REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

for the year ended 31 March 2003

GOVERNMENT OF SIKKIM

http://cagindia.org/states/sikkim/2003

CONTENTS

APPENDICES

PREFACE

1. *This Report has been prepared for submission to the Government under Article 151 of the Constitution.*

2. *Chapters I and II of this report respectively contain Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2003.*

3. *The remaining chapters deal with the findings of performance audit and audit of transaction in various departments including the Public Works and Irrigation Department, audit of Stores and Stock, audit of Autonomous Bodies, Statutory Corporations, Government Companies and departmentally run commercial undertakings.*

4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2002-2003 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 2002-2003 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 2002-2003 and seven other chapters, comprising two reviews and 29 paragraphs, based on the audit of certain selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented below:

1 An overview of the Finances of the State Government

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

During 2002-2003, the assets of the Government increased by 16.70 *per cent* while the liabilities grew by 7.61 *per cent.* The increase in liabilities was largely on account of increase in internal debt (Rs.27.11 crore), Small Savings, Provident Funds etc. (Rs.23.44 crore) and loans and advances from Central Government (Rs.23.78 crore).

The revenue receipts of the year amounted to Rs.2080.52 crore of which tax revenue constituted 5.07 *per cent*, non tax revenue 63.25 *per cent*, grants from Government of India 27.97 *per cent* and State's share of Union taxes 3.71 *per cent.* Against this, the revenue expenditure of the State was Rs.1882.62 crore resulting in a revenue surplus of Rs.197.90 crore. A major portion of revenue expenditure was incurred on General Services (74.67 *per cent*) while Economic Services and Social Services accounted for 12.65 *per cent* and 12.68 *per cent* respectively.

There was decrease in capital expenditure by Rs.1.75 crore in 2002-2003 as compared to the previous year. Its share in total expenditure has gone up from 5.78 *per cent* in 1998-99 to 10 *per cent* in 2002-2003.

Investments to the extent of Rs.69.56 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 2.53 *per cent* during the year. No interest was received in the last 5 years on the loans and advances given by the Government for corporations, local bodies etc. which stood at Rs.6.28 crore at the end of 2002-2003.

The total borrowings of Rs.193.39 crore were almost exclusively used for debt servicing which amounted to Rs.191.16 crore.

Out of 12 working Government companies / corporations, seven were running under loss and the accumulated losses was Rs.37.44 crore as per latest finalised accounts.

(Paragraph-1)

2 Appropriation Audit and control over expenditure

The Appropriation Accounts present the details of amount actually spent by the State Government vis-à-vis the amount authorised by the State Legislature through budgetary grants. The summarised position of actual expenditure during 2002-2003 against grants/appropriation and the audit observation there- against were as follows:

At a glance		*Rupees in crore*
Original	:	2009.62
Supplementary	:	277.73
Total authorisation	:	2287.35
Total expenditure	:	2144.39
Total savings	:	142.96

The excess expenditure of Rs.870.58 crore for the years 1998-99 to 2001-2002 under 18 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 22 cases of grants/appropriation supplementary provision amounting to Rs.35.57 crore proved unnecessary.

Against unutilised provision of Rs.133.31 crore in 28 cases, Rs.105.87 crore only were surrendered.

In seven cases, against the actual saving of Rs.237.28 crore, Rs.263.05 crore were surrendered resulting in excess surrender of Rs.25.77 crore.

(Paragraph 2)

3 Audit Reviews on Developmental/Welfare Programmes and other activities

(a) Operational performance of Sikkim Nationalised Transport

Despite enjoying a near monopoly over road transport in the State, the operations of the Sikkim Nationalised Transport was characterised by chronic losses on account of its ageing fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles and poor material management and inventory control.

The Sikkim Nationalised Transport sustained a total operating deficit of Rs. 38 crore during the period 1998-99 to 2002-03.

The Sikkim Nationalised Transport incurred extra expenditure of Rs. 3.92 crore due to low fuel efficiency.

Shortage of stock materials worth Rs. 43.85 lakh from three divisional workshops was noticed.

(Paragraph 3.1)

(b) Review of Power Department (Transmission & Distribution)

The Power Department is responsible for the development of the power sector in Sikkim. A review of transmission and distribution system of Power Department for the period 1998-99 to 2002-03 indicated deficient financial management, high system losses, poor programme management, mounting arrears of revenue and non-recovery of outstanding dues from the West Bengal State Electricity Board. Operating deficit of the Department was very high and accounted for 9 to 122 per cent of the State's fiscal deficit.

System losses ranged from 20 to 28 *per cent*, which was much higher than the norms of Central Electricity Authority.

Estimates of six works were inflated by Rs.62.48 lakh as the electrical wing followed its own Schedule of Rates.

The Department's inability to evacuate power from Ramam project led to extra expenditure of Rs.1.98 crore and non-recovery of dues amounting to Rs.25.79 crore.

The differential between cost of energy purchased and its sale ranged between 24.86 to 40.50 paise per Kwh and resulted in a burden of Rs.13.06 crore to the State exchequer.

(Paragraph 4.1)

Irregular/Avoidable/Excess/Unfruitful Expenditure

Delay by the Finance Department in initiating prompt action to prepay a loan resulted in avoidable payment of interest of Rs.76.39 lakh.

(Paragraph 3.2)

Payment of *solatium* of Rs.14.80 lakh by Science and Technology Department despite the landowner voluntarily offering his land for acquisition was against the provisions of Land Acquisition Act, 1894 and also resulted in excess payment.

(Paragraph 3.4)

Inclusion of higher allowances by Food and Civil Supplies Department while determining the retail price resulted in the petroleum dealers earning a windfall. On Government account alone this led to excess payment of Rs.67.44 lakh to petroleum dealers.

(Paragraph 3.5)

Instead of purchasing directly from the manufacturer, the Power Department allowed procurement of steel plates by contractor at a higher rate resulting in extra expenditure of Rs.63.74 lakh.

(Paragraph 5.1)

Non-adherence to the codal provision by Power Department in purchase of XLPE cable resulted in procurement at higher rate and consequent excess expenditure to the tune of Rs.14.11 lakh.

(Paragraph 5.2)

Non-realisation/loss of Government Revenue

Non-levy of salami, cost of land and development fee by Urban Development and Housing Department resulted in short realisation of Rs.8.59 lakh.

(Paragraph 3.7)

Failure of the Directorate of Lotteries to ensure the submission of bank guarantees resulted in short realisation of assured revenue by Rs.7.04 crore and loss of interest amounting to Rs.10.08 lakh.

(Paragraph 6.7)

Wrong interpretation and application of slab rates of taxation by Income and Sales Tax Department resulted in underassessment of income tax and consequent loss of revenue of Rs.27.85 lakh.

(Paragraph 6.10)

Owing to short recovery of Sales Tax of Rs.9.46 lakh at source and non-deduction of 2 *per cent* sales tax at source from contractors by Roads and Bridges Department amounting to Rs.37.03 lakh, Government revenue of Rs.46.49 lakh remained unrealised due to non-assessment of the contractors' income by Income and Sales Tax Department.

(Paragraph 6.12)

Despite clear codal provisions, Transport Department (Motor Vehicle Division) failed to levy an additional fee on delayed renewal of permits resulting in a revenue loss of Rs.10.98 lakh.

(Paragraph 6.14)

The executive decision to levy slab rates of tax by Urban Development and Housing Department was legally not tenable and led to loss of Government revenue. Non-levy of penalty and permission to restart the operations on part payment of outstanding dues was an undue favour extended to a cable operator, which resulted in a further loss of Rs.80.51 lakh.

(Paragraph 6.15)

Loss of Government Money

Due to construction activities not being taken up in a planned manner, Sikkim Hatchery Limited in the first four years of its commercial operations alone, incurred operational losses aggregating to Rs.47 lakh.

