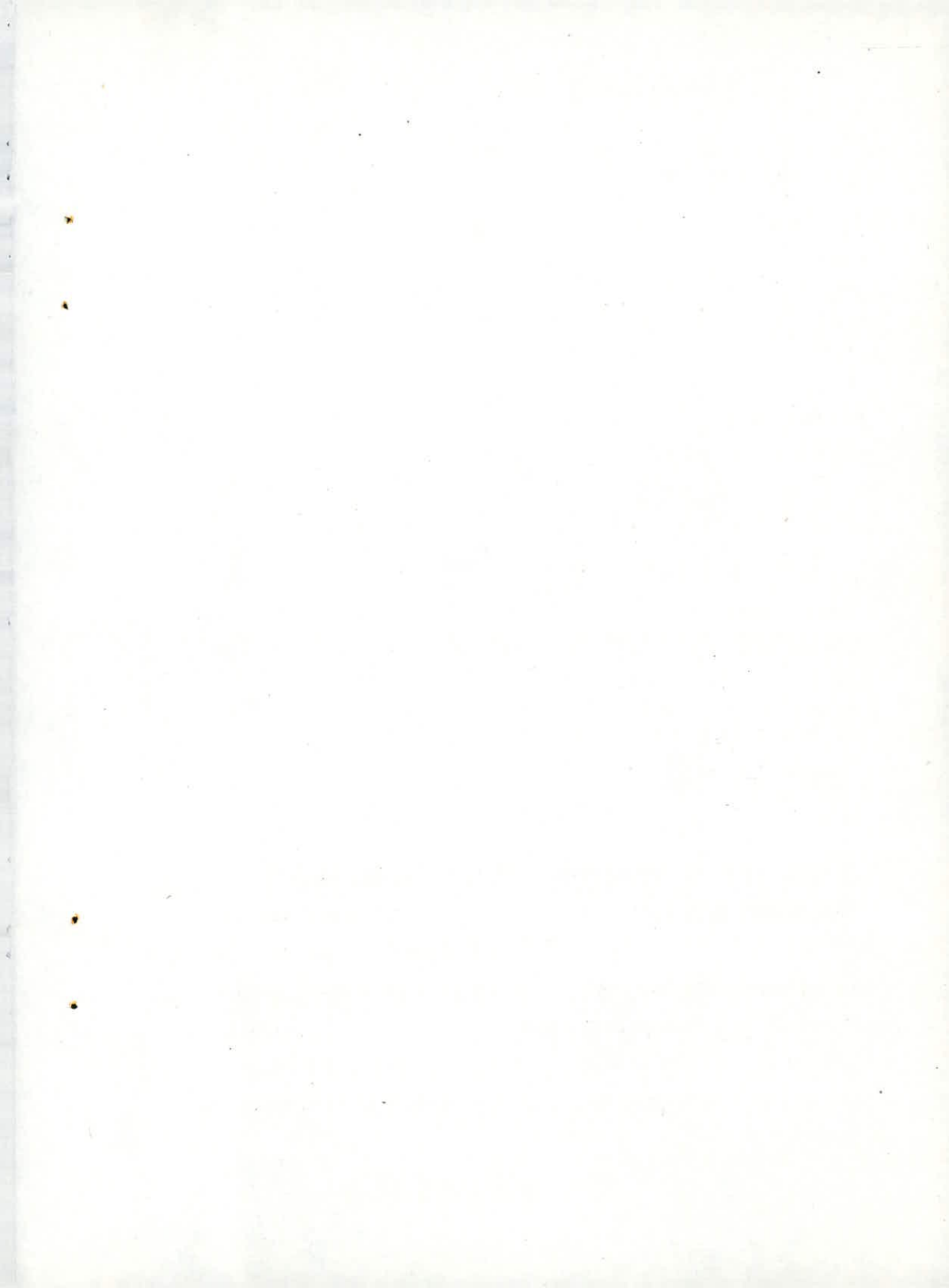
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* P	Amount of price variation
P <sub>0</sub>	Work value at the tendered rates in the respective bills
D	Price of diesel at the time of billing
D <sub>0</sub>	Basic price of diesel at the rate of tender
PT	Price of petrol at the time of billing
PT <sub>0</sub>	Price of petrol at the date of tender
W	All India average consumer price index number for industrial workers at the time of billing
W <sub>0</sub>	All India average consumer price index number for industrial workers at the date of tender

Rs. 19.98 lakhs against actual entitlement of escalation of Rs. 13.13 lakhs resulted in overpayment of Rs. 6.25 lakhs.

On being pointed out in Audit, the Department had recovered (September 1995) the amount of Rs. 6.24 lakhs from the contractor by adjustment while releasing subsequent payments.

The fact, however, remains that the Government money (Rs. 6.25 lakhs) remained blocked with the contractor for about 3 years.

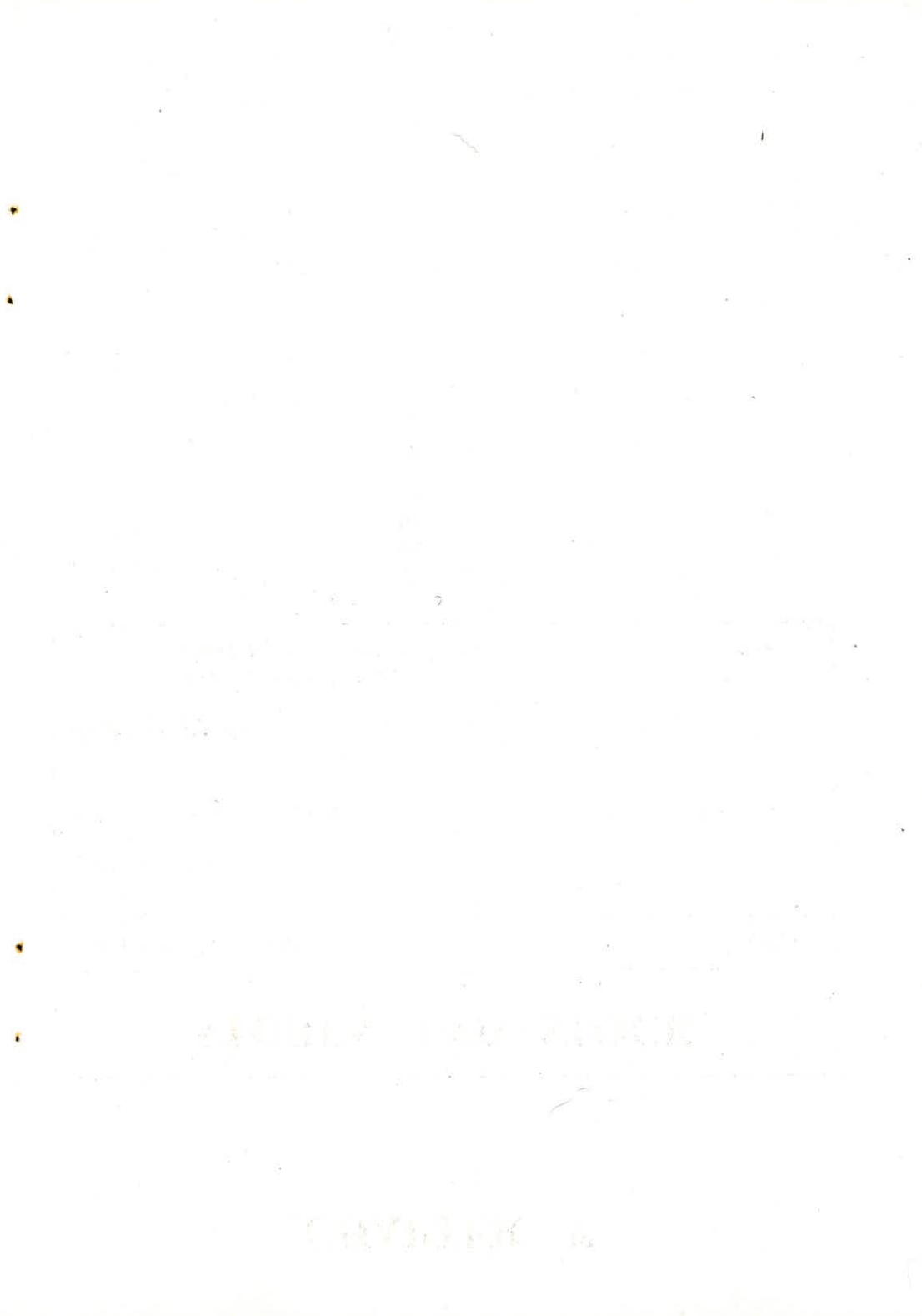


# CHAPTER V

## STORES AND STOCK

<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
<u><i>Audit Review on</i></u>		
5.1	<i>Store Accounts</i>	99-109
<u><i>Audit comments</i></u>		
5.2	<i>Loss due to shortage of foodgrains in four godowns</i>	109





# **CHAPTER V**

## **STORES AND STOCKS**

### **BUILDING AND HOUSING DEPARTMENT**

#### **Stores Accounts**

Building and Housing Department, Sikkim, is engaged in the construction and maintenance of Government residential and non-residential buildings. Up to July 1990, the Department was dependent on the Sikkim Public Works Department (Roads and Bridges) for stores. An independent Store Division formed in August 1990, was responsible for purchase, maintenance and issue of requisite materials for execution of various works. The procurement of the store materials costing over Rs. 5000 normally was to be made through the State Trading Corporation of Sikkim (STCS). There are three stores located at Tadong, Singtam and Jorethang to meet the requirements of four districts in the State.

The store Division is directly under the control of the Principal Chief Engineer-Cum-Secretary who is assisted by one Chief Engineer, two Superintending Engineers, two Divisional Engineers, two Assistant Engineers, two Junior Engineers and three Store Keepers. Besides, the preparation of stores and stock accounts, they also supervise other construction works and perform administrative duties.

A review relating to the Stores and Stock account for the period 1990-91 to 1994-95 was conducted during February and March 1995 through test check of records in the office of the Principal Chief Engineer-cum-Secretary and three depots at Tadong, Singtam and Jorethang. The results of the review are brought out in the succeeding paragraphs.

### (a) Budget Provision and Expenditure

The budget provision and expenditure incurred on procurement of stores during 1990-91 to 1994-95 were as under:

Year	Budget provision (Rupees in lakhs)	Expenditure	Savings (-) Excess (+) (Percentage)
1990-91	241.00	214.87	(-)26.13(11)
1991-92	115.00	115.03	(+) 0.03(-)
1992-93	123.47	123.58	(+) 0.11(-)
1993-94	120.63	120.63	nil
1994-95	125.00	62.30	(-)62.70(50)
Total	725.10	636.41	(-)88.69(12)

It would be seen that there were huge savings in the years 1990-91 and 1994-95. The Department stated (August 1995) that the expenditure for 1990-91 was both for the Buildings and the Roads and Bridges departments. The reply was not convincing as the departments failed to maintain co-ordination amongst them for proper utilisation of the resource. They further stated that the savings in 1994-95 was mainly due to delay in finalising/sanctioning of schemes.

### (b) Position of stock

The closing balance of stock at the end of each of the years 1990-91 to 1994-95 was as under

Year	Opening balance	Receipts (Dr)	Issues (Cr)	Closing balance
1990-91	nil	224.78	233.94	(-) 9.16
1991-92	(-) 9.16	115.03	171.39	(-)65.52
1992-93	(-)65.52	123.60	52.19	(-) 0.11
1993-94	(-) 0.11	120.63	92.90	27.62
1994-95	27.62	62.30	59.66	30.26

The Department has not furnished any reason for the credit balances shown in the years 1990-91, 1991-92 and 1992-93.

The closing balance included value of materials held in various store depots, advance payments made to the STCS and value of materials issued to various works but awaiting adjustment.

Due to non-maintenance of Priced Stores Ledger, the value of materials lying in various Stores Depots could not be checked with reference to the closing balance under 'Stock'.

**(c) Procurement of stores**

As per the SPWD Code, the Divisional Engineers who are in charge of execution of works should submit the anticipated requirement of their works to the Chief Engineer periodically who is authorised to purchase upto the sanctioned limit under the stock.

Ordinarily, materials should be purchased for works in progress and works sanctioned. The Department did not assess the

<p><b>Assessment of annual requirement was not done based on the indents of the concerned division .</b></p>
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annual requirement of various stores/materials on the basis of indents of various Divisions engaged in execution of work. The purchase orders were placed only on the basis of availability of funds, without proper planning of the materials to be procured and time-schedule for procurement.

This has resulted in accumulation of some items and scarcity of other items. The findings of procurement are enumerated in the subsequent paragraphs.



(i) **Unnecessary purchases**

Out of 16.654 tonnes of 20 mm tor steel received in Joreth store in August 1991, only 6.00 tonnes of tor-steel could be issued till March 1993 leaving a balance of 10.654 tonnes. Without assessing the requirement /trend of consumption, the Department

**Procurement was made without ascertaining actual requirement leading to blockage of Government money.**

further procured 10.236 tonnes of steel in June 1993 at a cost of Rs. 1.73 lakhs raising the stock to 20.89 tonnes. Of this, only 4.00 tonnes were issued till March 1995 resulting in unnecessary purchase to the tune of Rs. 1.73 lakhs.

Again, the Department procured 32.092 tonnes of 12 mm tor steel for the above store during June 1993 to February 1995 at a cost of Rs. 5.46 lakhs though there was sufficient stock of 14.841 tonnes of steel since April 1993. The issues during the period from April 1993 to February 1995 were only 10.830 tonnes. So the entire purchase involving Rs. 5.46 lakhs proved unnecessary.

In Gangtok store, there was a stock of 14.243 tonnes of 25 mm tor steel as on 12 September 1992. The issues during the period from January 1995 was only 10.335 tonnes. The Department, however purchased 6.341 tonnes of steel in September 1992 at a cost of Rs. 1.03 lakhs. Similarly, in addition to the existing stock of 31.25 tonnes of 20 mm. tor steel as on 4 March 1993, 29.179 tonnes of steel were purchased at Rs. 4.73 lakhs during March 1993 to February 1995 though the issue was only 8.50 tonnes till January 1995.

Thus, the above purchases proved unnecessary leading to blockage of Government funds to the tune of Rs. 12.95 lakhs.

**(ii) Idle Stores**

Test check revealed that 67.827 tonnes of steel valued at Rs. 11.45 lakhs was lying idle for a period ranging from 13 months to 30 months resulting in blocking of funds.

**(iii) Non-receipt of materials**

Test check of 6 adjustment bills revealed that the Department settled the bills to the STCS without receiving 2100 bags of cement. Of this, 200 bags of cement were delivered to the stores of other Departments(RDD & Irrigation) by the STCS.

Thus, the Department failed to exercise proper check regarding receipt of the materials before finalising the claims of suppliers.

**(d) Irregularities in purchases**

All purchase of stores should be made in the most economical manner in accordance with the definite requirements of the public service. The Department, however, did not stick to economy as may be seen in the succeeding paragraphs.

**(i) Extra Expenditure on procurement of steel**

According to rules, all purchases (whether directly or through the STCS) costing more than Rs. 1 lakh, are to be made at lowest tendered rates. In contravention of the rules, the Department placed a purchase order (July 1990) with a local supplier for supply of 500 tonnes of tor-steel and mild-steel rods ( of different sizes) to be supplied within 45 days at prices ranging from Rs. 12492 to Rs. 12728 per tonne without obtaining non-availability certificate from major manufacturers like SAIL, TISCO, IISCO etc.

It was noticed from the communication (October 1990) that tor-steel rods of various sizes were available with M/S TISCO (Siliguri Branch) at much lower prices ranging from Rs. 8120 to Rs. 8800 per tonne. So, the purchase of MS Rods and tor steel from the local market at

**Procurement of steel from local supplier instead of direct from the manufacturers led to extra expenditure of Rs. 37.37 lakhs.**

higher rates resulted in extra expenditure of Rs. 17.95 lakhs.

Further, against 490.635 tonnes steel stated to have been supplied, details of only 377.122 tonnes could be produced to audit. The whereabouts of 113.513 tonnes of steel valued at Rs. 14.09 lakhs were not known.

Similarly the Department placed two purchase orders in March 1992 with the STCS along with an advance of Rs. 112.31 lakhs for purchase of various materials, which included 285.390 tonnes of steel ( of various sizes) at rates varying between Rs. 14300 to Rs. 14450 per tonne. The purchase order did not stipulate any time-limit for the supply, nor was any penalty provision incorporated for invoking in the event of any delay in supply. The STCS placed order with a local manufacturer after a lapse of 48 days from the date of receiving the advance which was not pursued thereafter. The local manufacturer supplied 301.787 tonnes steel (during July 1992 to October 1992) and was paid at higher rates (Rs. 16200 to Rs. 17100 per tonne claimed by the manufacturer) on the ground of upward revision of prices. The effective date of price revision was also not on record.



Due to non-procurement of steel from major manufacturers, absence any follow-up action with the STCS and non-inclusion of any penal clause for delayed supply, the Department incurred extra-expenditure of Rs. 19.42 lakhs.

Thus, the Department had to incur a total extra expenditure of Rs. 37.37 lakhs in the above purchases.

**(ii) Procurement of materials in piecemeal**

For maintenance of residential and non-residential buildings, the Department did not assess the requirement of paints and chemicals. No attempt was made to observe economy either by resorting to bulk purchase or by entering into annual rate contract on the basis of open quotation. The required materials were purchased on piecemeal basis.

Test check revealed that during March 1993, in 44 cases, paints valued at Rs. 7.09 lakhs were purchased on piecemeal basis without resorting to bulk purchase.

The Department stated that specific items of work could not be anticipated by them for which local purchases had to be made depending on the requirement from time to time. Thus due to deficiency in assessment and preparation of procurement planning, the Department failed to maintain economy and control over store management.

**(e) Fictitious adjustment of stores**

According to the rules, fictitious adjustment of stores are prohibited. A test check of purchases and transfer entries revealed that the Department released an advance of Rs. 22.88 lakhs to the STCS and purchased 18335 bags of cement directly from work at a cost of Rs. 23.62 lakhs for use in construction of Assembly House Building, Gangtok during April - November 1992. Instead of keeping accounts



in the site account, the materials were received at various Stores(Gangtok Store- 13785 bags, Singtam Store - 1290 bags and Jorethang Store - 3260 bags ). Only 600 bags of cement were issued to the work in March 1993. Rs.21.27 lakhs being the cost of the unused material was transferred through a transfer entry to 'Stock' on contra credit to work.

The Department, however, stated (August 1995) that the supplies were delayed by the STCS leading to diversion of materials to stores by adjustment. The reply was not convincing as the procurement was made in excess of actual/immediate requirement by debiting to the work, ultimately leading to fictitious adjustment.

**(f) Non-adoption of prescribed norms/rules**

**(i) Non-fixation of reserve Stock limit**

Reserve Stock Limit (RSL) for the stores was never fixed to ensure availability of stores and proper control over expenditure.

**(ii) Non-adjustment of Profit and loss on stores**

According to rules, profit and loss on stores are to be assessed each year and adjustment of profit (to be credited to revenue) and loss (to be borne as storage loss) should be carried out to keep the stock account on no-profit and no-loss basis. The adjustment of profit and loss was not carried out in any year under review. In the absence of such accounts, annual results in the maintenance of store remained unascertained.

**(iii) Irregular way of accounting**

Materials supplied to other divisions/departments, without realisation of cost are to be kept under Miscellaneous Public Works Advances (MPWA) and on receipt of the cost thereof, the item is to be cleared.

It was noticed that materials were issued to the Irrigation Department prior to 1991-92 without recording the details under MPWA. During June to October 1991, the Department received Rs. 2.16 lakhs from Irrigation Department. The corresponding bank receipt in support of their credit into Government account could not be produced to audit.

During 1990-91 to 1994-95, in 18 cases, the department advanced Rs. 664.08 lakhs charging it to final head of account.

Out of Rs. 18.96 lakhs paid to SPWD (R&B) in March 1990, materials for Rs. 3.73 lakhs only were received leaving a balance of Rs. 15.23 lakhs without making any record in the MPWA.

**(iv) Physical verification of stores**

The physical verification was conducted once in two store depots and twice in one store depot during the period of 5 years though it was to be done annually.

**(v) Improper accounting of G.I. Pipes**

4060 mtrs of GI Pipe, lying in the store yard of Singtam store was accounted for in a 'Temporary Store Register' since 27 February 1995. The Department has stated that purchase was made for Public Health Engineering Wing which had since been established as a separate department. As the materials were not taken over by the PHE Department, it was transferred to Temporary Store Register.

**(g) Other topics of interest**

**(i) Understatement of Stores**

As per the Bincards, there was an opening balance of 305 bags of cement in 1990-91 at Gangtok Store. During 1990-91 to 1994-95 (February 1995) 169176 bags cement were received and 169059 bags cement were issued. The closing balance was shown as 143 bags

instead of 422 bags resulting in understatement of stores to the extent of 279 bags cement valued at Rs. 0.37 lakh.

**(ii) Irregularities in indents**

Test check revealed that in 6 cases, the indented quantity (1370 bags) was changed (to 3250 bags) without attestation by the competent authority. In some cases, the indented quantity was changed by the issuing authority.

It is evident that the control over the issue of materials was inadequate.

**(iii) Non-maintenance of Contractors Ledger - non-recovery of Rs. 13.67 lakhs**

Test Check of 4 divisions revealed that in one Division, Contractors Ledger was not maintained and in 3 divisions it was not maintained in proper manner. In 2 cases materials valued at Rs. 13.67 lakhs were not recovered from the contractors though their final bills were settled. Reasons for non-adjustment of the dues have not been intimated (October 1995).

**(iv) Goods Received Sheets**

The Department did not maintain any Goods Received Sheets indicating purchase orders and receipt thereagainst. As a result, the account of materials valued at Rs. 73.44 lakhs, against four purchase orders could not be verified in audit.

**(v) Bin cards**

The Bin cards were not machine numbered and used bin cards were also not submitted to the Store Division for preservation in safe custody. As a result, the possibility of mis-use of bincards cannot be ruled out.



(h) The above points were brought to the notice of the Department in April 1995; their final reply is awaited.

## **FOOD AND CIVIL SUPPLIES DEPARTMENT**

### **5.2 Loss due to shortage of foodgrains in four godowns**

During the years 1993 and 1994, the Department conducted physical verification of foodgrains in four godowns. As per physical verification report, it was noticed that foodgrains valued at Rs. 16.04 lakhs were found short in the godowns. Of this, an amount of Rs. 4.49 lakhs was recovered from the godown incharge, Chungthang.

Three officials, incharge of godowns at Chungthang, Namchi and Kaluk were placed under suspension between August and October 1994. No further action was taken by the Department to recover the balance amount of Rs. 11.55 lakhs from the persons responsible for the shortage. The losses were not reported to the Accountant General as required under rules.

**Inadequate store management led to loss on shortage of foodgrains worth Rs. 11.55 lakhs.**

Thus, inadequate management, absence of periodical inspection and proper supervision over the stores led to loss of Rs. 11.55 lakhs.

The matter was reported to the Department/Government (March 1995); their final replies have not been received (November 1995).





# CHAPTER VI

REVENUE RECEIPTS		
<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
6.1	<i>Trend of revenue receipts</i>	113
6.2	<i>Analysis of revenue receipts</i>	113-117
6.3	<i>Variation between Budget Estimates and actuals</i>	117-120
6.4	<i>Cost of collection</i>	120-121
6.5	<i>Outstanding inspection reports</i>	121-123
6.6	<i>Results of audit</i>	123
6.7	<i>Non-levy of service charges</i>	123-124
6.8	<i>Short realisation of entry tax</i>	124
6.9	<i>Loss of agency fee and royalty</i>	124-125
6.10	<i>Non-realisation of Income Tax from prize winners of State lotteries</i>	125-126
6.11	<i>Non-collection of Cardamom and Damthy Khazana</i>	126-127



## CHAPTER VI

### REVENUE RECEIPTS

#### 6.1 Trend of Revenue Receipts

The total receipts of the Government of Sikkim for the year 1994-95 were Rs. 546.26 crores, against anticipated receipts of Rs. 572.38 crores (a shortfall of Rs. 26.12 crores). Receipts during 1994-95 registered an increase of 143.86 per cent over those of 1993-94 (Rs. 224.93 crores). The net receipts after adjustment of expenditure towards the State Lotteries stood at Rs. 239.72 crores indicating only 7 per cent increase over those of 1993-94. Out of the total receipts, Rs. 351.09 crores represented revenue raised by the State, Rs. 18.93 crores were from tax revenue and the balance of Rs. 332.16 crores from non-tax revenue. Receipts from Government of India amounted to Rs. 195.17 crores, of which Rs. 36.62 crores represented the State's share of divisible Union taxes and the balance of Rs. 158.55 crores represented grants-in-aid.

#### 6.2 Analysis of Revenue Receipts

##### (a) General analysis

An analysis of the receipts during the year 1994-95, alongwith the corresponding figures for the preceding two years is given below:

	1992-93	1993-94	1994-95
	(Rupees in lakhs)		
I. Revenue raised by the State Government			
(a) Tax Revenue	1627.40	2088.93	1893.04
(b) Non-Tax Revenue	3091.92	2755.28	33215.96
Total	4719.32	4844.21	35109.00



## II. Receipts from Government of India

(a) State's Share of divisible Union taxes	3606.32	3602.93	3662.00
(b) Grants-in-aid	12606.69	14045.75	15855.30
	-----	-----	-----
Total	16213.01	17648.68	19517.30

III. Total receipts of the State (I + II)	20932.33	22492.89	54626.30
IV. Percentage of I to III	23	22	64

### (b) Tax revenue raised by the State

Receipts from tax revenue constituted 5 per cent of the total revenue raised by the State during 1994-95. An analysis of the tax revenue for the year 1994-95 and the preceding two years is given below:

	1992-93	1993-94	1994-95	Increase(+)/ Decrease(-) in 1994-95 with refer- ence to 1993-94	Percen- tage of varia- tion
	(Rupees in lakhs)				
1.State Excise	611.47	722.74	688.81	(-)33.93	5
2.Taxes on Income other than Cor- poration Tax	464.58	659.26	517.55	(-)141.71	22
3.Sales Tax	398.48	509.04	511.61	(+)2.57	1
4.Taxes on Vehicles	46.63	52.10	62.11	(+)10.01	19
5.Stamps and Regi- stration Fees	12.63	22.66	23.32	(+)0.66	3
6.Land Revenue	4.83	34.56	10.73	(-)23.83	69
7.Other Taxes and Duties on Commodi- ties and Services	88.78	88.57	78.91	(-) 9.66	11
	-----	-----	-----		
Total	1627.40	2088.93	1893.04		
	-----	-----	-----		

The decrease of Rs. 33.93 lakhs in collection of revenue under

"State Excise" was due to strike, bandh, electioneering period, etc which affected the sale of liquor. In addition, proposal for mobilisation of the revenues under the M&TP Act 1955 could not materialise. The increase of Rs. 40.01 lakhs in collection of revenue under "Taxes on Vehicles" was due to realisation of 5 years permit fee at a time and also by way of collection of tax arrears from the defaulters. The reasons for variation under the remaining heads though called for has not been furnished (November 1995).

**(c) Non-Tax revenue of the State**

Road Transport Service, Power, Forest, Interest, Plantations, Police, Dividends and Profits were the principal sources of non-tax revenue of the State. Receipts from the non-tax revenue during the year 1994-95 constituted 95 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1992-93 to 1994-95 is given below :

	1992-93	1993-94	1994-95	Increase(+)/ Decrease(-) in 1994-95 with reference to 1993-94	Per- centage of varia- tion
	(Rupees in lakhs)				
	1	2	3	4	5
1. Road Transport	1062.16	1042.78	819.44	(-)223.34	21
2. Power	307.71	357.45	384.89	(+)27.44	8
3. Forest	150.43	106.31	128.74	(+)22.43	21

	1	2	3	4	5
4. Interest	129.57	91.43	34.59	(-)56.84	62
5. Plantations	84.63	126.29	149.69	(+)23.40	19
6. Dividends and Profits	57.22	15.00	67.02	(+)52.02	347
7. Police	75.66	87.52	3.27	(-)84.25	96
8. Public Works	46.24	54.94	41.39	(-)13.55	25
9. Tourism	15.98	22.56	19.49	(-)3.07	14
10. Crop Husbandry	26.16	29.89	39.49	(+)9.60	32
11. Stationery and Printing	45.22	48.46	59.11	(+)10.65	22
12. Village and Small Industries	29.24	32.55	32.51	(-)0.04	--
13. Animal Husbandry	13.54	11.63	13.70	(+)2.07	18
14. Industries	11.71	3.83	7.65	(+)3.82	100
15. Education, Sports, Art and Culture	5.27	6.03	12.12	(+)6.09	101
16. Medical and Public Health	9.50	14.16	8.51	(-)5.65	40
17. Others	1021.68	704.45	31394.35	(+)30689.90	4357
Total	3091.92	2755.28	33215.96		

During 1994-95 the non-tax revenue increased by Rs. 30460.68 lakhs (1106 per cent) which was due to incorporation of sale proceeds of State Lotteries (Rs. 30653.66 lakhs). The non-tax revenue after adjustment of expenditure towards lottery stood at Rs. 2562.30 lakhs indicating 7 per cent decrease over the previous year collection of Rs. 2755.28 lakhs. The increase was mainly under Power (Rs. 27.44 lakhs), Forest (Rs. 22.43 lakhs), Plantation (Rs. 23.40 lakhs), Dividends and Profits (Rs. 52.02 lakhs), and Crop Husbandry (Rs. 9.60 lakhs). Stationery and Printing (Rs. 10.65 lakhs) and Others (Rs. 30689.90 lakhs). The increase (Rs. 22.43 lakhs) under Forest receipts was due to realisation of Compensation from different



agencies against the diversion of forest land. The increase in Power receipts was mainly due to realisation of percentage charges on deposit works. The increase under Art and Culture was due to more programmes and use of Community Centre as well as equipments beyond anticipation and increase in membership. The increase under Animal Husbandry was due to handing over the Livestock from Tadong to Health Department. The reasons for increase under other heads are awaited (November 1995).

There was decrease in non-tax revenue mainly under Road Transport (Rs. 223.34 lakhs), Interest (Rs. 56.84 lakhs), Police (Rs. 84.25 lakhs), Public Works (Rs. 13.55 lakhs) and Medical and Public Health (Rs. 5.63 lakhs). The decrease under Police Service was due to non-receipt of reimbursement of service cost for Boarder Check Posts and also due to less fines and less arms license issued. The decrease under Medical and Public Health was mainly due to the less issue of Prevention and Adulteration Licences. The reasons for decrease under other heads are awaited (November 1995).

### 6.3 Variation between the Budget Estimates and actuals

The variation between the Budget Estimates and Actuals of tax and non-tax revenue during the year 1994-95 is given below:

	Budget (revised)	Actuals	Variation increase(+)/ decrease(-)	Percentage of variation with reference to budget estimates
	(Rupees in lakhs)			
<b>Tax Revenue</b>	1956.00	1893.04	(-) 62.96	3
<b>Non-Tax Revenue</b>	33596.73	33215.96	(-)380.77	1
	-----	-----	-----	--
	35552.73	35109.00	(-)443.73	1
	-----	-----	-----	--



The total variation was Rs. 443.73 lakhs which worked out to 1.25 per cent of the budget estimates.

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 1994-95 were more than 10 per cent.

Sl. No.	Head of revenue	Budget estimates	Actuals	Variation Increase(+) decrease(-)**	Reasons for variation
(Rupees in lakhs)					
1	2	3	4	5	6
<b>A. Tax Revenue</b>					
1.	Stamps and Registration	20.00	23.32	(+)3.32 (17)	Due to increase in registration of firms.
2.	Sales Tax	450.00	511.61	(+) 61.61 (14)	Not intimated.
3.	Taxes on Motor Vehicles	45.00	62.11	(+) 17.11 (38)	Due to realisation of 5 years permit fee at a time and by way of realisation of tax arrears from the defaulters.
4.	Land Revenue	6.00	10.73	(+)4.73 (79)	Not intimated.
5.	State Excise	800.00	688.81	(-)111.19 (14)	Due to bandh, strike and elections
<b>B. Non-Tax Revenue</b>					
6.	Interest Receipt	75.00	34.59	(-) 40.41 (54)	Not intimated.