(Paragraph 8.13)

With the Sikkim Poultry Development Corporation Ltd. remaining dormant since its formation, the expenditure of Rs.47.88 lakh on establishment related expenditure was a waste of public funds.

(Paragraph 8.14)

Diversion of fund

The Roads and Bridges Department's action was characterised by indecision and resulted in infructuous expenditure of Rs.45.40 lakh and diversion of Rs.28.56 lakh besides avoidable delay in setting up the airfield for boosting tourism prospects of the State.

(Paragraph 4.4)

Roads and Bridges, Education, Urban Development and Housing departments spent fund-aggregating Rs.1.31crore in violation of Non-lapsable Central Pool of Resources scheme guidelines resulting in diversion of funds.

(Paragraph 4.6)

Undue benefit to supplier/contractor/dealer

Incorporation of higher rate of interest in the analysis of fares by Transport Department (Motor Vehicle Division) resulted in undue benefit of Rs.6.66 crore per annum to the vehicle owners.

(Paragraph 3.8)

Adoption of lower compaction norms by Roads and Bridges Department led to additional expenditure of Rs.18.42 lakh in 28 road works alone besides benefiting the contractors by way of recovery of less hire charges amounting to Rs.18.58 lakh.

(Paragraph 4.2)

CHAPTER-I

ACCOUNTS OF THE STATE GOVERNMENT

CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

1.1.1 This chapter discusses the financial position of the State Government, based on the information contained in the Finance Accounts. The analysis is based on trends in receipts and expenditure, quality of expenditure and financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government. Some of the terms used in this chapter are explained in **Appendix-I.**

1.2 Financial position of the State

1.2.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land and buildings etc., owned by the Government. However, these accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. Exhibit-I present an abstract of such liabilities and the assets as on 31 March 2003 compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of moneys owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the public account and reserve funds, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. Exhibit-I shows that while the liabilities grew by 7.61 *per cent*, the assets grew by 16.70 *per cent* during 2002-03.

1.3 Sources and application of funds

1.3.1 Exhibit-II gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the public account. These are applied mainly on revenue and capital expenditure and on lending for developmental and other purposes. Revenue receipts constituted the most significant source of fund for the State Government and registered an increase of 15.13 *per cent* during the year while their relative share also increased from 94 *per cent* in 2001-02 to 96 *per cent* in 2002-03. The share of public debt receipts and net receipts from public account decreased from 3 *per cent* each to 2 *per cent* each during the period.

The revenue expenditure accounted for 87 *per cent* of total funds. Since this was lower than the share of the revenue receipts in the total receipts this led to revenue surplus. While the revenue expenditure grew by 13 *per cent* during the period capital expenditure remained at the same level. Therefore, share of the capital expenditure came down from 11 *per cent* to 10 *per cent* during the period.

1.4 Revenue Receipt

1.4.1 The revenue receipts of the State consist mainly of its own taxes and non-tax revenue, central tax transfers and grants in aid from the Government of India. Over all revenue receipts of the State increased from Rs.1440.66 crore in 1998-99 to Rs.2080.52 crore in 2002-03. Rate of growth of revenue receipts was significantly high (15.13 *per cent)* in 2002-03 due to increase in the gross receipts from online lotteries, sales tax and state income tax collections and grants-in-aid. Over all revenue receipts, its annual and trend rate of growth, ratio of its receipts to States Gross Domestic Product (GSDP) and its buoyancy are indicated in table- 1.

Table-1: Revenue Receipts- Basic Parameters (Values in Rupees crore and others in *percentage*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average/ Trend
Revenue Receipts	1440.66	1511.83	862.60	1807.18	2080.52	1540.56
Rate of Growth	10.87	4.94	(-) 42.94	109.50	15.13	7.32
Revenue Receipt/ GSDP	184.27	179.97	88.35	168.52	180.49	159.70
Revenue Buoyancy	0.54	0.66	*	11.13	2.02	0.61
GSDP growth	20.09	7.44	16.23	9.84	7.49	11.96

* *Rate of growth of revenue receipt was negative.*

The rate of growth of revenue receipts and GSDP in the State depict diverging trend over the years. Average annual growth of revenue receipt during 1998-2003 at 7.32 *per cent* fell significantly short of GSDP growth of 11.96 *per cent* during the same period. This led to revenue buoyancy falling below one (a sharp decline in rate of growth of revenue receipt in 2000-01 and a even sharper lottery receipts, independent of GSDP growth of base change).

Composition of the revenue receipts of the State and the relative share of its four components over last five years is indicated in table-2. On an average, around 64.52 *per cent* of the revenue came from State's own resources and Central tax transfers and grants in aid together contributed only 35.48 *per cent* of total revenue. The tax revenue grew from around 3.25 *per cent* of total revenue in 1998-99 to 5.07 *per cent* in 2002-03. Central tax transfers as percentage to total revenue of the State witnessed a decline from 6.40 *per cent* in 1998-99 to 3.71 *per cent* in 2002-03 while the share of Grants-in-aid went up from 19.49 *per cent* to 27.97 *per cent*. However, after netting off the impact of gross receipt of Rs.1256.72 crore from state lotteries included under non-tax-revenue of the State, against which an expenditure of Rs.1173.48 crore was incurred during 2002-03, the picture of State's finance changes drastically. About 72.67 *per cent* of the net revenue receipts of the State were financed by Central tax transfers and Grants-in-aid. The contribution of state lotteries comprised 33.57 *per cent* of own tax and non-tax revenue indicating vulnerability of the State's finances to the fluctuations in receipts from lotteries **(Exhibit-IV)**.

Table-2: Components of Revenue receipt- relative Share in *per cent*

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average /Trend
Own Taxes	3.25	3.25	7.58	4.45	5.07	4.72
Non-Tax Revenue	70.86	68.97	33.51	62.43	63.25	59.80
Central tax transfers	6.40	6.58	8.37	4.69	3.71	5.95
Grants-in-aid	19.49	21.20	50.54	28.43	27.97	29.53

Over all growth of the four components of revenue during 1998-2003 also differed significantly. While the revenue from own taxes of the State and Grant-in-aid recorded trend growth of 22.91 *per cent* and 19.66 *per cent* respectively during 1998-2003, the Central tax transfers declined by 2.10 *per cent.* The trend annual growth of the various components of State's revenue, their buoyancy, average ratio as percentage to GSDP and average annual rate of shift in the relative contribution is indicated in table-3.

Table-3: Components of Revenue- Basic Parameters 1998-2003 (*percentage*)

	ROG	Buoyancy	GSDP Share	Relative Share	Shift Rate
Own Taxes	22.91	1.92	7.20	4.72	14.53
Non-Tax Revenue	2.17	0.18	99.45	59.80	(-) 4.79
Central tax Transfers	(-) 2.10	*		5.95	(-) 8.78
Grants-in-aid	19.66	1.64	44.22	29.53	11.50

* *Rate of growth of Central tax transfers was negative.*

State's own taxes and grants in aid had a buoyancy greater than one.

1.5 Expenditure

1.5.1 Over all expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs.1588.44 crore in 1998-1999 to Rs.2091.66 crore in 2002-03, at an average annual trend rate of 6.07 *per cent*. The over all buoyancy of the total expenditure at 0.51during 1998-2003 was significantly low. It indicated that for every one *per cent* increase in the State's GSDP, expenditure increased by only 0.51 *per cent*. Overall expenditure, its annual and trend growth, ratio of total expenditure to State's GSDP and the buoyancy of expenditure are indicated in table-4 below:

Table-4: Total Expenditure-Basic Parameters (Value in Rupees crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average Trend
Total Expenditure	1588.44	1605.45	914.56	1875.17	2091.66	1615.06
Rate of Growth	16.18	1.07	(-) 43.03	105.04	11.55	6.07
TE/GSDP Ratio	203.17	191.12	93.67	174.86	181.45	167.42
Revenue Receipts/TE Ratio	90.70	94.17	94.32	96.37	99.47	95.01
Buoyancy of Total expenditure with						
GSDP	0.81	0.14	(-) 2.65	10.68	1.54	0.51
Revenue Receipt	1.49	0.22	1.00	0.96	0.76	0.83

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services, grants in aid and loans and advances. The relative share of these components in the total expenditure is indicated in table-5.