\*\* (Percentage of variation in brackets)

1	2	3	4	5	6
7.	Dividend and Profits	75.00	67.02	(-)7.98 (11)	Not intimated.
8.	Police	107.90	3.27	(-)104.63 (97)	Due to non-receipt of reimbursement of cost of service of border check-post and also due to less fines and issue of less arms licences.
9.	Education, Sports, Art and Culture	9.00	12.12	(+)3.12 (35)	Due to more programme and use of community centre.
10.	Medical and Public Health	11.00	8.51	(-)2.49 (23)	Due to decrease in the number of issue of licenses under Prevention and Food Adulteration.
11.	Water Supply and Sanitation	6.00	8.73	(+)2.73 (46)	Not intimated.
12.	Road Transport	1065.00	819.44	(-)245.56 (23)	Not intimated.
13.	Village and small Industries	27.00	32.51	(+)5.51 (20)	Not intimated
14.	Tourism	42.00	19.49	(-) 22.51 (54)	Not intimated
15.	Public Service Commission	0.50	0.02.	(-)0.48 (96)	Not intimated
16.	Stationery and Printing	50.00	59.11	(+)9.11 (18)	Not intimated
17.	Public Works	53.30	41.39	(-) 11.91 (22)	Not intimated
18.	Other Administrative Services	121.05	82.48	(-) 38.57 (32)	Not intimated
19.	Labour & Employment	2.50	1.45	(-)1.05 (42)	Not intimated
20.	Social Security and Welfare	0.55	0.49	(-)0.06 (11)	Not intimated

1	2	3	4	5	6
21.	Animal Husbandry	20.60	13.70	(-)6.90 (34)	Due to inability to create infrastructure for poultry development.
22.	Fisheries	0.80	0.49	(-)0.31 (39)	Not intimated
23.	Food Storage & Warehousing	1.50	1.73	(+)0.23 (15)	Not intimated
24.	Minor Irrigation	1.00	0.19	(-)0.81 (81)	Not intimated
25.	Non-Conventional Source of Energy	0.90	3.62	(+)2.72 (302)	Not intimated

#### 6.4 Cost of collection

Expenditure incurred on collection of revenue under the principal heads during the years 1992-93 to 1994-95 is given below:-

Sl. No	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for 1992-93
(Rupees in lakhs)						
1.	Taxes on Income other than Corporation Tax#	1992-93	464.58	10.78	2	-
		1993-94	659.26	12.86	2	
		1994-95	517.55	15.69	3	
2.	State Excise	1992-93	611.47	35.52	6	2.7
		1993-94	722.74	117.58	16	
		1994-95	688.81	109.17	16	
3.	Sales Tax	1992-93	398.48	11.17	3	1.3
		1993-94	509.04	19.88	4	
		1994-95	511.61	18.88	4	

# Indicates Sikkim State Income Tax.

4. Taxes on Vehicles	1992-93	46.63	7.85	17	2.6
	1993-94	52.10	15.45	30	
	1994-95	62.11	9.93	16	

## 6.5 Outstanding Inspection Reports

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

The position of inspection reports in respect of revenue receipts issued to the end of December 1994 but remaining outstanding as at the end of June 1995 was as under :-

		At the end of		
		June 1993	June 1994	June 1995
1.	Number of out- standing Insp- pection Reports	104	115	119
2.	Number of out- standing audit objections	451	484	502
3.	Money value of the objections (Rupees in crores)	23.18	23.15	23.73

Receipt-wise break-up of the inspection reports and objections (with money values) is given below :-



Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Amount (Rupees in crores )
1.	Sales Tax	11	83	3.62
2.	Income Tax	12	99	4.15
3.	Forest	33	134	1.42
4.	Land Revenue	25	92	1.03
5.	Motor Vehicles	5	10	0.05
6.	State Excise	5	19	6.27
7.	Urban Development	8	9	0.31
8.	State Lotteries	4	17	5.17
9.	Power	12	31	1.47
10.	Mines and Geology	4	8	0.24
Total:		119	502	23.73

Out of 119 inspection reports pending settlement, even first replies had not been received ( June 1995 ) in respect of 36 reports containing 220 audit objections. Receipts-wise break-up of such reports is furnished below:-

Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Earliest year to which the reports relate
1.	Motor Vehicle	1	4	1994-95
2.	Mines and Geology	2	5	1993-94
3.	State Excise	1	9	1994-95
4.	Sales Tax	5	56	1987-88
5.	Income Tax	6	58	1980-81
6.	Forest	8	40	1986-87
7.	Land Revenue	9	37	1986-87
8.	Power	4	11	1990-91
Total :		36	220	

The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State

Government (September 1995).

## **6.6 Results of Audit**

Test check of the records of Motor Vehicles, Sales Tax, State Excise, Mines and Geology, Urban Development and Housing Department, State Lotteries and other Departmental offices conducted during the year 1994-95 revealed under assessment/short levy/loss of revenue amounting to Rs. 431.48 lakhs in 1,734 cases. During the course of the year 1994-95, the concerned departments accepted all the cases of under-assessment etc.

## **ANIMAL HUSBANDRY AND VETERINARY SERVICES DEPARTMENT**

### **6.7 Non-levy of service charges**

Sikkim (Livestock and Livestock Products Control) Act, 1985 and notification issued thereunder in March 1986, effective from 1st April 1986 provides veterinary check up of all livestock and livestock products entering into Sikkim at the check posts with a view to prevent entry of diseased livestock. The Government also levied service charge for rendering such services at the veterinary check posts at the rate of Re. 1 for all categories of livestock. Scrutiny (August

1994) of records of the Animal Husbandry and Veterinary Services Department revealed that the service charge was not

**Non-levy of service charges on livestock resulted in non-realisation of Government dues of Rs. 3 lakhs.**

levied on 3,00,060 poultry birds which had entered into Sikkim through Rangpo, Melli and Rishi check posts during the period from April 1990 to June 1994. This resulted in non-realisation of revenue of Rs. 3 lakhs.

The matter was reported to the Government in December 1994;

replies have not been received (September 1995).

### **6.8 Short realisation of entry tax**

Under the provisions of the Sikkim (Livestock and Livestock Products Control) Act 1985 and the notification made thereunder, no livestock and livestock products shall be allowed to enter the State of Sikkim without payment of entry tax at rates specified in the schedule for each category of livestock and livestock products. By a subsequent notification the entry tax was enhanced with effect from 28 May 1992.

Scrutiny (August 1994) of records of the Animal Husbandry and Veterinary Services Department revealed that a Sikkim based firm brought into the State livestock and livestock products between June 1992 and May 1994 without

payment of entry tax at check posts. The Department raised bills for Rs. 7.05 lakhs towards

**The entry tax of Rs. 3.31 lakhs remained unrealised from a firm dealing in livestock.**

payment of entry tax at the enhanced rate but the firm paid only Rs. 3.74 lakhs at prerevised rates. This resulted in short realisation of entry tax amounting to Rs. 3.31 lakhs.

In reply the Department stated (February 1995) that steps have been taken to realise the dues. Further report on collection thereof has not been received (November 1995).

The matter was reported to Government in December 1994; reply has not been received (November 1995).

### **6.9 Loss of agency fee and royalty**

Under Section 7 of the Sikkim (Livestock and Livestock Products Control) Act, 1985, and notification issued thereunder (July 1986) the Government appointed on (25th July 1986) the Sikkim Livestock Development Corporation (SLDC) as its agent for carrying



out trade and commerce in hides and skins. The agent was liable to pay to the Animal Husbandry and Veterinary Services Department, agency fee of Rs. 0.50 lakh per annum and also a security deposit of Rs. 0.25 lakh on the award of agencyship.

Scrutiny (August 1994) of records of the Animal Husbandry and Veterinary Services Department revealed that though for carrying out the business for the period 1981-82 to 1985-86 an amount of Rs.

2.22 lakhs outstanding from the SLDC, it was again given as the agency. The agency fee of Rs. 2 lakhs for the period from

<p><b>Agency fee and royalty of Rs. 4.68 lakhs became irrecoverable due to non-realisation of dues in time.</b></p>
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1986-87 to 1989-90 and royalty of Rs. 46,000 on hides and skin could not be collected by the Department. The Department terminated the agency arrangement in February 1990 and consequent upon winding up of the Corporation with effect from 15 June 1990, an amount of Rs. 4.68 lakhs due from the SLDC became irrecoverable.

On this being pointed out (August 1994), the Department replied (July 1995) that the entire accounts of erstwhile SLDC are under investigation by the Crime Branch.

The matter was reported to the Government in August 1994; reply has not been received (November 1995).

## **FINANCE DEPARTMENT**

### **6.10 Non-realisation of Income Tax from prize winners of State lotteries**

In accordance with the Government notification dated 5th February 1974, State Income Tax was to be deducted from prizes of Rs. 10,000 and above as per rates prescribed under the notification



issued in April 1970. Accordingly Income Tax was to be deducted from the income of the prize-winners of all State lotteries.

Test check (September 1994) of records of the Director of State lottery, Gangtok, revealed that a new scheme was introduced in respect of Kanchanjanga weekly lottery from 467th draw onwards. According to the

<p><b>Non-recovery of Income Tax from 28 prize winners led to loss of Rs. 4.50 lakhs.</b></p>
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scheme, the 1st prize winner would be given a prize either of Rs. 2 lakhs in cash or a Maruti Car.

A scrutiny of the records, however, revealed that out of 109 draws held under the scheme, 28 prizes were given in kind (Maruti Car) in respect of which income tax on equivalent amount of each prize was not recovered from the winner. This resulted in loss of revenue of Rs. 4.50 lakhs.

In reply, the Finance Department stated that a new scheme had been introduced in keeping with market trend, however, the fact remains that the Government suffered a loss of revenue to the tune of Rs. 4.50 lakhs.

## **LAND REVENUE DEPARTMENT**

### **6.11 Non-collection of Cardamom and Damthy Khazana**

According to the notification of February 1958 as amended in March, 1986 Cardamom and Damthy Khazana at the prescribed rate is leviable on cardamom crop. The Khazana is payable by the growers to the Government. The revenue is collected through the agency/contractor appointed by the Government on the basis of open tenders.

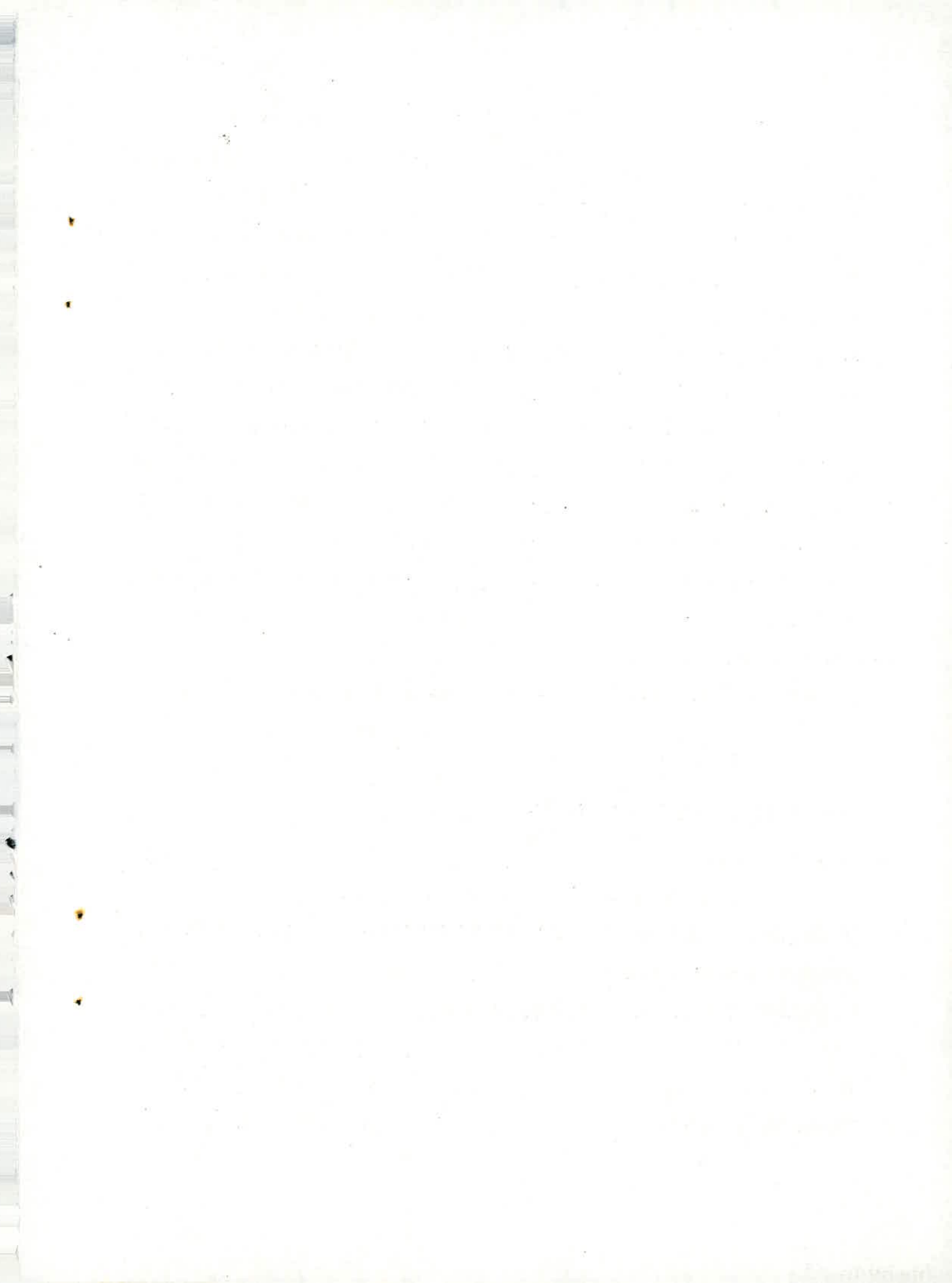
A test check of records of the Land Revenue Department, Gangtok revealed (February-March 1995) that the collection of Cardamom and Damthy Khazana for the period from 1990-91 and 1991-92 was awarded on 9 March 1990 to a contractor who agreed to pay a sum of Rs. 15.01 lakhs per year. Accordingly security deposit of 5 per cent of the annual tender amount for one year amounting to Rs. 77,550 was deposited by the contractor. Subsequently, the contractor was intimated on 21 March 1990 that the above work of collection of Khazana was

**Non-collection of khazanas led to loss of Rs. 15.01 lakhs per annum.**

withdrawn on the ground that it was a very primitive and obsolete system and Government levied Central Sales Tax effective from 21 March 1990 at the rate of 2 per cent on the turnover of a dealer having his place of business in the State in respect of the sale of cardamom made by him in the course of inter State trade of commerce. The Central Sales Tax levied on the dealers of the cardamom is a separate tax payable by the dealers where as cardamom Khazana is leviable on growers on production and damthy is the rent of land. Therefore CST is not the substitution of cardamom and damthy khazanas.

It was, further noticed that no Act was passed by the Legislature exempting the cultivators from the payment of these taxes as required in terms of Article 371 F(K) of the Constitution. Thus, withdrawal of these taxes without approval of the Legislature resulted in loss of revenue of Rs. 31.02 lakhs.

The matter was reported to Government / Department in March 1995; reply has not been received (October 1995).

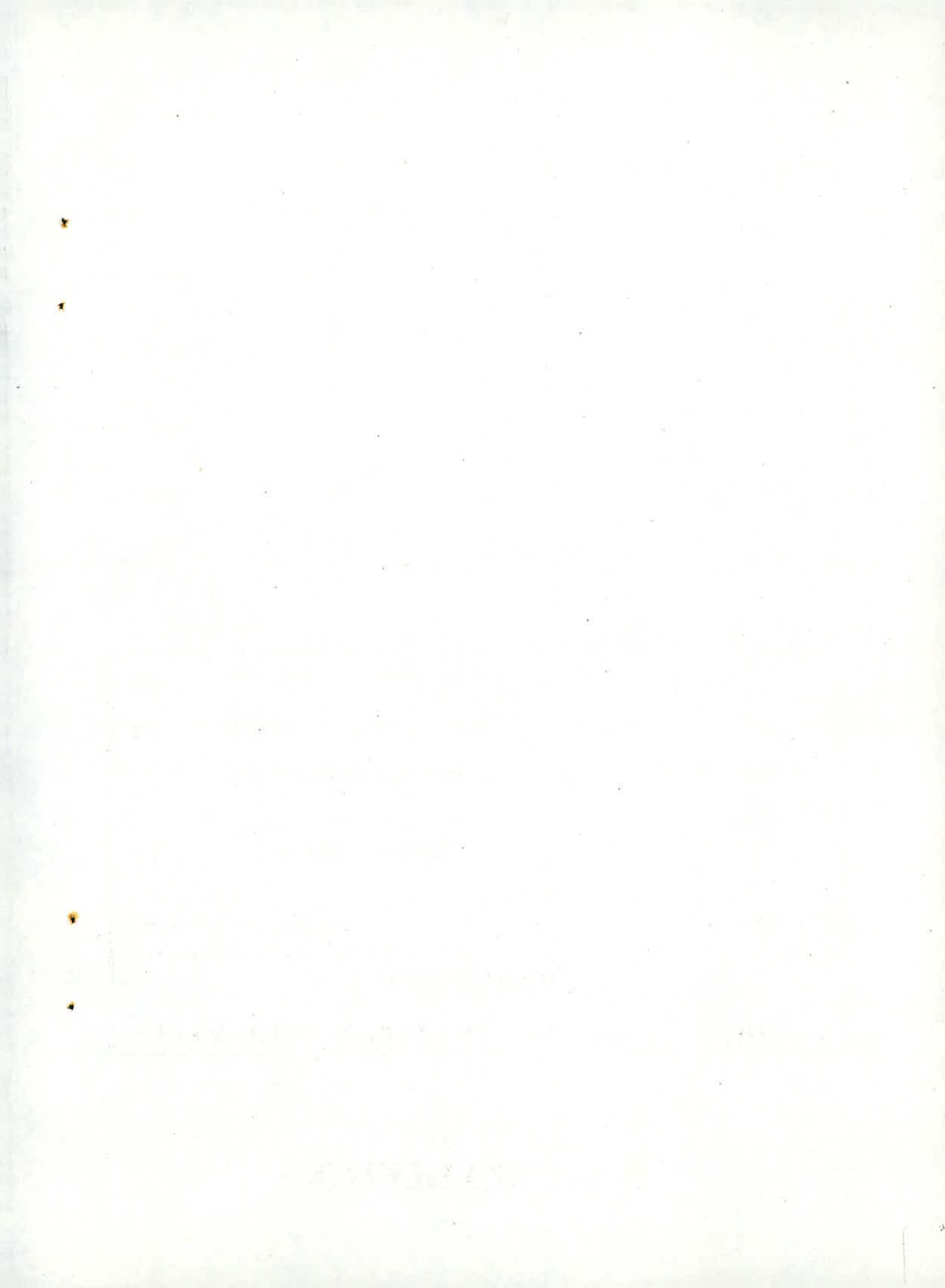


## CHAPTER - VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
7.1	<i>Grants paid to local bodies and others</i>	131
7.2	<i>Utilisation certificates</i>	131-132
7.3	<i>Loans</i>	132-133
7.4	<i>Loss due to fraudulent drawals</i>	133-134





## CHAPTER VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 7.1 Grants paid to local bodies and others

During 1994-95, Rs. 467.85 lakhs were paid as grants to local bodies, voluntary agencies and others which formed 1 per cent of Government's total expenditure of Rs. 52641.73 lakhs on revenue accounts.

The grants were paid mainly for maintenance of educational institutions, destitute homes, religious institutions, administrative purposes, celebration of festivals, construction of buildings etc. The department-wise details are as under:

Department	Amount of grants released during 1994-95 (Rupees in lakhs)
Animal Husbandry	20.00
Co-operation	41.75
Cultural Affairs	28.00
Ecclesiastical	36.63
Education	101.98
Industries	31.50
Rural Development	157.10
Social Welfare	12.72
Tourism	1.47
Welfare	16.70
Urban Development and Housing Department	20.00
<b>Total</b>	<b>467.85</b>

#### 7.2 Utilisation certificates

The Department sanctioning grants-in-aid has to obtain

certificates from the grantees concerned indicating the utilisation of grants within the same year and forward them, duly countersigned, to the Accountant General after satisfying themselves about the utilisation of the grants for the purposes intended for. As of 30 September 1995, utilisation certificates for Rs. 137.49 lakhs had not been received in respect of grants-in-aid released till the end of 1994-95. The Department wise and year wise details of the pending utilisation certificates are as under:

Department	Upto 1991-92	1992-93	1993-94	1994-95	Total
			(Rupees in lakhs)		
Agriculture	10.00	4.00	Nil	Nil	14.00
Co-operation	Nil	Nil	Nil	10.43	10.43
Cultural					
Affairs	Nil	Nil	0.38	Nil	0.38
Education	Nil	Nil	Nil	42.98	42.98
Industries	10.00	4.00	0.38	53.41	67.79
Labour	0.06	Nil	0.13	Nil	0.19
Social Welfare	--	0.62	0.30	0.80	1.72
	-----	-----	-----	-----	-----
Grand Total	20.06	8.62	1.19	107.62	137.49
	-----	-----	-----	-----	-----

### 7.3 Loans

**7.3.1 Co-operative Department:** During the year, the Department sanctioned loan of Rs. 21.71 lakhs to different co-operatives under Integrated Co-operative Development Projects. The major portion of the loans was not released to the Co-operatives and were lying with the project implementing offices at the districts due to non-fulfilment of certain criteria fixed by the Government. The details of actual disbursement were not intimated (November 1995) by the Department.

**7.3.2 Excise Department:** During 1994-95, the Department sanctioned Rs. 17.39 lakhs as interest free loan to a private firm under

Special Incentive Scheme repayable after 3 years.

**7.3.3** During the year, an amount of Rs. 176.01 lakhs, being 24 per cent of the opening balance (Rs. 724.16 lakhs), was recovered against loan paid prior to 1994-95. The loan outstanding at the end of 1994-95 was Rs. 587.25 lakhs.

## **SIKKIM KHADI AND VILLAGE INDUSTRIES BOARD**

### **7.4 Loss due to fraudulent drawals**

Sikkim Khadi and Village Industries Board was established under the Sikkim Khadi and Village Industries Board Act, 1978 with the object to encourage, organise, develop and regulate Khadi and Village Industries and perform such functions as the Government may prescribe from time to time.

Audit of the Accounts of the Sikkim Khadi and Village Industries Board had been entrusted under Section 20 (1) of the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act, 1971 for the period from 1985-86 to 1994-95

Scrutiny of cash book and other related records revealed (September 1994) that a cheque was drawn for Rs. 5895.30 on 12 December 1986 in favour of an individual. Against this cheque, an amount of Rs. 45,895.30 was withdrawn from the bank as was evident from the photocopy of the paid cheque. The fraudulent drawal remained undetected due to non-reconciliation with the bank. In December 1993, a charge was framed against the cashier but no FIR was lodged against him. Thus, absence of control over cash led to a loss of Rs. 40,000 to the Board.

Further, the Executive Officer of the Board detected (28 June 1989) withdrawal of Rs. 96,029.42 on 17 June 1989. Investigation



revealed that the blank cheque was stolen by the record- keeper who forged the

signature of the Accounts Officer. The cheque was encashed through the cashier. The police recovered Rs. 84,900 from the record keeper and the cashier. The officials placed under suspension were ultimately retrenched from service with effect from 29 January 1994. It was further noticed that another cheque was missing when the same cashier was in charge of cash. The matter remained to be investigated by the Management. The Cashier in addition to cheques for encashment was also authorised for writing cheques and keeping blank cheque book in his custody widening the scope

of misappropriation. The management did not devise any system to call for the monthly Bank statements from the Banks

**Lack of proper system and absence of supervisory control over cash management led to repeated mis-appropriation.**

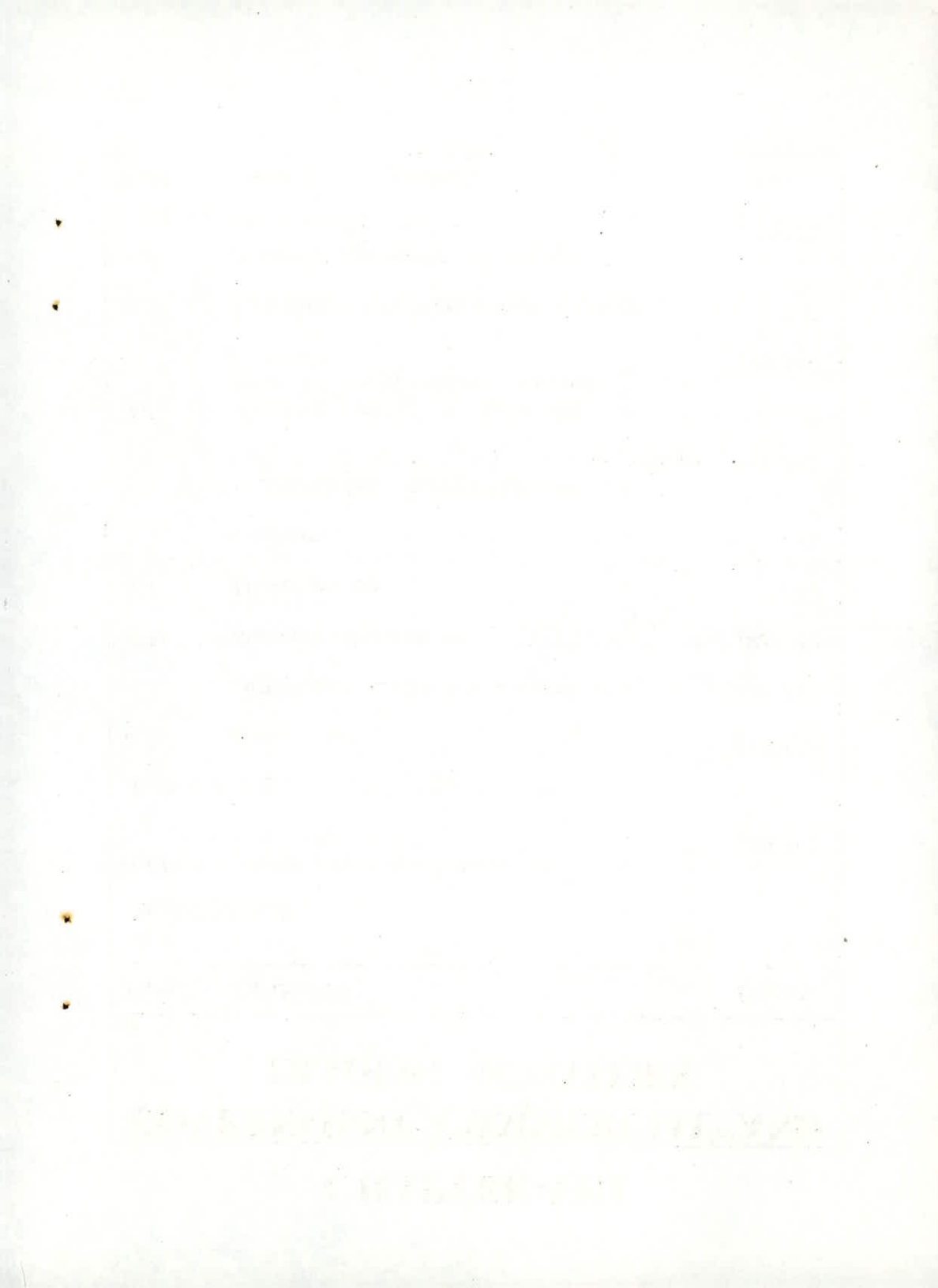
and reconciliation thereof and for obtaining security/fidelity guarantee insurance from the persons handling Cash and other valuables. Thus, lack of proper system and supervisory control by the Management resulted in mis-appropriation causing loss of Rs. 51,129.

The Management stated (September 1995) that a system has been devised to improve accounting system and to exert proper supervisory control.

## CHAPTER-VIII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
<u><i>Audit Review on</i></u>		
8.11	<i>Sikkim Nationalised Transport - working thereof</i>	150-173
<u><i>Audit comments on various irregularities</i></u>		
8.1	<i>Introduction</i>	137-138
8.2	<i>Government companies - general view</i>	138-142
8.3	<i>Statutory corporations</i>	142-144
8.4	<i>Disinvestment</i>	144
8.5	<i>Guarantee</i>	144
8.6	<i>Departmentally managed Government Commercial /Quasi commercial undertakings</i>	144-145
8.7	<i>Irregular grant of loan and undue financial benefit extended to private promoter</i>	145-147
8.8	<i>Loss due to fraudulent drawal of cheque</i>	147
8.9	<i>Irregular investment and leasing out of assets created</i>	147-149
8.10	<i>Infructuous expenditure</i>	149-150



## **CHAPTER VIII**

### **GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES**

#### **8.1 Introduction**

**8.1.1** The Companies Act, 1956 is not extended to the State of Sikkim. The Companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory 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 at the request of the State Government under Section 20 (I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

**8.1.2** 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 three Corporations was entrusted to the Comptroller and Auditor General 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. Audit Reports on the accounts of all the Statutory Corporations are issued by the Comptroller and Auditor General to the respective Organisations/State Government.

**8.1.3** There were two departmentally managed undertakings viz. (i)



Sikkim Nationalised Transport(SNT) under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

The accounts of these departmentally managed undertakings are audited by the Chartered Accountants who are directly appointed by the respective Departments. Audit of the Comptroller and Auditor General of India is taken up under Section 13 of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) Act, 1971.

## **8.2 Government Companies-General View**

**8.2.1** As on 31 March 1995, there were 5 Government Companies with total investment of Rs. 2067.45 lakhs (Equity Rs. 1829.08 lakhs; long term loan Rs. 238.37 lakhs).

**8.2.2** The financial position and working results of all the Government Companies are given in Appendix V.

### **Budgetary outgo and Waiver of dues**

(a) The outgo from the State Government to 5 PSUs during the years 1992-93 to 1994-95 in the form of equity capital, loans and subsidy is as detailed below:-

	1992-93	1993-94 (Rupees in crores)	1994-95
1. Equity Capital outgo from Budget	2.00	2.32	2.00
2. Loans given out from Budget.	2.00	Nil	Nil
3. Subsidy	Nil	Nil	Nil
<b>Total outgo</b>	<b>4.00</b>	<b>2.32</b>	<b>2.00</b>

(b) There was no case of waiver of loan/ interest by the State Government during the last three financial years.

## **8.2.3 Finalisation of accounts**

Accountability of Public Sector Undertakings to the

Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of 5 Government Companies, the accounts of 3 companies were in arrears for a period of 1 year as indicated in Appendix VI (as on 30 September 1995).

According to the latest finalised accounts of these Companies, 1 Company had incurred loss of Rs. 1.97 crores and 2 companies earned profit of Rs. 0.89 crore and remaining companies run their business with no loss no profit basis.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Companies in the annual general meeting within the prescribed time schedule. Though the concerned administrative departments and officials of the Government were appraised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time-schedule the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

#### **8.2.4 Working Results**

##### **(a) Profit making Companies**

During the year, 2 companies viz. Sikkim Jewels Limited(SJL) and Sikkim Time Corporation Limited(SITCO) which finalised accounts for 1994-95 and 1993-94 respectively, earned profit of Rs. 0.89 Crore. These two companies earned profit for two successive years or more and one company declared dividend. Free reserves and surpluses amounting to Rs. 5.40 crores were built up in these companies.

(b) Out of 2 companies which finalised their accounts for 1994-95 by September 1995, only 1 company earned profit of Rs. 0.06 crore on total share capital of Rs. 1.56 crores but did not declare any dividend during 1994-95.

The SITCO, which finalised accounts for 1993-94 by September 1995, declared dividend amounting to Rs. 0.20 crore on the profit of Rs. 0.83 crore earned by them in 1993-94. The dividend as percentage of share capital worked out to 2.64 per cent.

Name of Company	Year of Accounts	Profit earned	Dividend declared Amount
1. Sikkim Jewels Ltd.	1994-95	0.06 crore	Nil
2. Sikkim Time Corporation Ltd.	1993-94	0.83 crore	-0.20 crore

(c) **Loss making Companies**

According to the latest available accounts, 2 companies suffered loss for 3 consecutive years as shown below:-

Name of Company	Accumulated Loss	Suffering loss due to	Capital eroded
(Rs. in crores)			
1. Sikkim Flour Mills Limited.	0.13	Non-recoupment of over head expenditure.	---
2. Sikkim Industrial Development and Investment Corporation Ltd.	3.29	Extension of loan to the non-viable units.	---

In spite of the poor performance the State Government continued to provide financial support to these companies in the form



of contribution towards equity, further grants of loans, subsidy etc. The total financial support provided during 1994-95, to these 2 companies amounted to Rs. 0.51 crore.

It was noticed that the Government funds amounting to Rs. 0.51 crore were provided to these companies mainly for payment of salaries to the staff and other recurring expenses.

(d) The audit of the companies had been taken up by the Comptroller and Auditor General of India at the request of the State Government under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971. During the period from October 1994 to September 1995, accounts of 2 companies were reviewed. The net effect of the important comments as a result of such review was as follows:-

Details	Number of Accounts	Monetary effect
	(Rs. in Crores)	
1. Increase in profits	1	0.06
2. Non-disclosure of material facts.	2	0.10
3. Others	1	0.55*

\*. Rs. 0.55 crore was invested without the approval of the Board.