Table 5: Components of Expenditure – Relative Share (in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	67.85	67.04	35.36	62.13	63.05	59.58
Interest Payments	3.30	4.23	8.60	4.49	4.29	4.98
Social Services	15.23	14.48	26.55	16.03	15.41	17.54
Economic Services	13.41	13.96	28.53	16.68	16.83	17.88
Loans & Advances	0.07	0.07	0.04	0.01	0.00	0.04

The movement of relative share of these components indicates that while the share of general services excluding interest payments in total expenditure declined from 67.85 *per cent* in 1998-99 to 63.05 *per cent* in 2002-03, the relative share of interest payments, economic services and social services increased. However, interest payments and expenditure on general services considered as non-developmental, together accounted for as much as 67.34 *per cent* of total expenditure in 2002-03 as compared to 32.24 *per cent* of expenditure on economic and social services.

In total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and not represent any addition in the State's service network. Overall revenue expenditure of the State increased from Rs.1495.60 crore in 1998-99 to Rs.1882.62 crore in 2002-03, at an average trend rate of 4.84 *per cent* per annum. On an average 90.59 *per cent* of total expenditure for the period from 1998-99 to 2002-03 was on current consumption. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in table 6 below:

Table 6: Revenue Expenditure- Basic Parameters (Values in Rupees crore and other in *per cent*)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average/ Trend
Revenue Expenditure	1495.60	1509.97	763.31	1664.25	1882.62	1463.15
Rate of Growth	18.87	0.96	(-) 49.45	118.03	13.12	4.84
RE/GSDP	191.29	171.75	78.98	144.19	163.32	151.67
RE as % of TE	94.16	94.05	83.46	88.75	90.01	90.59
RE as % to Revenue Receipt	103.81	99.88	88.49	92.09	90.49	105.69
Buoyancy of Revenue Expenditure with						
GSDP	0.94	0.13	*	12.00	1.75	0.40
Revenue Receipts	1.74	0.19	*	1.08	0.87	0.66

** Revenue Expenditure and Revenue Receipts had recorded a negative growth.*

Average buoyancy of revenue expenditure to GSDP during 1998-2003 was 0.40 indicating that for each one-percentage increase in the State's GSDP, revenue expenditure increased by 0.40 *per cent.* However, it witnessed an increasing trend during recent years.

Within the total expenditure plan, capital and development expenditure components reflect its quality. Higher the ratio of these components to total expenditure better is the quality of expenditure. Table-7 below gives the ratio of these components to total expenditure.

Table-7: Quality of expenditure (*per cent* to total expenditure)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average/ Trend
Plan Expenditure	15.85	14.27	33.56	21.51	21.85	20.41
Capital Expenditure	5.78	5.88	16.51	11.24	9.99	9.37
Development Expenditure	28.66	28.46	55.10	32.71	32.24	33.49

Total expenditure do not include Loans and Advances

All the three components of expenditure showed a relative increase during 1998-2003. However, share of capital expenditure declined from 11.24 *per cent* in 2001-02 to 9.99 *per cent* in 2002-03

Activity wise expenditure also revealed that the average trend growth of various components had significant inter year variations. Interest payments was the fastest growing component with an average growth of 17.01 *per cent* per annum. Loans and advances of the State had a negative growth of 44.97 *per cent.* As percentage of GSDP, non-development expenditure comprising general service and interest payments averaged 110.60 *per cent,* social services 17.54 *per cent* and the economic services 28.26 *per cent.* Activity wise trend growth, ratio to GSDP, relative share of the various activities, shift in their relative share and buoyancy with GSDP and revenue receipt are indicated in table-8.

Table-8 Activity wise Expenditure- Basic Parameters (in *per cent*)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	1.95	102.87	64.56	(-) 2.83	0.26	0.42
Interest Payments	17.01	7.73	4.98	10.26	1.42	2.32
Social Services	11.17	27.79	17.54	4.81	0.93	1.53
Economic Services	12.94	28.26	17.88	6.48	1.08	1.77
Loans & Advances	(-) 44.97	0.06	0.04	(-) 48.12	*	*

* *Loans and Advances had a negative growth.*

The relative share of the expenditure on interest, social and economic services grew by an average of 17.01 *per cent,* 11.17 *per cent* and 12.94 *per cent* per annum respectively and witnessed a positive shift in their shares.

1.6 Fiscal Imbalances

1.6.1 The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed is an important pointer to its fiscal health. The fiscal deficit which represents the total borrowing of the Government and its total resource gap decreased from Rs.146.86 crore in 1998-99 to Rs.9.86 crore in 2002-03. Since 1999-2000 onwards State is having revenue surplus.

Table-9: Fiscal Imbalance Basic parameters (Values in Rupees crore and Ratios in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	(-) 54.94	1.86	99.29	142.93	197.90	2.48
Fiscal deficit	(-) 146.86	(-) 92.55	(-) 50.50	(-) 66.85	(-) 9.86	(-) 73.32
Primary Deficit	(-) 94.39	(-)24.63	28.17	17.31	79.67	1.23
RD/GSDP	(-) 7.03	0.22	10.17	13.33	17.17	0.26
FD/GSDP	(-) 18.78	(-) 11.02	(-) 5.17	(-) 6.23	(-) 0.86	(-) 7.60
PD/GSDP	(-) 12.07	(-) 2.93	2.89	1.61	6.92	0.13
RD/FD	37.41	*	*	*	*	*

* *State had a revenue surplus all these years*

1.7 Fiscal Liabilities- public Debt and Guarantees

1.7.1 The Constitution of India provides that state may borrow within the territory of India, upon the security of its consolidated funds, within such limits, as may from time to time, be fixed by an act of Legislature. However, no such law was passed by the State to lay down any such limit. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the over all fiscal liabilities of the State increased from Rs.519 crore in 1998-99 to Rs.888 crore in 2002-2003 at an average annual rate of 18.21 *per cent.* These liabilities as ratio to GSDP increased from 66.37 *per cent* in 1998-99 to 77.02 *per cent* in 2002-2003 and stood at 62.5 *per cent* 3.50 times of its own resources comprising its own tax and non-tax revenue. However, taking into account net receipt from lotteries, the ratio would be nearly three and half times of its own resources.

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which in 2002-03 stood at Rs.95.70 crore. The guarantees are in the nature of contingent liabilities. The explicit fiscal liabilities of the State grew much faster compared to its rate of growth of GSDP and revenue receipts. On an average for each one *per cent* increase in GSDP, revenue receipts, and own resource the fiscal liabilities of the State increased by 1.52, 2.49 and 5.32 *per cent.*

Table –10: Fiscal Liabilities-Basic Parameters

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	519	702	750	827	888	737
Rate of Growth	40.65	35.26	6.84	10.27	7.38	18.21
Ratio of Fiscal Liabilities to						
GSDP	66.37	83.57	76.84	77.15	77.02	76.43
Revenue Receipt	36.03	46.43	86.91	45.77	42.68	47.85
Own Resources	48.61	64.30	211.26	68.46	62.47	71.66
Buoyancy of Fiscal Liabilities to						
GSDP	2.020	4.754	0.422	1.044	0.976	1.522
Revenue receipt	3.742	7.138	*	0.094	0.487	2.488
Own resources	3.876	15.588	*	0.043	0.417	5.325

* *State had a negative trend.*

Increasing liabilities had raised the issue of sustainability. Fiscal Liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In the case of Sikkim, average interest rate on fiscal liabilities at 10.99 *per cent* was below the rate of growth of GSDP by 0.97 *per cent* as indicated in table-11. However, in three out of five years more particularly in the most recent two years, average interest rate on fiscal liabilities exceeded the GSDP growth raising concerns on its debt sustainability.