Rs. 0.94 crore was invested in 10 private companies upto 1993-94 but individual company wise investment was not available.

The financial results of all the companies based on the latest available accounts are given in Appendix VII.

### 8.2.5 Capacity Utilisation

The percentage of utilisation of the installed or rated capacity of the two manufacturing companies (to the extent the information is available) are given below:



Name of Company	Installed rated	Actual utilisation	Percentage of utilisation
<b>Consumer Industries</b>			
1. Sikkim Time Corp. Ltd			
i. Watches	17.50 lakhs (17.50 lakhs)	7.68 lakhs (7.71 lakhs)	44 (44)
ii. Semi Conductor	35.00 mill (35.00 mill)	25.20 mill (26.84 mill)	72 (77)
2. Sikkim Jewels Ltd.			
i. Cup Jewels	36 lakhs (36 lakhs)	40.96 lakhs (17.52 lakhs)	114 (49)
ii. Watch Jewels	84 lakhs (84 lakhs)	84.00 lakhs (84.00 lakhs)	100 (100)

(Previous year's figures shown in brackets)

### 8.2.6 Other investments

The State Government has invested Rs. 1.63 crores in other 2 companies. One of the company has not started its manufacturing functions and hence not taken up for audit. The entrustment of audit of the other company is under consideration. The details of investment in these 2 companies are given below:

Sl.No.	Name of the company	Amount invested upto 1994-95
--------	---------------------	------------------------------

		(Rs. in lakhs)
1.	Sikkim Distilleries Limited	152.65
2.	Dikchu Copper Zinc Project	10.10
Total		162.75

### 8.3 Statutory Corporation

#### 8.3.1 General aspects

There were 3 Statutory Corporations in the State as on 31 March 1995. Audit arrangement of these corporations is shown below:-

	Statute under which constituted	Date of formation	Audit arrangement	Year upto which accounts finalised	SAR placed in legislature upto the year	Authority for Audit by C&AG.
SMC	Proclamations of the erstwhile Chogyal of Sikkim	2/1960	Super-imposed audit	1993-94	1989-90	Under Section 19 (3) of CAG's(DPCs) Act, 1971.
2. SBS	-do-	6/1968	-do-	1992-93	1988	-do-
3. STCS-	-do-	3/1972	-do-	1991-92	1986-87	-do-

### 8.3.2 Investment

The total investment in these Corporations as on 31 March 1995 was Rs. 1.53 crores (Equity Rs. 1.45 crores; long term loan 0.08 crore)

### 8.3.3 Profit/Loss of the Corporations

The SMC incurred a loss of Rs. 0.25 crore, whereas SBS and STCS earned profit of Rs. 0.21 crore and Rs. 0.35 crore respectively. The position is given in the table below:-

No. of Corporation	Year upto which accounts were finalised	Profit		Loss	
		No. of Corporation	Amount	No. of Corporation	Amount
(Rs. in crores)					
1 (SMC)	1993-94	--	--	1	0.25
2 (SBS)	1992-93				
3 (STCS)	1991-92	2	0.56	--	--
Total		2	0.56	1	0.25

### **8.3.4 Finalisation of Accounts**

The Sikkim Mining Corporation, State Bank of Sikkim, State Trading Corporation of Sikkim finalised their accounts up to the years 1993-94, 1992-93 and 1991-92 respectively.

### **8.3.5 Working Results of Statutory Corporations**

The working result of the Statutory Corporations for the latest year for which accounts have been finalised are summarised in Appendix VIII.

### **8.4 Disinvestment**

In the year 1994-95, there has been no privatisation partial or complete of any activity of these companies or corporations, the Government has also not gone for disinvestment of shares in any company/corporation.

### **8.5 Guarantee**

Guarantee upto a maximum of Rs. 10 lakhs was given by the State Government to the State Bank of Sikkim in August 1975 in respect of advances (overdraft) made by the Bank to the Sikkim Mining Corporation. No guarantee was invoked during the years 1992-93 to 1994-95.

### **8.6 Departmentally managed Government Commercial /quasi-commercial undertakings**

#### **8.6.1 General aspects**

As on 31 March 1995, there were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

#### **8.6.2 Finalisation of Accounts**

Both the undertakings have finalised their accounts for the year



1993-94.

### **8.6.3 Working Results**

A statement showing the working results of the undertakings based on the latest available accounts is given in Appendix IX.

## **SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION LTD.**

### **8.7 Irregular grant of loan and undue financial benefit extended to private promoter**

A mention was made in para 7.11 of Audit Report 1990-91 that during 1985 to 1988, the Company invested Rs. 93.29 lakhs (51.54 per cent of total paid-up capital) in a joint sector enterprise named M/S Sikkim Vanaspati Limited (SVL). The unit was closed (March 1990) for want of working capital due to ineptitude management, gross inefficiency in purchase of raw materials, higher transportation costs and under-utilisation of plant capacity. It was noticed

**Absence of any control over the company (SVL) led to accumulated loss of Rs. 6.81 crores resulting in negative worth of Rs. 4.75 crores.**

that the company, despite deteriorating situation of the unit, allowed the private promoters to run the unit (SVL) since inception and took (February 1992) stock of the situation only when the unit accumulated loss of Rs. 681.29 lakhs with a negative net worth of Rs. 475.29 lakhs.

For rehabilitation of the unit, the Company released (October 1992) a soft loan of Rs. 2 crores bearing interest at the rate of 6 per cent for first 3 years and 12 per cent for the next 7 years to a new private promoter without obtaining prior approval of financial institutions (share holders) involved in SVL. While the credibility of the private promoter was objected to by one institution (IDBI), others



(IFCI, ICICI and SBI) had expressed their doubts regarding financial projection and viability of the scheme for rehabilitation. In the financial projection submitted by the private promoter, provision for repayment of loan was not reflected. However, the loan was released without obtaining any security to safeguard the interest of the company. Further the loan amount was not kept in a no-lien account of any scheduled bank approved by SIDICO as stipulated in the agreement.

The grant of a huge loan of Rs 2 crores to a private party in one instalment notwithstanding the earlier experience of loss of Rs. 6.81 crores by the other private promoter and that too without any security in the face of the objections raised by the financial institutions was not justified. The unit was finally closed in February, 1995.

It was further observed that the SIDICO had allowed (October 1992) the previous private promoters to sell its pledged shares at par valued at Rs. 45.75 lakhs to the new promoter out of the loan of Rs.2 crores given by SIDICO which was exclusively meant for revival of the unit. Thus the previous private promoter was relieved from disposing off their liability towards SVL. This also resulted in extension of undue financial benefit to the previous private promoter.

In reply, the Management stated (July 1995) that I.D.B.I.'s approval was obtained subsequently. They further stated the factory could achieve only 30 per cent of its capacity after it was re-opened in January 1993. Due to a loss of Rs. 4000 per tonne on production, the company suspended its operation. Further, acceptance of the financial institution regarding transfer of share was obtained on a later date. The reply is not tenable as the loan was released without proper scrutiny of

the viability of the rehabilitation package and the transfer of shares were not in the interest of the principal investor (SIDICO).

### **8.8 Loss due to fraudulent drawal of cheque**

On 3 August 1994, it was noticed by the authorities that two cheque leaves with counterfoils were missing from one cheque book issued to the Company by State Bank of India. On enquiry (3 August 1994) with the Bank, it was found that out of the two, one cheque had already been encashed on 29th April 1994 for

**System lapse and unsafe custody led to fraudulent use of cheque resulting in loss of Rs. 2 lakhs.**

Rs. 2. lakhs. The signature on the cheque was stated to have been forged by the drawee. The other cheque was not encashed till date. The incident was reported to the Police on 4 August 1994 by the Management.

Though the succeeding cheques were issued on 30 June 1994, the missing preceding cheques were not detected.

Thus absence of periodical reconciliation and unsafe custody of cheque books led to fraudulent use of cheques resulting in a loss of Rs. 2 lakhs to the company.

In reply, the Company intimated (January 1995) that they were pursuing the case with the Police authorities. However, final outcome of the case is still awaited (September 1995).

## **SIKKIM LIVESTOCK PROCESSING AND DEVELOPMENT CORPORATION LIMITED**

### **8.9 Irregular investment and leasing out of assets created**

With a view to supply hygienic meat on commercial basis to the people including defence personnel of the State, Modern Abattoir

Project was taken up (March 1988) by Animal Husbandry and Veterinary Services Department at an estimated cost of Rs. 77.60 lakhs for completion within September 1989. The projected revenue was shown as Rs. 32.31 lakhs per annum with a net profit ranging from Rs. 11.15 lakhs to Rs. 16.98 lakhs per year (14.37 to 21.88 per cent annual return on the investment) during the subsequent ten years of operation after completion. Sikkim Livestock Processing and Development Corporation Limited, a Government Company, was created in September 1988 for successful implementation of the project in Sikkim.

Scrutiny of records revealed (December 1994) that the project was completed in January 1994 at a total cost of Rs. 154.06 lakhs under the supervision of one consultancy group. The delay was attributed to non-submission of detailed engineering report by the consultant and cost escalation was due to additional works that had to be taken up for implementation of the project.

It was noted in audit that the above project was initially leased out (January 1994) to a private party at a total lease rent of Rs. 6 lakhs for 5 years on negotiation basis and without inviting any tender. The action invited litigation in the Court of Law and finally the leasing out of Abattoir, after inviting open tenders etc, could be effected from 1 December 1994 at an annual rent of Rs. 1.30 lakhs. No reserve price was fixed while inviting tenders. Thus, due to injudicious decision of the management to lease out the Abattoir on negotiation basis, the same had to be kept idle for 10 months for which the company had to sustain a loss of Rs. 1.08 lakhs towards lease rent.

It was thus evident that the company on its own was not in a position to implement the project. Moreover there was meagre return



of Rs. 1.30 lakhs per annum (0.85 per cent) against the expected return of 14.37 to 21.88 per cent. Further, the sole objectives of creating the company was totally frustrated due to its being leased out to a private party.

The Management stated (August 1995) that the running up of the project would attract unnecessary investment of scarce resources without generating proper return. Accordingly the project was leased out. The Management has not given any reply on the reason for keeping the project idle for 10 months.

#### **8.10 Infuctuous expenditure of Rs. 3.09 lakhs**

The Civil work for construction of Modern Abattoir at Mazitar was awarded (July 1989) to a Contractor at 7 per cent above the estimated cost of Rs. 26.51 lakhs for completion within July 1990.

After completion of some items of the work (July 1990), it was noticed that certain essential items for implementation of the project were omitted for which revised project report had to be prepared. According to the new design and specifications, some portion of the completed work valued at Rs. 1.86 lakhs had to be dismantled at an expenditure of Rs. 1.23 lakhs.

**Improper planning, design and specification led to an infuctuous expenditure of Rs. 3.09 lakhs.**

Thus, defective planning in design and specification led to an infuctuous expenditure of Rs. 3.09 lakhs.

The Management stated (August 1995) that certain items of work had to be dismantled to accommodate overhead dressing rail system and some additional items were to be taken up to provide under ground drainage system as suggested by the consultants. The Management however, failed to recover the cost of works which had



to be dismantled due to failure on the part of the consultants.

## **SIKKIM NATIONALISED TRANSPORT**

### **8.11 Working of Sikkim Nationalised Transport**

#### **8.11.1 Introduction**

The Truck Department of erstwhile Government of Sikkim set up in 1944 was renamed as Sikkim State Transport Services in 1951-52. This was made a permanent Department of Government of Sikkim in 1955-56 and renamed as Sikkim Nationalised Transport (SNT).

The SNT operates both passenger and goods services mainly for the public within the State of Sikkim and to the adjacent State of West Bengal.

#### **8.11.2 Organisational Set Up**

The SNT is headed by a Secretary assisted by an Additional Secretary, a General Manager, 3 Joint General Managers and 9 Deputy General Managers at Headquarters and various Depots.

As on 31 March 1995, there were 4 operating depots at (i). Gangtok (with Sub-depots at Rhenock, Rongli and Mangan), (ii). Rangpo (with sub-depot at Singtam), (iii). Jorethang (with sub-depots at Sombaria, Geyzing, Legship, Namchi and Melli), and (iv) Siliguri.

There were also Booking Agents at Kalimpong, Darjeeling in West Bengal and Pakyong( East District) who were private parties engaged by the SNT on commission basis.

Besides one Central workshop at Jalipool (East District), there were maintenance units one each at Gangtok, Rangpo and Jorethang.

#### **8.11.3 Audit Coverage**

A review on the working of the SNT for the period 1990-91 to

1994-95 was conducted during January-April 1995 of the records maintained in the Headquarters office at Gangtok, 4 depots (Gangtok, Rangpo, Jorethang and Siliguri) and Central Workshop at Jalipool. Important points noticed during the review are given in the succeeding paragraphs.

#### 8.11.4 Highlights

The operating deficit increased from Rs. 45.58 lakhs in 1990-91 to Rs. 224.74 lakhs in 1992-93. The accounts for the year 1994-95 have not been prepared.

(Paragraph 8.11.6)

During 1990-91 to 1993-94, the utilisation of buses and trucks decreased from 74 to 65 per cent and 75 to 60 per cent respectively.

(Paragraph 8.11.8 & 8.11.11(a))

The high percentage of dead kilometer (4.48 in 1990-91 and 4.38 in 1991-92) was not analysed and no steps were taken to minimise it.

(Paragraph 8.11.8 A)

In spite of having monopoly for operating goods services within the State, the quantities of goods carried decreased from 2.39 lakh tonnes (1990-91) to 1.93 lakh tonnes (1993-94).

(Paragraph 8.11.11(a))

The carriage of foodgrain without entering into agreement for carriage with respect to freight and other related matters led to loss of Rs. 32.78 lakhs in 1993-94 alone. The claim amounting to Rs. 13.08 lakhs was not accepted by the consigner due to disagreement in freight and distance.

(Paragraph 8.11.11(b))

The stores, ranging from 13 to 25 per cent were purchased locally other than from ASRTU rate contract firms. The local purchases were made at higher rates ranging from 146 to 461 per cent.

(Paragraph 8.11.17)

The compensation for casualties were being paid by the SNT. As such annual charges of Rs. 6.61 lakhs paid towards insurance premium proved unnecessary.

(Paragraph 8.11.19(a))

#### 8.11.5 Capital Structure

The fund provided by the State Government through annual budget during the years 1990-91 to 1994-95 amounted to Rs. 899.30 lakhs for acquisition of fixed assets against which the expenditure incurred was Rs. 891.89 lakhs resulting in short utilisation of funds to the extent of Rs. 7.41 lakhs.

#### 8.11.6 Working results

The financial management control and working of the SNT is governed by the Sikkim Financial Rules, 1979. In spite of having its own accounts wing headed by a Chief Accounts Officer, Chartered Accountants were engaged by the Department on an annual audit fees of Rs. 20,000 for compilation and certification of annual accounts.

The engagement of same Chartered Accountant for compilation of accounts and certification thereof violated accepted principles of audit. Further, in the absence of any statutory requirements, the engagement of Chartered Accountant in Government Department lacked justification.

The accounts for the year 1994-95 have not been prepared. The working results based on the accounts for the years 1990-91 to



1993-94 are indicated below.

	1990-91	1991-92	1992-93	1993-94
		(Rs. in lakhs)		
Operating revenue	1055.42	1187.38	1237.51	1272.74
Operating expenses	1101.00	1238.53	1462.25	1295.02
Operating deficit(-)	45.58	51.15	224.74	22.08
Non-operating revenue	15.56	15.17	6.57	6.09
Non-operating expenses	0.61	0.09	60.15	23.85
Surplus (+)/ deficit(-)	(+)14.95	(+)15.08	(-)53.58	(-)17.76
Total revenue	1070.98	1202.55	1244.08	1278.09
Total expenses	1101.61	1238.62	1522.40	1318.87
Total deficit(-)	30.63	36.07	278.32	40.78

The main sources of income of the SNT was from goods services. No financial statement either routewise or separately, for passenger and goods services was prepared. In their absence the operating income and expenditure per kilometer could not be compared.

No subsidiary records were maintained for financial accounts. In the absence of such subsidiary records, the authenticity of the financial account could not be verified.