Table –11: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	11.82	11.13	10.84	10.65	10.50	10.99
GSDP Growth	20.12	7.42	16.19	9.84	7.56	11.96
Interest spread	8.31	(-) 3.71	5.35	(-) 0.82	(-) 2.94	0.97

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table –12 below gives the position of the receipt and repayment of fiscal liabilities over last 5 years. The net funds available on account of the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments varied from 59.37 *per cent* to 1.15 *per cent*. The net funds available declined drastically to 1.15 *per cent* of total new liabilities in 2002-2003 from 12.10 *per cent* in 2001-02.

Table-12: Net Availability of Borrowed Funds

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt						
Receipt	42.00	82.76	32.94	39.10	34.81	46.32
Repayment (Principal +Interest)	24.47	26.70	35.41	37.83	45.33	33.95
Loans and Advances from GOI						
Receipt	53.53	63.97	36.18	52.27	43.73	49.94
Repayment (Principal +Interest)	48.60	34.68	55.97	60.49	64.71	52.89
Other Liabilities						
Receipt	111.45	83.10	79.75	92.09	114.85	96.25
Repayment (Principal +Interest)	34.88	32.01	51.95	62.94	81.12	52.58
Total Liabilities						
Receipt	206.98	229.83	148.87	183.46	193.39	192.51
Repayment (Principal +Interest)	107.45	93.39	143.33	161.26	191.16	139.32
Net Fund Available	99.03	136.44	5.54	22.20	9.02	53.34
Net Fund Available (*per cent*)	47.84	59.37	3.72	12.10	1.15	24.84

1.8 Investments and returns

1.8.1 As on 31 March 2003, Government had invested Rs.69.56 crore in Statutory Corporations, Joint Stock Companies and Cooperatives. Government's return on this investment in 2002-03 was only 2.53 *per cent*, as against the average rate of interest on its borrowing at 10.50 *per cent* during the year as indicated in table –13 below:

Table-13: Return on Investment

Year	Investment at the end of the year *(Rupees in crore)*	Return *(Rupees in crore)*	Percentage or Return	Weighted interest Rate
1998-1999	41.76	1.23	3	11.82
1999-2000	44.54	0.72	2	11.13
2000-2001	52.68	0.0158	0.03	10.84
2001-2002	64.37	0.011	0.02	10.65
2002-2003	69.56	1.76	2.53	10.50

In addition to its investment, Government has also been providing loans and advances to many of these units. Total outstanding loan was Rs.6.28 crore as on

31 March 2003. Interest on these was not received in any of the years (1998-2003).

Table–14: Average Interest Received on Loans Advanced by the State Government.

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	9.72	9.88	9.95	8.45*	7.50
Amount advanced during the year	1.08	1.14	0.33	0.19	0.06
Amount repaid during the year	0.92	1.07	1.46	1.14	1.28
Closing Balance	9.88	9.95	8.82	7.50	6.28
Net addition	0.16	0.07	(-) 1.13	(-) 0.95	(-) 1.22

* *The variation of opening balance for 2001-2002 is due to proforma correction in the Finance Accounts.*

1.9 Incomplete Projects

1.9.1 As informed by the State Government, there were 36 incomplete projects in which Rs.13.60 crore were blocked. The delay in completion of projects ranged between 1 month to 36 months. This showed that the Government was spreading its resources thinly without prioritisation, which failed to yield any return.

1.10 Arrears of revenue

1.10.1 The arrears of revenue pending collection was Rs.2.16 crore as of March 2003. Of these Rs.0.76 crore and Rs.0.56 crore were on account of Transport Department and Urban Development & Housing Department respectively.

1.11 Financial indicators of the Government of Sikkim

1.11.1 The finances of a State should be sustainable, flexible and non-vulnerable. Table –15 below presents a summarised position of Government finances over 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facts.

The ratios of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts comprise not only the tax and non-tax resources of the State but the Central transfers also. It indicates the sum total of the State's access for which where is no direct service provision obligations, recovery of users' charges for the social and economic services provided by it and its entitlement from the Central Pool of Resources. These ratios show continuous improvements during 2001-03. Overall revenue buoyancy of the state has been less than one during the last five years, though witnessing significant increases during 2001-03.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in the relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure has showed increasing trend from 2001-02 while its capital expenditure and development expenditure as percentage to total expenditure has declined during the same period. It indicates the State's inadequate expansion of its developmental activities during the last two year.

Table-15: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	1998-99	1999-2000	2000-01	2001-02	2002-03	Average/ Trend
Resource Mobilisation						
Revenue Receipt/GSDP	184.27	179.97	88.35	168.52	180.49	159.70
Revenue Buoyancy	0.54	0.66	*	11.13	2.02	0.61
Own tax/GSDP	5.98	5.84	6.70	7.50	9.15	7.20
Expenditure Management						
Total Expenditure/GSDP	203.17	191.12	93.67	174.86	181.45	167.42
Revenue Receipts/Total Exp.	90.70	94.17	94.32	96.37	99.47	95.01
Revenue Expenditure/Total. Exp.	94.16	94.05	83.46	88.75	90.01	90.59
Capital Expenditure/Total Exp	5.78	5.88	16.51	11.24	9.99	9.37
Development Expenditure/ Total Exp.	28.66	28.46	55.10	32.71	32.24	33.49
Buoyancy of TE with RR	1.49	0.22	1.00	0.96	0.76	0.83
Buoyancy of RE with RR	1.74	0.19	1.15	1.08	0.87	0.66
Management of Fiscal Imbalances						
Revenue deficit (Rupees in crore)	(-)54.94	1.86	99.26	142.93	197.90	2.48
Fiscal deficit (Rupees in crore)	(-)146.86	(-)92.55	(-)50.50	(-)66.85	(-)9.86	(-) 73.32
Primary Deficit (Rupees in crore)	(-)94.39	(-)24.63	28.17	17.31	79.67	1.23
Revenue Deficit/Fiscal Deficit	37.41	$	$	$	$	$
Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	66.37	83.57	76.84	77.15	77.02	76.43
Fiscal Liabilities/RR	36.03	46.43	86.91	45.77	42.68	47.85
Buoyancy of FL with RR	3.742	7.138	*	0.094	0.487	2.488
Buoyancy of FL with OR	3.876	15.588	*	0.043	0.417	5.325
Interest spread	8.31	(-)3.71	5.35	(-)0.82	(-)2.94	0.98
Net Fund Available	47.84	59.37	3.72	12.10	1.15	24.84
Other Fiscal Health Indicators						
Return on Investment	3	2	0.03	0.02	2.53	1.51
BCR (**Rs** in crore)	(-)153.64	(-)167.87	(-) 22.33	(-) 38.83	77.84	(-) 60.97
Financial Assets/Liabilities	1.79	1.59	1.66	1.73	1.88	1.73

** Rate of growth of Revenue Receipt and own resources was negative.*
$ State had a revenue surplus in all these years.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts indicate that the State is gradually getting into a debt trap. The average interest paid by the State on its borrowings during 2001-03 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There has also been a decline in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's low return on investments indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment. The State Government had negative BCR during the period 1998-2002 which signifies that it was not able to generate surplus from current revenues and was dependent on borrowings and Central Plan Assistance for meeting the plan expenditure. However, BCR during the year 2002-03was positive.

Exhibit-I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2003

(Rupees in crore)

As on 31.03.2002		Liabilities		As on 31.03.2003
314.21		Internal Debt		341.32
	220.81	Market Loans bearing interest	240.81	
	38.96	Loans from LIC	46.81	
	54.44	Loans from other institutions	53.70	
269.72		Loans and Advances from Central Government-		280.80
	7.14	Pre 1984-85 Loans	6.59	
	47.86	Non-Plan Loans	45.46	
	194.26	Loans for State Plan Schemes	218.04	
	11.09	Loans for Central and Centrally Sponsored Plan Schemes	10.71	
	9.37	Ways and Means Advances	-	
345.18				377.67
	1.00	Contingency Fund	0.97	
	222.12	Small Savings, Provident Funds, etc.	245.56	
	15.83	Deposits	17.28	
	30.76	Reserve Funds	39.60	
	75.47	Remittance Balances	74.26	
679.42		Surplus on Government Accounts		877.32
	536.50	Last year balance	679.42	
	142.92	Add Revenue Surplus	197.90	
1608.53		**Total**		**1877.11**
As on 31.03.2002		**Assets**		**As on 31.03.2003**
1445.74		Gross Capital Outlay on Fixed Assets-		1654.72
	64.37	Investments in shares of Companies, Corporation, etc.	69.56	
	1381.37	Other Capital Outlay	1585.16	
7.50		Loans and Advances-		**6.28**
	4.34	Other Development Loans	4.34	
	3.16	Loans to Government servants and Miscellaneous loans	1.94	
-	-	Reserve Fund Investments		
0.25		Advances		0.80
10.86		Suspense and Miscellaneous Balances		(-) 1.52
144.18		Cash		216.83
		Cash in Treasuries and Local Remittances		
	90.43	Deposits with other Bank	151.22	
	(-) 0.68	Departmental Cash Balance	0.18	
	29.00	Cash Balance Investments	29.00	
	25.43	Earmarked Funds Invested	36.43	
1608.53		**Total**		**1877.11**

Exhibit-II
SOURCES AND APPLICATION OF FUND

(Rupees in crore)

2001-2002		Sources		2002-03
1807.18	1.	Revenue receipts		2080.52
1.14	2.	Recoveries of Loans and Advances		1.28
57.17	3.	Increase in Public debt other than overdraft		38.19
59.04	4.	Net receipts from Public Account		44.35
		Increase in Small Savings	23.44	
		Increase in Deposits and Advances	0.91	
		Increase in Reserve Funds	8.84	
		Net effect of Suspense and Miscellaneous transactions	12.38	
		Net effect of remittance transactions	(-) 1.22	
	5.	Net effect of contingency fund transaction		
1924.53		**Total**		**2164.34**
2001-2002		**Application**		**2002-03**
1664.25	1.	Revenue expenditure		1882.62
0.19	2.	Lending for development and other purposes		0.06
210.73	3.	Capital expenditure		208.98
-	4.	Net effect of contingency fund transaction		0.03
49.36	5.	Increase in Cash Balance		72.65
1924.53		**Total**		**2164.34**

Exhibit-III

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-2003

(Rupees in crore)

Receipts				Disbursement					
Section-A : Revenue									
2001-02			2002-03	2001-02		Non-Plan	Plan	Total	2002-03
1807.18	I. Revenue Receipts		2080.52	1664.25	I. Revenue Expenditure				1882.62
	-Tax revenue	105.53			General Services	1386.60	19.15	1405.75	
	-Non-tax revenue	1315.84			Social Services				
	-State's share of Union Taxes	77.20			-Education, Sports, Art and Culture	83.68	50.34	134.02	
	-Non-Plan grants	213.86			-Health and Family Welfare	22.44	17.47	39.91	
					-Water Supply, Sanitation, Housing and Urban Development	9.64	22.23	31.86	
					-Information and Broadcasting	1.03	2.72	3.75	
	-Grants for State Plan Scheme	309.31			-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes.	0.55	4.50	5.05	
	-Grants for Central and Centrally sponsored Plan Schemes	58.78			-Labour and Labour Welfare	0.62	0.32	0.94	
					-Social Welfare and Nutrition	9.27	12.30	21.57	
					-Others	1.64	-	1.64	
					Economic Services				
					-Agriculture and Allied Activities	34.86	36.87	71.73	
					-Rural Development	0.32	15.38	15.70	
					-Special Areas Programmes	-	1.09	1.09	
					-Irrigation and Flood Control	1.04	17.96	19.00	
					-Energy	42.56	18.11	50.67	
					-Industry and Minerals	3.44	19.02	22.46	
					-Transport	35.17	9.54	44.71	
					-Science, Technology and Environment	-	1.00	1.00	
					-General Economic Services	1.72	10.05	11.77	
-	II. Revenue Deficit carried over to Section B		-	142.93	II. Revenue Surplus carried over to Section B				197.90
1807.18	Total		2080.52	1807.18					2080.52
	Section B								
94.82	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		144.18	210.73	III. Capital Outlay				
					General Services		11.49	11.49	11.49
					Social Services			83.66	83.66
					-Education, Sports, Art and Culture		27.17	27.17	
					-Health and Family Welfare		3.33	3..33	
					-Water Supply, Sanitation		48.95	48.95	
					-Housing and Urban Development				
					-Welfare of SC,ST and OBC		3.83	3.83	
					- Social Welfare		0.38	0.38	
					- Other				

Receipts				Disbursement					
2001-02	**Section-B**		**2002-03**	**2001-02**		**Non-Plan**	**Plan**	**Total**	**2002-03**
	IV Miscellaneous Capital receipts	-			Economic Services		113.83	113.83	113.83
					-Agriculture and Allied Activities		3.00	3.00	
					-Rural Development		2.83	2.83	
					-Special Areas Programmes		4.46	4.46	
					-Irrigation and Flood Control		2.91	2.91	
					-Energy		53.83	53.83	
					-Industry and Minerals		3.58	3.58	
					-Transport		39.62	39.62	
					-General Economic Services		3.60	3.60	
1.14	V. Recoveries of loans and Advances		1.28	0.19	IV Loans and Advances disbursed				0.06
	From Government Servants	1.18			-To Government Servants		0.06	0.06	
	From others	0.10			-To Others		-		
142.93	VI. Revenue surplus brought down		197.90	-	V. Revenue deficit brought down		-		
91.37	VII. Public debt receipts		78.53	34.19	VI. Repayment of Public Debt				40.35
	-External debt	-			-External debt			-	
	-Internal debt other than Ways and Means Advances and Overdraft	34.81			-Internal debt other than Ways and Means Advances and Overdraft		7.70	7.70	
	-Ways and Means Advances	-			-Ways and Means Advances		-	-	
	-Loans and Advances from Central Government	43.72			-Repayment of Loans and advances to Central Government		32.65	32.65	
	VIII. Amount transferred to Contingency Fund				VII Expenditure from Contingency Fund				0.03
967.41	IX. Public Account Receipts		1356.15	908.38	VIII. Public Account Disbursements				1311.79
	-Small Savings and Provident funds	63.56			-Small savings and Provident Funds		40.12	40.12	
	-Reserve funds	19.12			-Reserve Funds		10.27	10.27	
	-Suspense and Miscellaneous	801.54			-Suspense and Miscellaneous		789.16	789.16	
	-Remittance	439.74			-Remittance		440.96	440.96	
	-Deposits and Advances	32.19			-Deposits and advances		31.28	31.28	
				144.18	IX. Cash Balance at end				216.83
					-Cash in Treasuries and Local Remittances			149.55	
					-Deposits with other Bank			167.00	
					-Departmental Cash Balance including permanent advances			36.61	
					-Cash Balance Investment			29.00	
1297.67	**TOTAL**		**1778.04**	**1297.67**	**TOTAL**				**1778.04**