The operating deficit of the unit increased steadily during 1990-91 and 1991-92. The deficit sharply increased to

**The operating deficit of the SNT increased from Rs. 45.58 lakhs in 1990-91 to Rs. 224.74 lakhs in 1992-93.**



Rs. 224.74 lakhs (434 per cent of the previous year) in 1992-93 and again declined to Rs. 22.08 lakhs in 1993-94.

### 8.11.7 Fleet Position

(a) The following table shows the number of vehicles held and actually operated as on 31 March 1994.

Age of vehicles	<u>Numbers held</u>		<u>Numbers operated</u>	
	Buses	Trucks	Buses	Trucks
above 9 years	34 (22)	42 (30)	17 (19)	NA (-)
5 to 9 years	58 (38)	74 (52)	28 (31)	NA (-)
upto 5 years	61 (40)	26 (18)	46 (50)	NA (-)
Total	153	142	91	
	(100)	(100)	(100)	

(The figures in the brackets indicates the percentages to the total numbers held/operated)

It was seen that as against 34 number of buses above 9 years of life, 17 buses were under operation as of 31 March 1994.

It was also noticed that the utilisation of middle-aged buses (5-9 years) was much less (48 per cent) compared to the old bus above 9 years (50 per cent).

Eventhough the average life of a vehicle was fixed as 9 years, the Department had not prescribed any system to ensure

recovery, of the cost of acquisition of the vehicle during the span of its life.

**No system was adopted to assure optimum utilisation of the fleet and recover the cost of acquisition.**

In the absence of such a system the object of fixing a life period was totally defeated.

The Department stated (November 1995) that the life span of vehicles has been revised to 9 years keeping in view of budget constraint and high percentage of overaged vehicles.

Reply is not tenable as the revision was not based on any technical report. However, no reply was furnished in respect of under utilisation of buses and recovery of cost thereof.

### 8.11.8 Operational Performance of buses

The following table gives the details of operation of passenger transport services during the four years upto 1993-94;

<b>A Passenger Service</b>		1990-91	1991-92	1992-93	1993-94
i	Number of depots	4	4	4	4
ii	Number of routes	56	61	62	62
iii	Buses held	137	139	148	150
iv	Average buses on road	101	100	99	97
v	Buses off road	36 (26)	39 (28)	49 (33)	53 (35)
vi	Gross Kilometre operated (in lakhs)	33.50	34.21	35.60	35.61
vii	Dead Km(in lakhs)	1.50	1.50	1.60	1.61
viii	Effective Km operated(in lakhs)	32.00	32.71	34.00	34.00
ix	Percentage of dead kilometers to Gross Km operated	4.48	4.38	4.49	4.52
x	Average bus utilisation per day (in Km)	74	72	67	65
xi	Number of passenger carried(in lakhs)	11.63	11.52	11.40	11.17
xii	Average Rev.per Effect.Km (in paise)	757	711	638	682
xiii	Average Exp. per Effect Km.(in paise)	638	654	693	695

xiv	Average profit /loss .				
	per Effective Km (in paise)	119	57	(-)55	(-)13
xv	Total passenger revenue Rs.(in Lakhs)	NA	173.07	206.53	153.67

(a) It may be observed that the average bus utilisation per day decreased from 74 kilometres in 1990-91 to 65 kilometres in 1993-94. The reasons for such decrease were not investigated by the management. It is pertinent to mention that in the Himachal Road Transport Corporation (HRTC) which plies its buses in the similar road conditions, the average kms covered per bus per day was 159 kms and 181 kms respectively for the years 1990-91 and 1991-92. The bus utilisation by SNT was far low as compared to the HRTC

(b) The percentage of dead kilometres to gross kilometres was also high in comparison to the HRTC as shown below

	Percentage of dead kilometres	
	1990-91	1991-92
Sikkim Nationalised Transport	4.48	4.38
Himachal Road Transport Corporation	1.20	1.00

The dead kilometres of the SNT were 373 to 438 per cent as compared to that of the HRTC during 1990-91 to 1991-92. The high percentages of dead kilometres were not analysed and no steps were taken to minimise the percentage of dead kilometers.

(c) The profit per effective km operated in comparison to cost showed a surplus during 1990-91 and 1991-92 and deficit during 1992-93 onwards. The Department did not take appropriate measure to improve the efficiency of the services .

(d) The percentage of off-road vehicles to the fleet strength of the SNT and the HRTC were as below:



	1990-91		1991-92		1992-93		1993-94	
	Vehi. held	Off Road	Bus held	Off Road	Bus held	Off Road	Bus held	Off Road
SNT	137 (26)	36	139 (28)	39	148 (33)	49	150 (35)	53
HRTC	1525 (7)	109	1606 (5)	79	NA	-	NA	-

(Figures in bracket indicates percentage of off-road buses against total buses)

As against off-road percentages of 7 and 5 of HRTC in 1990-91 and 1991-92, the off-road percentages of the SNT were as high as 26 and 28 during the same period. Further, the off-road percentage of the SNT increased to 35 per cent in 1993-94 from 26 per cent in 1990-91. The reason for such high percentage of off-road vehicles and increasing trend of short-utilisation remained unattended to till March 1995.

**The percentage of off-road vehicles were as high as 26 and 28 against that of 7 and 5 of the HRTC during the same period**

The Department attributed (August 1995) the high percentage of off-road vehicles mostly to the higher percentage of overaged vehicles which is not acceptable due to the fact that the percentage of overaged vehicles was only 22 per cent and their performance was better than middle-aged buses.

#### **8.11.9 Non-posting of regular conductors**

In many cases, the buses were not provided with the conductors for en-route collection of fares. On the other hand, handy boys were unauthorisedly engaged by the drivers for the above purpose. The reasons for unauthorised appointment of handy boys by the driver were never investigated to safeguard the interest of the



Department. While accepting the facts, the Department stated (November 1995) that they were proposing for the creation of more posts of conductors. Final outcome is awaited.

### **8.11.10 Ticket Checking System**

Clauses 10 and 11 of the SNT (Prevention of Ticketless Travel and Miscellaneous Provisions), Act 1981 provided for penalty against both passenger and staff of SNT in case of ticket less travelling. In no case, penalty was imposed to curb ticket less travelling.

The SNT was having a ticket checking cell comprising Traffic Inspectors, headed by Deputy General Manager (Traffic). After inspection, traffic inspectors submitted their monthly report mentioning the enroute ticket sale effected in their presence. During October and November 1993, Jorethang Depot alone effected sale of tickets amounting to Rs. 0.38 lakh to the ticketless travellers. No penalty was, however, imposed/collected in any of the cases. The sale of tickets so effected was not with reference to the point of commencement of journey and thus failed to ensure collection of fare from passengers for actual distance.

While observing the trend of overloading of buses and unmatching revenue, the Secretary, SNT instructed (October 1994) for curbing the 'menace of overloading' and to control ticketless travel. Though there was overloading of buses, the occupancy decreased from 61 per cent in 1990-91 to 54 per cent in 1993-94. It may also be seen

Though all the accident reports indicated overloading of buses, the computed records of the Department showed only 61-54 per cent of the occupancy during 1990-94 resulting in pilferage of revenue.

that the occupancy of the SNT was far below as compared to other

organisations as shown below:

Organisation -----	Percentage of occupancy -----			
	1990-91	1991-92	1992-93	1993-94
SNT	61	56	56	54
North Bengal State Transport Himachal Road Transport Corp.	NA	69	70	NA
	64	73	NA	NA

The Department stated (November 1995) that they were proposing to Government to have a mobile checking comprising of officers from Police Department, Motor Vehicles Department and the SNT. Final reply is awaited.

#### 8.11.11 Goods Service

(a) The SNT was having monopoly for operating goods service within the State. The performance of goods service was not satisfactory due to high percentage of dead-kilometres as evident from the table given below:

	1990-91	1991-92	1992-93	1993-94
1 Number of truck held	181	177	189	183
2 Average No. of truck on road	135 (75)	127 (72)	117 (62)	109 (60)
3 -do- off road	46 (25)	50 (28)	72 (38)	74 (40)
4 Total kms operated(in lakhs)	63.42	64.46	64.32	66.36
5 Effective km operated (in lakhs)	31.71	32.23	32.16	33.18
6 Dead kms (in lakhs)	31.71	32.23	32.16	33.18

7 Percentage of dead km to kms operated	50	50	50	50
8 Average vehicle utilisation per day in kms	75	72	62	60
9 Goods carried in tonnes (lakhs)	2.39	2.25	2.07	1.93

(Figures in the brackets indicate the percentage)

The excessive dead kilometer rate was because of sending empty trucks to Siliguri (West Bengal) due to non-availability of down loads from the State. A cross-check of records relating to supervision charges collected from the private carriers revealed that during the same periods, private trucks were also allowed to ply with down loads on realisation of supervision charges at prescribed rates. Thus, it is evident that the benefit of monopoly extended to SNT could not be utilised to its advantage and higher dead-kilometer increased the operational cost.

Further, the quantity of goods carried decreased from 2.39 lakhs tonnes (1990-91) to 1.93 lakh tonnes (1993-94) indicating 19 per cent shortfall compared to 1990-91.

The Department stated (August 1995) that the Motor Vehicle Department was issuing temporary permits to the private trucks and the consigners preferred the service of private trucks. Thus, failure on the part of Department to render better service led to diversion of prospective consigners to private operators.

#### **(b) Carriage of foodgrains**

The SNT being the sole carriers, transports foodgrain of FCI from New Jalpaiguri to Rangpo and Jorethang. Subsequently, food grains were carried to other depots within the State without entering into any agreement with respect to freight and other related matters.



To carry out the assignment of carriage of foodgrains, the SNT engaged its own trucks, hired private trucks, and paid handling charges. The related receipts and expenditure towards the carriage of foodgrains during 1993-94 are as detailed below:

<b><u>Receipts:</u></b>	Amount in Rupees.
1. Freights from FCI	91,59,738
2. -do-from Food and Civil Supplies department, Govt. of Sikkim (claims for distribution within the State reimbursed through F&CS)	58,47,987
3. Shortage recovered from drivers.	14,22,253
<b>Total</b>	<b>1,64,29,978</b>
<b><u>Expenditure</u></b>	
1. Payment of hire charges to private trucks	1,12,64,389
2. Payment to handling agent	59,30,006
3. Depreciation (on average of 46 trucks)	25,13,123
<b>Total</b>	<b>1,97,07,518</b>
<b>Loss</b>	<b>32,77,540.</b>

It may be seen that during 1993-94, the SNT suffered a loss of Rs. 32.78 lakhs towards carriage of food grains alone. Further, the magnitude of total loss could not be conclusively ascertained due to non-availability of details of operative cost i.e drivers salary, fuel cost, overhead charges etc.

Scrutiny of 110 bills amounting to Rs. 53.07 lakhs raised against consigners during 1993-94 revealed that only 75 bills of Rs. 44.64 lakhs were settled by the consigner after deduction of Rs. 13.08 lakhs due to disagreement in freight and distance. Even the prescribed freight was not paid by the consigner. The Department has



taken up the matter with parties for analysis only in September 1994.

The Department stated (August 1995) that execution of agreement with consigner was in progress. The final outcome is awaited (November 1995).

#### **8.11.12 Operation of Railway out agency**

The SNT was operating Railway out agency at Gangtok and Jorethang for issuing railway tickets without any commission for service rendered on behalf of Railways. Railway fare collected (inclusive of bus fare upto nearest rail head) were being deposited on the following day in the Railway account at State Bank of India, Gangtok branch.

The reimbursement towards bus fare claims were raised with the Railway on monthly basis. Usually 80 per cent of claims was released immediately. No ledger was maintained to watch claims and total reimbursement there-against. It was seen that claims to the tune of Rs. 6.22 lakhs from

**Failure to realise own revenue collected towards bus fare from the Railway resulted in blockage of Government money of Rs. 6.22 lakhs.**

September 1993 to November 1994 could not be recovered till March 1995. Thus, due to non-maintenance of related records and absence of prompt initiating of action departmental revenue (bus fare) to the extent of Rs. 6.22 lakhs remained unrecovered.

#### **8.11.13 General points in operation**

##### **a) Inadequate control of fleet**

Scrutiny of 10 accidents occurred during January 1990 to August 1994 revealed the following inadequacies in control of fleets:

- no records were maintained indicating departure and arrival of

buses.

- the vehicles not on-duty were unauthorisedly taken on road and met with accident.
- the vehicles were driven by persons other than authorised drivers.

It is thus evident that the Department failed to exercise proper control on fleets and the unauthorised use of vehicles led to loss of Government properties. In the absence of relevant records, the magnitude of loss could not be ascertained.

While accepting the facts, the Department stated (November 1995) that instructions would be issued to all depots to maintain proper departure and arrival time of buses.

**b) Break downs**

The SNT has not maintained any record regarding break-downs occurring to the buses sent on road which reveals complete lack of control over the running of buses.

**c) Accidents**

No records in respect of accident percentage to gross kilometers run were maintained.

**d) Retention of cash by Drivers/Conductors**

The cash collection for enroute sale of tickets were not deposited immediately on completion of journey. Test check of 269 cases revealed that Rs. 28,176 were retained by the drivers/conductors for a period ranging from 2 days to more than one year.

Thus, the SNT failed to exercise proper control over revenue leading to unauthorised retention of receipts/revenue.

While accepting the facts the Department stated (November 1995) that they had taken corrective measures to ensure timely deposit

of the enroute sale proceeds of tickets.

### **8.11.14 POL**

#### **(i) Sale of POL -Non-reconciliation of receipt of oil**

The oil companies supply oil in batches against the advance paid by the SNT and send quarterly customers copies indicating the receipt of advances and supplies made thereagainst. The statements were subject to confirmation within a period of 15 days in case of any discrepancy.

It was noticed that the SNT did not record the transactions correlating the advance and quantity received during a period. Due to non-maintenance of advance-wise receipts and non-reconciliation with suppliers statements, the possibility of leakage could not be ruled out.

While accepting the deficiencies, the Department stated (November 1995) that they were trying to adopt a proper system of reconciliation.

#### **(ii) Shortage of POL**

The SNT purchases petrol/diesel from oil companies for departmental use and also for sales to other Government departments. In dealing with the purchase and sale of Petrol, the Department noticed shortage of 36.89 kilolitres valued at Rs. 6,16,063 in the tanks during the period from 1990-91 to 1994-95. The total receipts and shortage are given below:

Period	Name of Tank	Total receipt (In Kilolitres)	Shortage	Percentage of shortage
1990-91	Gangtok	432.82	9.12	2.11
1991-92	-do-	546.61	12.34	2.26
1992-93	-do-	257.93	9.37	3.64



1993-94	-do-	191.74	1.69	0.89
1994-95	-do-	157.21	2.00	1.27
1993-94	Jorethang	34.53	2.37	6.86
		-----	-----	
	Total	1620.84	36.89	
		-----	-----	

The Department never investigated reasons for such huge shortage and no steps were taken to bring down the shortage.

The Department Stated (November 1995) that the shortages were due to old tanks, use of hand-pump, defective meter and evaporation. The Department failed to take any corrective measure to avoid the loss.

**Absence of proper control over POL led to high percentage of shortage resulting in loss of 36.89 kl of POL valued at Rs. 6.16 lakhs.**

#### 8.11.15(a) Premature failure of tyres

As prescribed by the Department, a new tyre is expected to run for a minimum of 20000 kms before it can be considered for conditioning or retreading or condemnation. Scrutiny of records for 1991-92 to 1993-94 of tyres revealed low coverage resulting in increase in operating cost. The ranges of coverage which failed to achieve prescribed mileage are given in the table below:

Kilometer covered	Number of tyre changed		
	Jorethang	Rangpo	Total
-----	-----	-----	-----
Upto 4999	2	5	7
5000 to 9999	11	10	21
10000 to 14999	34	10	44
15000 to 19999	72	98	170
	---	---	----
Total	119	123	242
	---	---	----



The reasons for premature failure (before completion of 20000 kms) of tyres were not analysed by the management.

**(b) Tyre retreading Plant**

The used tyres of the Department were retreaded in its own plant at Jalipool. The log books of the plant were not produced to audit. Thus, the performance of the plant could not be verified.

The records relating to tyre retreading plant revealed that tyres received from depots during February and March 1994 for retreading were found unsuitable to the extent ranging from 17 to 51 per cent of the receipts as indicated below.

	Tyres received	Rejected	Percentage of rejection
Rangpo	171	29	17
Rhenock	12	6	50
Gangtok	70	19	27
Jorethang	49	25	51

It may be seen from the table, the rates of rejection was less for the depots sending more tyres for availing retreading facility. The reasons for rejection

**High percentage (51 to 17) of rejection of tyres by the retreading plant was never analysed.**

was not analysed to ascertain the efficiency of the depots in sending used tyres within their retreadable level.