Exhibit-IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Part A. Receipts					
I. Revenue Receipts	**1440.66**	**1511.83**	**862.60**	**1807.18**	**2080.52**
(a) Tax Revenue	46.76 (3.25)	49.07(3.25)	65.39 (7.58)	80.39 (4.45)	105.53 (5.07)
Taxes on Income other than Corporation Tax	18.33 (39.20)	17.84 (36.36)	19.29 (29.50)	22.03 (27.40)	32.68 (30.97)
Sales Tax	13.06 (27.92)	13.64 (27.80)	24.50 (37.47)	34.97 (43.50)	41.42 (39.05)
State Excise	11.86 (25.36)	13.39 (27.29)	17.61 (26.93)	17.59 (21.88)	22.45 (21.27)
Tax on Vehicles	1.51 (3.23)	1.69 (3.44)	1.54 (2.35)	1.97(2.45)	2.35(2.23)
Stamp and Registration fees	0.51(1.09)	0.62 (1.26)	0.50 (0.76)	1.30(1.62)	3.45 (3.27)
Land Revenue	0.12(0.26)	0.54 (1.10)	0.22 (0.34)	0.51(0.63)	0.40 (0.37)
Other Taxes and Duties on Commodities and Services	1.37 (2.93)	1.35 (2.75)	1.73 (2.65)	2.02(2.51)	2.78 (2.63)
(b) Non-Tax Revenue	1020.91 (70.86)	1042.75 (68.97)	289.02 (33.51)	1128.21(62.43)	1315.84 (63.25)
(c) State's share in Union taxes	92.21 (6.40)	99.54 (6.58)	72.20 (8.37)	84.83 (4.69)	77.20 (3.71)
(d) Grants-in-aid from GOI	280.78 (19.49)	320.47 (21.20)	435.99 (50.54)	513.75(28.43)	581.95 (27.97)
II. Capital Receipts	**206.99**	**229.38**	**148.87**	**183.46**	**193.38**
Market Borrowing	42.00 (20.29)	82.76 (36.08)	32.94 (22.13)	39.10(21.31)	34.81 (18)
Loans and advances from GOI	53.54 (25.86)	63.97 (27.89)	36.18 (24.30)	52.27(28.49)	43.72 (22.61)
Other Receipts (Public Accounts)	111.45 (53.85)	82.65 (36.03)	79.75 (53.57)	92.09(50.20)	114.85 (59.39)
Part B. Expenditure	**1587.36**	**1604.31**	**914.23**	**1874.98**	**2091.60**
I. Revenue Expenditure	**1495.60 (94.22)**	**1509.97 (94.12)**	**763.31 (83.49)**	**1664.25(88.76)**	**1882.62 (90)**
Plan	159.77 (10.68)	134.60 (8.91)	155.93 (20.43)	192.67(11.58)	248.03 (13.17)
Non-Plan	1335.83 (89.32)	1375.37 (91.10)	607.38 (79.57)	1471.58(88.42)	1634.59 (86.83)
General Services	1127.77 (75.41)	1143.87 (75.75)	406.01 (53.19)	1254.02(75.35)	1405.75 (74.67)
Economic Services	155.63 (10.40)	169.84 (11.25)	164.81 (21.59)	183.56(11.03)	238.13 (12.65)
Social Services	212.21 (14.19)	196.26 (13.00)	192.49 (25.22)	226.67(13.62)	238.74 (12.68)
Interest Payment	**52.47**	**67.92**	**78.67**	**84.16**	**89.53**
Fin. Assistance to Local bodies etc.	**2.17**	**3.49**	**8.39**	**12.07**	**7.80**
Loans and advances given	**1.08**	**1.14**	**0.33**	**0.19**	**0.06**
II. Capital Expenditure	**91.76 (5.78)**	**94.34 (5.88)**	**150.92 (16.51)**	**210.73(11.24)**	**208.98 (10)**
Plan	91.76 (100)	94.34 (100)	150.92 (100)	210.73(100)	208.98 (100)
Non- plan	-	-	-	-	-
General Services	4.60 (5.01)	3.87 (4.10)	4.45 (2.96)	8.14(3.86)	11.49 (5.50)
Economic Services	57.44 (62.60)	54.29 (57.55)	96.15 (63.71)	129.15(61.29)	113.83 (54.47)
Social Services	29.72 (32.39)	36.18 (38.35)	50.32 (33.34)	73.44(34.85)	83.66 (40.03)
Part C. Deficits					
Revenue Deficit (-)/Surplus (+)	(-) 54.94	(+) 1.86	(+) 99.29	(+) 142.93	(+) 197.90
Fiscal Deficit	146.86	92.55	50.51	66.85	9.86
Primary Deficit (-)/Surplus (+)	(-) 94.39	(-)24.63	28.17	17.31	79.67
Part D. Other data					-
Ways and Means Advances (days)	-	-	-	-	-
Interest on WMA	-	-	-	-	
GSDP	781.84	840.03	976.34	1072.37(P)	1152.73(Q)
Outstanding Debt (year end)	503.67	676.34	729.37	806.06	867.68
Outstanding guarantees (year end)	21.07	21.57	104.61	95.70	95.70
Guarantees given during the year	-	0.50	83.04	-	
Number of incomplete projects	69	57	95	37	36
Capital blocked in incomplete projects	96.26	20.71	12.55	24.64	13.60
Arrears of Revenue	NA	0.80	1.07	1.36	2.16

Note-I: Figures in brackets represent percentages to total of each sub heading.

Note-II: Non-tax revenue for the year 2002-2003 includes gross receipt of Rs.1256.72 crore from State Lotteries before adjustment of expenditure of Rs. 1173.48 crore.

Note-III: GSDP : (P) – Provisional Estimate, (Q) – Quick Estimate.

Note-IV: The arrears of Revenue for 2002-2003 relate to five Departments, SPWD (Building), PHE, UDHD, Printing & Stationery and SNT only.

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2002-2003 AT A GLANCE

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

Appropriation Accounts : Government of Sikkim

Total Number of Grants : 45(43 Grants, 2 Appropriations)

Total provision and actual expenditure

Table-2.1

(Rupees in crore)

Provision		Expenditure	
Original Supplementary	2009.62 277.73	Expenditure	2144.39
Total Gross provision	**2287.35**	**Total Gross expenditure**	**2144.39**
Deduct-Estimated recoveries in reduction of expenditure	13.31	Deduct-Actual recoveries in reduction of expenditure	12.38
Total Net provision	**2274.04**	**Total Net expenditure**	**2132.01**

Voted and Charged provision and expenditure

Table-2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	1847.86	104.13	1790.97	104.03
Capital	295.01	40.35	209.05	40.34
Total Gross	**2142.87**	**144.48**	**2000.02**	**144.37**
Deduct-recoveries in reduction of expenditure	13.31	-	12.38	--
Total Net	**2129.56**	**144.48**	**1987.64**	**144.37**

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

2.1.1 The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

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

2.2 Summary of Appropriation Accounts

2.2.1 The summarised position of actual expenditure during 2002-2003 against 45 grants/appropriation was as follows:

Table-2.3

(Rupees in crore)

Name of Expenditure		Original grant / Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	1623.51	224.35	1847.86	1790.97[ψ]	(-) 56.89
	II. Capital	259.38	35.22	294.60	208.99	(-) 85.61
	III. Loans and Advances	0.41	Nil	0.41	0.06	(-) 0.35
Total Voted		**1883.30**	**259.57**	**2142.87**	**2000.02**	**(-) 142.85**
Charged	IV. Revenue	98.91	5.22	104.13	104.03	(-) 0.10
	V. Capital	Nil	Nil	Nil	Nil	Nil
	VI. Public Debt	27.41	12.94	40.35	40.34	(-) 0.01
Total Charged		**126.32**	**18.16**	**144.48**	**144.37**	**(-) 0.11**
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		**2009.62**	**277.73**	**2287.35**	**2144.39[Ω]**	**(-) 142.96**

[ψ] *These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure of Rs.12.38 crore*

[Ω] *At the end of March 2003 detailed contingent bills were not received as required under Rules from the DDOs in support of Rs.21.76 crore drawn on abstract contingent bills. In the absence of DC bills , the genuineness of the expenditure could not be vouchsafed.*

2.3 Result of Appropriation Audit

Excess over provision relating to previous years requiring regularisation

2.3.1 As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.870.58 crore for the years 1998-99 to 2001-02 was yet to be regularised.