Scrutiny of available records for the last 4 years revealed that the plant could retread only 466 tyres in 1994-95 as against the highest performance of 689 in 1993-94 showing a shortfall of 28 percent. No action was taken to improve the performance.

The Department stated (November 1995) that the shortfall was due to non-receiving of raw material in time and shortage of technical

manpower.

The reply is not tenable as such lapses could have been avoided by adopting proper planning and control over procurement of raw materials and deployment of manpower.

#### **8.11.16 Workshop facility**

The SNT was having central workshop at Jalipool (East District) for major repairing works. The depot workshops at Gangtok, Jorethang and Rangpo were entrusted the work of repairs of the vehicles.

a) Test check of records revealed the following deficiencies.

i) no log books in respect of machines had been maintained and efficiency in utilisation of machines could not be assessed.

ii) job registers were not maintained for the jobs undertaken by the workshop. In the absence of such register the cost of a job and related efficiency remained unassessed.

(b) As against the percentage of docked vehicles of 10 and 5 of the NBSTC (1992-93) and HRTC (1991-92) respectively, the percentage of docked vehicles of the SNT was as high as 32 in 1993-94.

The Department stated (August 1995) that 50 per cent of docked vehicles of Central Workshop has been released on taking drastic measures. They, however, have not furnished the reasons for inordinate detention.

c) The following table indicates the prolonged detention of vehicles in the Central workshop, as on 28 February 1995.

Period of detention in days	Number of vehicles
-----	-----
Upto 200	2
201 to 400	5

401 to 600	4
601 to 800	7
801 & above	4

The defects of the vehicles were mentioned when sent for repairs but the reasons for delay in repair were not analysed. In few cases, the detention was due to non-availability of spare parts. But no action was taken to avoid all such prolonged detention.

d) The monthly reports indicating progress of repairs were submitted to headquarters at Gangtok for consideration. No remedial measures in case of inordinate delay were taken by the headquarters.

It is thus, evident that the SNT was lacking in internal control to bring the desired efficiency in workshop facility and to bring down the percentage of docked vehicles in the different workshops.

#### **8.11.17 Stores**

Stores were purchased, and stored in Central Stores at Jalipool. Depot stores at Gangtok, Jorethang and Rangpo requisition their requirements from Central stores. All the depots /Central store were allowed to purchase from local market in case of emergency only. Scrutiny of records revealed that the purchases were processed without adopting any plan.

The stores were generally purchased from firms under Association of State Road Transport Undertakings (ASRTU) rate contract agreement and from local market. The following table indicates the percentage of local purchases during the period covered under review:-

Year	Total purchase	Local purchase	Percentage of local purchase to total purchase
(Rupees in lakhs)			
1990-91	136.78	30.88	23



1991-92	196.84	25.10	13
1992-93	225.95	54.01	24
1993-94	194.86	44.87	23
1994-95	239.42	59.05	25

It may be seen that the local purchases varied from 13 to 25 percent showing an increasing trend.

The stores ranging from 13 to 25 per cent were purchased locally at higher rates ranging from 146 to 461 per cent compared to those of the ASRTU.

It was further seen that the rates (March 1994) of local firms were higher than the rate contract firms ranging from 146 to 461 per cent. Following further points of irregularity in the maintenance of store records were also noticed.

- i) In Store ledger, items of different variety were clubbed in one place and the said document lacked clarity.
- ii) Old spares received at the time of replacement were not accounted for to avoid unauthorised use.
- iii) Efforts were not made time to time to identify slow moving / idle/ obsolete stores and their timely disposal, if required.
- iv) Maximum, minimum and reordering level were not fixed.

The Department stated (August 1995) that ASRTU rate contract facilities were availed as far as possible. In other cases, while ASRTU facilities could not be availed within the stipulated time due to remoteness of Sikkim, stores are purchased from local market.

The reply is not tenable as such purchases can be easily avoided by adopting proper procurement planning.

#### **8.11.18 Internal control, MIS and Internal audit**

##### **a) Maintenance of accounts records**

The SNT, being a Government Department, maintained its



accounts/ records on cash basis. The records required to assess the cost of a service (both cash and credit) along with the related benefit (both received and receivable ) were not maintained. In the absence of such records the control exercised by the Department was inadequate leading to failure in bringing efficiency in the workings.

**b) Non-uniformity in records**

The records maintained by the different wings were not uniform and instead contradicted each other which is evident from the following:

- i) During 1993-94, staff strength of Rangpo booking office and workshop was 139 as per head office record while it was 91 as per the records of Rangpo unit.
- ii) As per fleet register maintained at Head Office, there were 94 and 48 buses at the disposal of Gangtok and Jorethang depots respectively whereas the records of the respective depots showed possession of 60 and 46 buses only.
- iii) As per Head Office records, 3 buses were commissioned during July - September 1994. But the Way-bills of the respective buses revealed that they were on route since March 1994.

While accepting the facts, the Department stated (November 1995) that strict instructions have been issued for maintaining uniformity in the records.

**c) Management Information System (MIS)**

The analysis of physical and financial performance of the SNT was entrusted to Statistical Section to locate the area of deficiency in operation of the Service. Test check of records relating to Statistical wing revealed the following points:

- i) The results of analysis were not communicated to respective

units for taking corrective measures.

ii) The analysis was done upto September 1994 (as on 31-3-95). The delayed analysis precluded taking of any timely remedial measures

iii) The analysis was done for six months (April -September 1994) for the buses plying from Gangtok Depots only . The information relating to all other depots remained unattended.

**d) Internal Audit**

The Internal Audit wing had to examine the performance of different wings of the Department and submit periodical reports to the management for taking remedial measures. But manual prescribing duties, responsibility and periodicity of submission of reports was not adopted by the Department.

**8.11.19 Other points of interest**

**a) Unnecessary payment of insurance premium**

All the buses of SNT were insured against third party risk.

It was noticed that a 35 seater bus carrying 86 passengers met with an accident in October 1994. The Department disbursed compensation of Rs. 2.30 lakhs to the accident victims.

The insurance claim was rejected due to overloading of bus. As per C.M.V. Act, third party insurance is not required for Government vehicles if com-

<p>The compensation for casualties being paid by the SNT, the payment of annual premium of Rs. 6.61 lakhs towards insurance proved unnecessary.</p>
---

pensation for casualties is paid by the concerned Department. The Department without reviewing the situation continued the payment of insurance premium. Thus, the annual charge of Rs 6.61 lakhs, paid by

the SNT towards third party insurance premium proved unnecessary.

**b) Non recovery of advance given for purchase of land.**

During 1982-83, the SNT advanced an amount of Rs 20 lakhs to a land owner for purchase of a land at Siliguri. The said negotiation did not materialise. Subsequently, the land was acquired through Government of West Bengal. The full compensation price of Rs. 40 lakhs was released to the Government of West Bengal during 1993-94 for payment to the land owner. It was observed that SNT could not take any step to recover the said advance till May 1995. Inaction of the Department resulted in a loss of Rs. 20 lakhs.

**Inability to recover /adjust the advance towards final payment on acquisition of land resulted in a loss of Rs. 20 lakhs.**

While accepting the fact, the Department stated (November 1995) that the advance of Rs. 20 lakhs could not be adjusted through the Government of West Bengal due to attachment of Government of India dues of the Land Owner. They further stated that legal action was not considered as it may rate for revaluation of the property.

The reply is not convincing as the land was acquired by the Government of West Bengal after due evaluation.

**(c) Locking up of Government money**

In May 1991, the Department purchased 3 self printing ticket machines for three stations in Sikkim at a cost of Rs. 0.76 lakh

Scrutiny in audit (August 1993) revealed that the machines were lying idle since its purchase for technical problems and want of trained staff.

On being pointed out in audit, the Department stated (June 1995) that the machines were still lying unused due to technical



defects and for want of skilled persons.

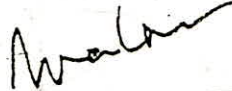
It was seen in audit that the Department had not taken any step to repair the machines and to train up the staff even after 4 years of purchase.

Thus, non-utilisation of machines resulted in locking up of Government money of Rs. 0.76 lakh.

The matter was referred to the Government in (November 1993); their replies had not been received (September 1995).

Gangtok  
The


9 FEB 1996

  
( A. K. PATNAIK )  
Accountant General, Sikkim.

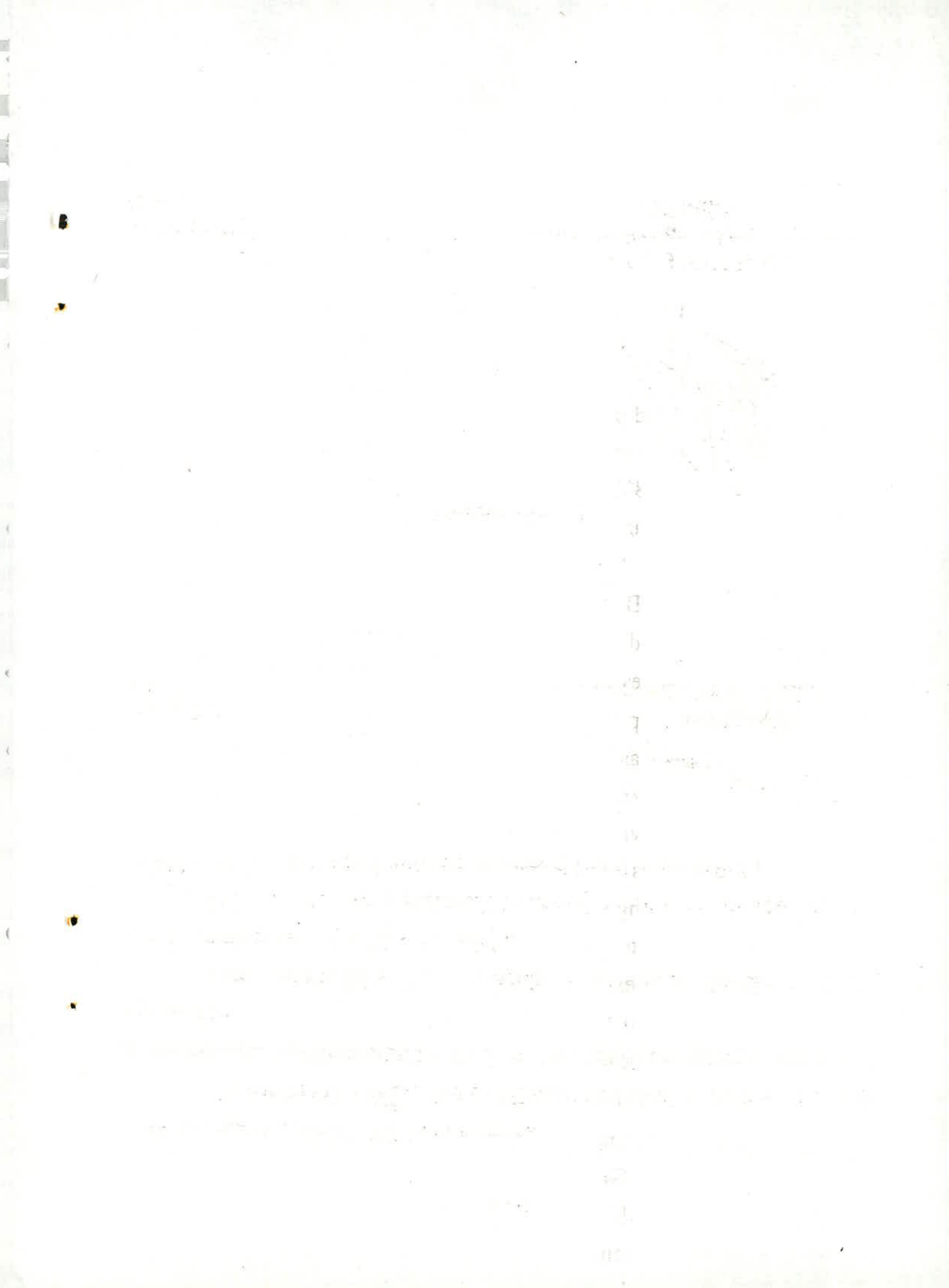
Countersigned

New Delhi  
The

19 FEB 1996

  
( C. G. SOMIAH )  
Comptroller and Auditor General  
of India.





# A P P E N D I C E S

## APPENDIX I

(Reference : Paragraph 2.2.2; Page No. 36)

Statement showing the grants/appropriations in which supplementary provisions proved unnecessary.

Sl. No.	Number and name of the grant/ appropriation	Original grant/ appropriation	Supplementary provision	Savings
(In Rupees)				
<b>Revenue-Voted</b>				
1.	24- Medical and Public Health	14,57,95,000	57,10,000	74,00,773
2.	30- Nutrition	1,79,10,000	1,74,000	3,10,493
3.	40- Other Agricultural Programme	1,90,20,000	18,55,000	22,16,653
4.	48- Roads & Bridges	15,26,23,000	15,00,000	4,76,01,135
5.	50- Other Scientific Research	80,50,000	15,24,000	21,07,139
<b>Capital- Voted</b>				
1.	46- Industries	3,45,00,000	48,00,000	79,61,929
2.	48- Roads & Bridges	21,14,94,000	1,07,06,000	8,73,47,251
<b>Total</b>		<b>58,93,92,000</b>	<b>2,62,69,000</b>	<b>15,49,45,373</b>

## APPENDIX II

(Reference : Paragraph 2.2.2; Page No. 37)

Statement showing the grants/appropriations in which supplementary provisions proved excessive.

Sl. No.	Number and name of the grant/ appropriation	Original grant/ appropriation	Supplementary provision	Savings
(In rupees)				
<b>Revenue-Voted</b>				
1.	State Legislature	78,00,000	4,70,000	3,89,323
2.	11- Secretariat General Services	2,44,80,000	19,40,000	9,67,440
3.	12- District Admn.	1,00,00,000	2,32,000	1,52,962
4.	14- Police	13,96,39,000	58,14,000	28,47,729
5.	22- Sports & Youth Services	36,35,000	16,18,000	8,53,860
6.	28- Social Security and Welfare	2,66,10,000	87,92,000	50,95,915
7.	32- Other Social Service	48,00,000	9,93,000	2,33,485
8.	34- Agriculture	9,42,16,000	1,84,83,000	71,28,350
9.	39- Forest & Wildlife	11,64,59,000	1,36,42,000	68,09,683
10.	43- Rural Dev. Deptt	2,61,80,000	8,00,000	5,67,949
11.	45- Power	9,51,80,000	1,64,90,000	23,54,477
	<b>Total</b>	<b>54,89,99,000</b>	<b>6,92,74,000</b>	<b>2,74,01,173</b>
<b>Revenue-Charged</b>				
12.	1- State Legislature	2,50,000	2,80,000	41,176
13.	Governor	27,77,000	6,00,000	29,691
14.	Interest Payment	25,33,15,000	1,30,00,000	49,89,671
	<b>Total</b>	<b>25,63,42,000</b>	<b>1,38,80,000</b>	<b>50,60,538</b>
<b>Capital- Voted</b>				
15.	17- P.W.D. (Bldg)	18,41,25,000	79,71,000	1,08,24,142
16.	25- Water Supply and Sanitation	6,88,40,000	34,30,000	13,17,524
17.	45- Power	21,00,00,000	66,00,000	45,582
	<b>Total</b>	<b>46,29,65,000</b>	<b>180,01,000</b>	<b>1,21,87,248</b>
<b>Capital Charged</b>				
18.	Public Debt	6,50,55,000	79,99,000	4,49,403
	<b>Grand total</b>	<b>133,33,61,000</b>	<b>10,91,54,000</b>	<b>4,50,98,362</b>

**APPENDIX III**

(Reference : Paragraph 2.2.2; Page No. 37)

Statement showing the grants/appropriations in which supplementary provisions were insufficient.

Sl. No.	Number and name of the grant/ appropriation	Original grant/ appropriation	Supplementary provision	Excess
(In rupees)				
<b>Revenue-Voted</b>				
1.	2- Council of Minister	1,29,25,000	14,16,000	29,499
2.	6- Land Revenue	88,90,000	9,60,000	65,765
3.	15- Jails	16,80,000	1,50,000	42,654
4.	18- Other Admn Services	1,92,02,000	20,50,000	2,48,974
5.	20- Misc. Genl. Services	22,40,000	3,06,00,00,000	31,26,362
6.	21- Education	34,35,65,000	4,46,00,000	11,14,565
7.	25- Water Supply and Sanitation	4,71,45,000	54,00,000	5,66,755
8.	26- Urban Development	1,22,60,000	32,00,000	14,38,355
9.	35- Soil & Water Conservation	3,42,50,000	18,00,000	62,778
10.	36- Animal Husbandry	3,56,58,000	30,75,000	3,72,270
<b>Total</b>		<b>51,78,15,000</b>	<b>3,12,26,51,000</b>	<b>70,67,977</b>



## APPENDIX IV

(Reference : Paragraph 2.5, Page No. 41)

Injudicious and irregular reappropriations.