Table-2.4

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/ Appropriation No(s)	Amount of excess	Amount for which explanations not furnished to PAC
1998-1999	04	38,44,45 and Public Debt	0.89	0.89
1999-2000	03	11, 43, 45	0.45	0.45
2000-2001	05	1,36,39, Public Debt & Governor	0.74	0.74
2001-2002	06	10,5,20,30,41 & Governor	868.50	868.50
Total			**870.58**	**870.58**

Excess over provision during 2002-03 requiring regularisation

2.3.2 In Revenue Section, there was an excess of Rs.81,00,245 in three grants and in Capital Section, there was an excess of Rs.1,93,74,154 in six grants. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Table-2.5

(In Rupees)

Sl. No.	Number and name of grant / appropriation	Total grant / appropriation	Actual expenditure	Excess
	REVENUE			
1	10 – Finance	1309,11,52,000	1309,55,51,559	43,99,559
2	19 – Information Technology	1,00,00,000	10,02,43,32	24,332
3	23 – Land Revenue	22,90,67,000	23,27,43,354	36,76,354
	Total Revenue			**81,00,245**
	CAPITAL			
4	5- Culture	15100000	16169801	1069801
5	12 – Food, Civil Supplies & Consumer Affairs	3820000	3827218	7218
6	14 - Health & Family Welfare	33245000	33309018	64018
7	20 – Irrigation & Flood Control	20500000	29084396	8584396
8	30 – Planning & Development	35000000	44633612	9633612
9	38 – Sikkim Nationalised Transport	23535000	23550109	15109
	Total Capital			**193,74,154**
	Grand Total			**274,74,399**

Savings

2.3.3 The ultimate net savings of Rs.142.96 crore was the result of total gross savings of Rs.145.70 crore slightly offset by excess of Rs.2.74 crore. The details of savings and excess are as shown below:

Table-2.6

(Rupees in crore)

Section	No. of Grants/ Appropriation	Amount of Savings	No. of Grant/ Appropriation	Amount of Excess	Net amount of Savings
Revenue	43	57.79	3	0.81	56.98
Capital	23	87.91	6	1.93	85.98
Total		**145.70**		**2.74**	**142.96**

Unnecessary/Excessive Supplementary provision

2.3.4 Supplementary provision made during the year constituted 13.8 *per cent* of the original provision as against 9.14 *per cent* in the previous year. Supplementary provision of fund amounting to Rs.35.57 crore made in 22 cases during the year where the expenditure did not come up to the level of original provision is detailed in **APPENDIX-II.**

Unutilised Provision and surrender thereof

2.3.5 Rules required that all savings should be surrendered as soon as the possibility of saving is foreseen from the trend of expenditure. Saving should not be held in reserve for possible future excess expenditure.

In the accounts for the year 2002-2003, it was noticed that against net saving of Rs.142.96 crore, the amount surrendered was Rs.117.03 crore at the fag end of financial year.

Anticipated savings not surrendered

2.3.6 Unutilised provisions of fund amounting to Rs.1.45 crore in four cases were not surrendered during the year. The details are given below:

Table-2.7

(Rupees in crore)

Sl. No.	Grant No.	Name	Amount
Revenue			
1.	20	Irrigation & Flood Control	0.90
2.	43	Vigilance	0.08
Capital			
1	2	Animal Husbandry	0.14
2	39	Social Welfare	0.33
Grand Total			**1.45**

Surrender less than actual savings

2.3.7 Against the unutilised provision of funds amounting to Rs.133.31 crore in 28 cases, an amount of Rs.105.87 crore only was anticipated and surrendered on the last day of the financial year as detailed in **APPENDIX-III.**

Non-receipt of explanations for Savings/ Excess

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

Appropriation Accounts 2002-03 included 43 Grants and two appropriations involving 717 sub-heads. Of this 329 sub-heads attracted comments from the Government for excess/savings.. The reasons for savings/excesses were called for by the Deputy Accountant General (A&E) in respect of these sub-heads. In 49 *per cent* cases, (162 sub-heads) explanations for variations were not received. The replies received in respect of 43 out of 167 sub-heads were incomplete.

Surrender in excess of actual savings

2.3.9 Against the actual savings of Rs.237.28 crore in seven cases, an amount of Rs.263.05 crore was surrendered by the Government during the year i.e., an amount of Rs.25.77 crore was surrendered in excess as detailed in **APPENDIX-IV.**

Persistent Savings

2.3.10 Persistent savings of 10 *per cent* and above were noticed in five cases during the last three years as detailed in **APPENDIX-V.**

Unutilised Provision

2.3.11 Savings in the grants/appropriation were indicative of the defective budget estimation and a tendency of the concerned department to overestimate their requirement of fund. Scrutiny of Appropriation Accounts revealed that approved budget provisions were excessive and there were savings of more than Rs.10 lakh and also more than 10 *per cent* of the total provision in each case as detailed in **APPENDIX-VI.**

Injudicious/irregular/inadequate re-appropriation

2.3.12 Re-appropriation 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 re-appropriation of fund shall be made only when it is known or anticipated that the re-appropriation from the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount. Further, fund shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings became available under other units later in the year.

Scrutiny of re-appropriation orders revealed non-observance of the rules resulting in incorrect re-appropriation. Some important instances involving injudicious/irregular/in-adequate re-appropriations are given in **APPENDIX-VII.**

Trend of recoveries and credits

2.3.13 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. While appropriation audit is done by comparing gross expenditure with gross amount of grant, the excess/shortfall indicates inaccurate estimation of recoveries and defective budgeting.

During the year 2002-03, against the estimated recoveries of Rs.13.31 crore, actual recoveries were Rs.12.38 crore as shown in **APPENDIX-VIII.**

Expenditure without provision

2.3.14 As per rules, no expenditure should be incurred on a scheme/service without provision of funds thereof. It was, however, noticed that expenditure of Rs.17.45 lakh was incurred in four cases as detailed below without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued:

Table-2.8

(Rupees in lakh)

Sl. No.	Major Head/Name of Grant	Amount
1	7 – Education 2202 – General Education 107 – Teachers' Training 50 – State Institute of Education	3.43
2	13 – Forestry & Wildlife 2402 – Soil & Water Conservation 001 – Direction & Administration 01 – Agriculture Department	1.52
3	23 – Land Revenue 2029 – Land Revenue 101 – Collection Charges 45 – District Collectorate (South)	2.76
4	39- Social Welfare 2225 - Welfare of SC, ST & OBC 794 – Special Central Assistance for Tribal Sub-plan	9.74
	Total	**17.45**

CHAPTER-III

CIVIL DEPARTMENTS

SECTION : A

(AUDIT REVIEWS)

CHAPTER-III
CIVIL DEPARTMENTS
SECTION-A
(AUDIT REVIEWS)

TRANSPORT DEPARTMENT

3.1 Operational Performance of Sikkim Nationalised Transport

Highlights

Despite enjoying a near monopoly over road transport in the State, the operations of Sikkim Nationalised Transport (SNT) were characterised by chronic losses on account of its ageing fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles, and poor material management and inventory control.