- (a) Cases in which funds were injudiciously withdrawn by reappropriation, although the accounts showed an excess over the provision (Original plus Supplementary).

Sl. No.	Grant number and Head of account	Total grant (Original plus Supplementary)	Actual Expenditure	Excess	Re-appropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	21- Education				
	2202- General Education				
	106- Teachers and Other Services				
	(i) Pre-primary School	162.00	169.93	7.93	(-) 6.62
2.	31- Relief on Account of Natural Calamities.				
	2245- Relief on Account of Natural Calamities				
	800- Other Expenditure				
	3- Other Works	2.98	5.14	2.16	(-) 2.98
3.	36- Animal Husbandry				
	2403- Animal Husbandry				
	106- Other Live Stock Development				
	(5) Yak Breeding Farm	18.75	18.76	0.01	(-) 5.25
4.	50- Other Scientific Research				
	3435- Ecology And Environment				
	04- Prevention and Control of Pollution				
	103- Prevention of Air and Water Pollution	3.00	8.51	5.81	(-) 0.30

(b) Cases where funds were withdrawn by reappropriation in excess of the available saving.

Sl. No.	Grant number and Head of account	Total grant (Original plus Supplementary)	Actual Expenditure	Available savings	Re-appropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	17- Public Works (Bldg)				
(a)	4202- Capital outlay on Education, Sports, Art and Culture				
	01- General Education				
(i)	201- Elementary Education				
	(I)- Buildings	102.00	81.99	20.01	(-) 22.00
(ii)	800- Other Expenditure				
	(I)- Building	20.00	17.60	2.40	(-) 6.25
(b)	4210- Capital outlay on Medical and Public Health				
	02- Rural Health Services				
	(I)- Building				
	101- Health Sub Centre	43.00	39.62	3.38	(-) 4.80
(c)	4408- Capital outlay on Food Storage and Ware Housing				
	01- Food				
	101- Procurement & Supply	72.00	57.56	14.44	(-) 22.00
2.	18- Other Administrative Services				
	2070- Other Administrative Services				
	104- Vigilance	34.70	32.05	2.65	(-) 13.31
3.	20- Miscellaneous General Services				
	2075- Miscellaneous General Services				
	103- State Lotteries				
	III Prize Payment	29351.07	29204.51	146.56	(-) 367.13

1	2	3	4	5	6
4.	21- Education				
	2202- General Education				
	106- Teachers & Other Services				
(iii)	Junior High School	698.00	648.79	49.21	(-) 55.84
5.	28- Social Security and Welfare				
	2235- Social Security and Welfare				
	01- Rehabilitation				
	110- Tibetan Refugees	3.00	2.47	0.53	(-) 1.07
6.	34- Agriculture				
	2401- Crop Husbandry				
(a)	108- Commercial Crops				
	9- Integrated Programme for the development of Spices	68.00	42.59	25.41	(-) 26.03
(b)	109- Extension and Farmers Training				
	(i) Extension Services	34.65	31.43	3.22	(-) 18.80
(c)	119- Horticulture and Vegetable Crops				
	(4) Horticultural Farms	65.50	60.89	4.61	(-) 5.24
7.	36- Animal Husbandry				
	2403- Animal Husbandry				
	103- Poultry Development				
	(i) Intensive Poultry Development	22.18	20.26	1.92	(-) 2.71
8.	39- Forestry and Wildlife				
	2406- Forestry and Wildlife				
	001- Direction and Administration				
(a)	6- Utilisation Circle	29.10	27.25	1.85	(-) 2.50
(b)	005- Survey and Utilisation of Forest Resources				
	(i) Botanical Survey	3.00	1.08	1.92	(-) 2.46

- (c) Cases where funds were injudiciously augmented by reappropriation, although accounts showed savings.

Sl. No.	Grant number and Head of account	Total grant (Original plus Supplementary)	Actual Expenditure	Available Savings	Re-appropriation
(Rupees in lakhs)					
1.	22- Sports and Youth Services 2204- Sports and Youth Services 001- Direction and Administration	6.90	5.06	1.84	(+) 0.30
2.	24- Medical and Public Health 2210 Medical and Public Health 110- Hospital and Dispensaries (i)- Medical Relief I Central Health Stores A. Eastablishment	15.50	14.48	1.02	(+) 1.00
3.	31- Relief on Account of Natural Calamities 2245- Relief on Account of Natural Calamities 122- Repairs and Restoration of damaged irrigation and flood control	0.10	Nil	0.10	(+) 0.31
4.	50- Other Scientific Reasearch 3435- Ecology and Environment 02- Environmental Research and Ecological Regeneration 001- Direction & Administration	6.70	1.09	5.61	(+) 0.25



- (d) Cases in which funds were injudiciously augmented by reappropriation of sums in excess of what was actually required to cover the excess of expenditure over the provision (original plus supplementary) which ultimately resulted in savings.

Sl. No.	Grant number and Head of account	Total grant (Original plus Supplementary) (Rupees in lakhs)	Actual Expenditure	Excess	Re-appropriation
1.	2.	3.	4.	5.	6.
1.	14- Police				
	2055- Police				
(a)	001- Direction and Administration				
	(I) Inspector General of Police	88.62	104.76	16.14	(+) 17.90
(b)	104- Special Police				
	(I) Armed Police	313.14	328.88	15.74	(+) 20.50
2.	20- Miscellaneous General Savices				
(a)	2075- Miscellaneous General Services				
	103- State Lotteries				
(a)	I- Direction and Administration	15.50	16.23	0.73	(+) 1.78
(b)	II Paper and Printing	1233.43	1416.08	182.65	(+)365.30
3.	31- Relief on Account of Natural Calamities				
	2245- Relief on Account of Natural Calamities				
	02- Floods, Cyclones etc.				
(a)	101- Gratuitous Relief	0.10	24.75	24.65	(+) 44.55
(b)	106- Repairs and Restoration of damaged Roads & Bridges	0.10	36.58	36.48	(+) 41.53
(c)	109- Repairs and Restoration of damaged Water supply, drainage and Sewerage works	0.10	13.63	13.53	(+) 15.90

1	2	3	4	5	6
4.	39- Forestry & Wildlife				
	2406- Forestry & Wildlife				
(a)	005- Survey and Utilisation of Forest Resources				
	(3) Working Plan Scheme	22.00	24.76	2.76	(+) 3.80
(b)	02- Environmental Forestry and Wildlife				
	(12) Development of Himalayan Zoolo- gical Park	22.00	27.84	5.84	(+) 7.60
5.	49- Road Transport Services				
	3055- Road Transport				
	201- Sikkim Nationalised Transport				
	(C) Repairs & Maintenance	241.50	248.03	6.53	(+) 7.09
6.	54- Loans to Govt. Servant				
	7610- Loans to Govt. servant etc.				
	201- House Building Advances to State Govt. Servant	35.00	41.67	6.67	(+) 10.00

**APPENDIX -V**

(Ref: Paragraph 8.2.2; Page No. 138)

Statement showing particulars of up-to-date Capital Budgetary outgo, Loans out from Budget, Outstanding Loans as on 31.3.95.

Name of the Company	Paid up Capital as at the end of 1994-95					Loans given out of Budget during the year	Loans outstanding Companies
	State Govt.	Centrl Govt.	Hold- ing	Others	Total		

(Rupees in Lakhs)

**I Consumer Industries**

1. Sikkim Jewels Limited	197.56 (50.00)	-	-	-	197.56 (50.00)	Nil	
2. Sikkim Time Corporatin Limited	853.54 (100.00)	-	-	-	853.54 (100.00)	Nil	
3. Sikkim Flour Mills Limited	11.18	-	-	-	11.18	Nil	238.37*

**II General Financial and Trading Institutions**

1. Sikkim Industrial Development and Investment Corporation Limited	697.80 (50.00)	-	-	-	697.80 (50.00)	Nil	
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**III Animal Husbandry**

1. SLPDC	35.00	34.00	-	-	69.00	Nil	
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**Note:- Figures in brackets indicate Budgetary outgo during the year.**

\* Unit-wise details are not available.

**APPENDIX- VI**

(Ref: Paragraph 8.2.3; Page No. 139)

Statement showing the Accounts in Arrear.

Sl. No.	Name of the Company	Period upto which accounts were finalised	Period upto which Accounts in arrears	No of year In arrear
<b>1. I- Consumer Industries</b>				
	i. SITCO	1993-94	1994-95	1
<b>2. II- General Financial and Trading Institutions</b>				
	i. SIDICO	1993-94	1994-95	1
<b>3. III- Animal Husbandry</b>				
	i. SLPDC	1993-94	1994-95	1



**APPEN**

(Ref; Paragraph

**Summarised Financial Results of Government Companies**

Sl. No.	Name of the Company	Date of Incorporation	Period of accounts	Year in which finalised	Profit (+)/ Loss (-)
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(Rs. in

**Name of the Department :- Industries****Sector : I****Consumer Industries**

1.	Sikkim Jewels Limited	July 1976	1994-95	1995	(+) 6.13
2.	Sikkim Time Corporation Limited	Oct. 1976	1993-94	1995	(+) 82.76
3.	Sikkim Flour Mills Limited	July 1976	1994-95	1995	Nil

**Sector: II****General Financial and Trading Institutions**

1.	Sikkim Industrial Development and Investment Corporation Limited	Mar. 1977	1993-94	1994	(-) 197.23
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**Sector: III****Animal Husbandry**

1.	Sikkim Livestock Processing & Development Corporation	Apr. 1988	1993-94	1994	Nil
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(\* The Company prepared only Receipt and Payment

**DIX - VII**

8.2.4 (d); Page No. 141)

for the latest year for which Accounts were finalised

Paid up capital and loss lakhs)	Accumulated profit	Capital Invested	Capital employed	Percentage of capital invested	total return on capital employed
155.96	(+) 99.99	420.90	316.95	1.46	1.93
757.54	(+) 378.74	1183.95	1183.95	6.99	6.99
60.16	(-) 12.76	97.27	84.50	Nil	Nil
993.30	(-) 328.50	2273.77	1973.04	Nil	Nil
69.00	Nil	-	-	*	

Account as no Commercial production started till 1993-94)

**APPEN**

(Ref: Paragraph

Summarised Financial Results of the  
(Figures in column 5 to 13

Sl. No.	Name of the Comapny	Date of incorporation	Year of accounts	Authori- sed share Capital	paid up capital	Capital invested	Profit (+)/ Loss (-)
1.	2.	3.	4.	5.	6.	7.	8.
1.	Sikkim Mining Corporation	Feb. 1960	1993-95	300.00	272.10	383.02	(-) 25.24
2.	State Bank of Sikkim	June 1960	1992-93	100.00	20.38	1003.99	(+) 20.62
3.	State Trading Corporation of Sikkim	March 1972	1991-92	400.00	39.58	181.74	(+) 35.07

**DIX - VIII**

8.3.5; Page No. 144)

working of Statutory Corporations.  
are Rupees in lakhs)

Total interest charged to P&L account	Interest charged on long term loans	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of return on capital	
					invested	employed
9.	10.	11.	12.	13.	14.	15.
12.50	11.88	-	80.07	-	-	-
247.13	247.13	267.75	5276.71	267.75	26.67	5.07
0.29	-	35.07	181.74	35.36	19.30	19.46



**APPEN**

(Ref: Paragraph

## Summarised Financial Results of the working

(Figures in column 5 to 8

Sl. No.	Name of the undertaking	Date of incorporation	Year of account	Mean* Capital
1.	2.	3.	4.	5
1.	Sikkim Nationalised Transport	1955-56	1993-94	2335.83
2.	Sikkim Tea Board	June 1974	1993-94	703.88

(\* Mean Capital represents the average

**DIX - IX**

8.6.3; Page No. 145)

of departmentally managed undertakings

are Rupees in lakhs)

Profit (+) /Loss (-)	Total interest	Total return on Govt. Loan/Capital	Percentage of return on mean capital
6.	7.	8.	9.
(-) 36.12	-	(-) 36.12	-
(+) 29.81	-	(+) 29.81	4.23

of opening and closing balance of capital fund.)

## APPENDIX X

### Glossary of Abbreviations

ASRTU	- Association of State Road Transport Undertakings
CMV Act	- Central Motor Vehicle Act
DIET	- District Institute of Education and Training
F & CS	- Food and Civil Supplies
Finance Comm.	- Finance Commission
FIR	- First Investigation Report
FOR	- Free on Rail
FPS	- Fair Price Shop
GI Pipe	- Galvanised Iron Pipe
HRTC	- Himachal Road Transport Corporation
ICICI	- Industrial Credit and Investment Corporation of India
IDBI	- Industrial Development Bank of India
IISCO	- Indian Iron and Steel Company
ITDP	- Integrated Tribal Development Programme
KVA	- Kilo Volt Ampere
LB	- Long Bold
MG Cheque	- Manager's cheque
MIC	- Minor Irrigation channel
MIS	- Management Information System
M & TP Act	- Medicinal and Toilet Preparation Act
MPWA	- Miscellaneous Public Works Advances
NA	- Not Available
NBSTC	- North Bengal State Transport Corporation
NWDPPRA	- National Watershed Development Project in Rainfed Areas
PHE	- Public Health Engineering
POL	- Petrol and Oil Lubricant
PSU	- Public Sector Undertaking
R&B	- Roads and Bridges
RPDS	- Revamped Public Distribution System
RSL	- Reserve Stock Limited
SAIL	- Steel Authority of India Limited
SAR	- Separate Audit Report
SBI	- State Bank of India
SBS	- State Bank of Sikkim
SF rice	- Superfine rice
SFML	- Sikkim Flour Mills Limited
SIDICO	- Sikkim Industrial Development and Investment Corporation
SJL	- Sikkim Jewels Limited
SLDC	- Sikkim Livestock Development Corporation
SLPDC	- Sikkim Livestock Processing and Development Corporation Ltd.
SMC	- Sikkim Mining Corporation
SPWD	- Sikkim Public Works Department
STCS	- State Trading Corporation of Sikkim
SVL	- Sikkim Vanspati Limited
TISCO	- Tata Iron and Steel Company

# ERRATA

## Report of the Comptroller and Auditor General of India for the year ended 31 March 1995

Page No.	Reference to line	For	Read as
xi	3rd from top	4 reviews and 42	3 reviews and 43
xvii	20th from top	3. Other points	4. Other points
20	17th from bottom	Rs. 12.91 crore	Rs. 312.91 crores
26	2nd from bottom	90 per cent	by 90 per cent
43	6th from top	Programme in	Projects for
43	10th to 12th from top	Infructuous Expenditure for the visit of two representatives to Hongkong and Singapore	Infructuous Expenditure
43	20th from top	Huge expenditure on irregular purchases of magazines	Irregular purchases of magazines
43	26th and 27th from top	Wasteful expenditure on preparation of a documentary film	Wasteful expenditure
43	30th to 32nd from top	Infructuous expenditure on a hostel building for working women due to non-utilisation of the same	Infructuous expenditure
47	2nd from bottom	to	and
52	7th from top	agroprocessing	agroprocessing
70	4th from bottom	1994-95	1993-94
75	2nd from bottom	tim	time
78	7th from top	the the	the
80	7th from top	Governments	Government
84	10th from bottom	work	film
85	last line in box	farhe	for the
97	4th from top	<u>Audit Review</u> on	<u>Audit comments</u>
97	6th from top	<u>Audit comments</u>	Omit (Audit
97	2nd from top	Stores and Stocks	Stores and Stock
117	6th from top	from	farm
117	13th from top	Boarder	Border
117	15th from top	licenses	licences
120	last column of table heading	1992-93	1993-94
120	7th from bottom	2.7( against column 1992-93)	2.7 (against column 1994-95)
120	4th from bottom	1.3 (against column 1992-93)	1.3 (against column 1994-95)
121	1st from top	2.6 (against column 1992-93)	2.6 (against column 1994-95)
141	2nd from bottom	informatin	information
173	7th from top	(November 1993)	November 1993
192	25th from top	Bangal	Bengal
192	16th from bottom	Limited	Limit