SNT sustained a total operating deficit of Rs.38 crore during the period 1998-99 to 2002-03.

(Paragraph 3.1.4)

SNT incurred an extra expenditure of Rs.3.92 crore due to low fuel efficiency.

(Paragraph 3.1.11)

The weighbridge at Siliguri was inoperative since July 1996 for want of minor repairs which led to a revenue loss of Rs.17.88 lakh.

(Paragraph 3.1.14)

Shortage of stock materials worth Rs.43.85 lakh from three divisional workshops was noticed.

(Paragraph 3.1.21)

Local purchase of spares was resorted to at rates 23 to 287 *per cent* higher than the rate contract. In respect of local purchases worth Rs.29.97 lakh test checked, the extra expenditure worked out to Rs.12.28 lakh. There was an unexplained difference in issue and consumption of HSD valuing Rs.14.58 lakh in two depots.

(Paragraph 3.1.22 & 3.1.23)

Introduction

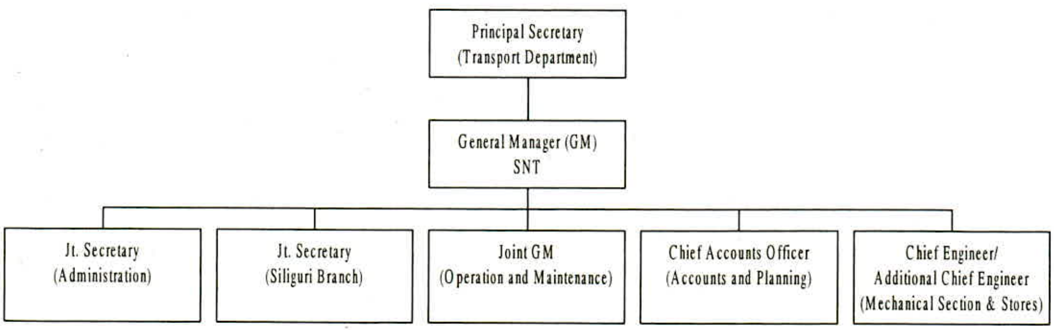
3.1.1 There was no public transportation system in Sikkim till 1944 when a Truck Department was created which was subsequently renamed Sikkim Nationalised Transport (SNT) in 1955. As most of the routes within the State were nationalised prior to 1975, all passengers and goods were exclusively transported by SNT buses and trucks or under its supervision. However, the system has been diluted after the extension of the Central Motor Vehicle Act, 1988 (MVA) to Sikkim. Nevertheless, the bulk of passenger and goods traffic in the State are still being carried by SNT.

SNT has 12 depots-cum-ticket booking offices[1] for buses within the State and one at Siliguri (West Bengal). In addition, there are four private ticket booking agents[2] at other places within the State and one at Kalimpong (West Bengal). SNT also operates three depots for trucks at Gangtok, Rangpo and Jorethang. It has one Central Workshop at Jalipool for major repairs and workshops at Gangtok, Rangpo, Jorethang and Rhenock for minor repairs.
As on 31 March 2003, SNT had 101 buses and 114 trucks of which 86 buses and 108 trucks were on road.

Scope of Audit
3.1.2 Working of SNT was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1994-95 covering the period 1990-91 to 1994-95. The current review conducted during February-April 2003 covers the performance of SNT for the period from 1998-99 to 2002-03.

Organisational set up
3.1.3 SNT functioned as an independent Department till 6 June 2000 following which it was amalgamated with the Motor Vehicles Department as one of the two wings of the newly formed Transport Department headed by a Principal Secretary. SNT functions under a General Manager assisted by other officials as shown in the organisational chart below:

Chart -1



[1] Gangtok, Rhenock, Singtam, Rangpo, Jorethang, Namchi, Melli, Ravangla, Sombaria, Geyzing Chunthang and Mangan.
[2] Legship, Pelling, Tumin and Lingdok.

Financial position and working results

3.1.4 The table below shows the working results of SNT for the years 1998-99 to 2002-03:

Table-3.1

(Rupees in crore)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Operating revenue	**9.53**	**10.10**	**11.91**	**15.41**	**17.46**
Passenger traffic	1.36	1.66	2.39	2.18	1.68
Goods traffic	4.50	4.76	4.65	8.13	10.42
Sale of POL	3.56	3.61	4.56	4.78	5.12
Miscellaneous	0.11	0.07	0.31	0.32	0.24
Operating expenses	**17.92**	**20.38**	**19.47**	**22.49**	**22.15**
Passenger traffic Goods traffic	12.03	12.73	12.63	16.32	16.38
Purchase of POL	5.43	6.99	6.24	5.40	5.07
Miscellaneous	0.46	0.66	0.60	0.77	0.70
Operating deficit (-)	**(-) 8.39**	**(-) 10.28**	**(-) 7.56**	**(-) 7.08**	**(-) 4.69**
Percentage of deficit to Revenue	88	102	63	46	27

Source: Information furnished by SNT to Audit

As would be seen from the above table, overall, SNT sustained a total operating deficit of Rs.38 crore during 1998-2003. Operating revenue and expenses rose by 83 and 24 *per cent* respectively. Operating deficit registered a decline of 44 *per cent* during the same period. These figures are further analysed in the succeeding paragraphs.

Operating revenue during 1998-2003 went up by Rs.7.93 crore. During this period while revenue from passenger traffic, sale of POL and miscellaneous income rose by Rs.32 lakh, Rs.1.56 crore and Rs.13 lakh respectively, revenue from goods traffic increased by Rs.5.92 crore and contributed the lion's share (75 *per cent*) of the increase in operating revenue.

The revenue from goods traffic comprised the following:

Table-3.2

(Rupees in crore)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue from SNT's trucks/tankers	3.45	2.57	1.88	2.97	3.41
Revenue from hire charges	1.05	2.19	2.24	4.22	6.06
Supervision charges	-	-	0.53	0.94	0.95
Revenue from goods traffic (total)	**4.50**	**4.76**	**4.65**	**8.13**	**10.42**

As mentioned earlier, SNT held a monopoly in the carriage of passengers and goods in the State and it was only with the extension of the MVA Act in 1988 that this position was somewhat diluted. Nevertheless, privately owned trucks can be hired in the State only through SNT for which it levies hire charges from the users. Even when SNT itself hires private carriers (when its fleet is inadequate to meet demand), the charge is leviable. The hire charge, which is determined by SNT, is so structured so as to allow SNT to retain a portion of it. For example, the hire charge notified by SNT on 29 November 2000 was Rs.4.45 per ton per kilometre. Of this, Rs.3.35 was passed on to the owner of the truck and Rs.1.10 retained by SNT. Further, with effect from 5 January 2001, all goods carriage originating from other states on entry into Sikkim were also required to pay supervision charge to SNT at Rs.1.10 per ton per kilometre.

It will be seen that revenue earned by SNT from its own fleet was Rs.3.45 crore in 1998-99 and during the next three years came down to Rs.2.57 crore, Rs.1.88 crore and Rs.2.97 crore. Even in 2002-03, the revenue was still below the 1998-99 level by Rs.0.04 crore. Revenue from hire charges on the other hand recorded a sharp increase from Rs.1.05 crore in 1998-99 to Rs.6.06 crore in 2002-03. Further, supervision charges since 2000-01 had constituted between 9 and 12 *per cent* of the operating revenue. Thus, while revenue earned from SNT's own fleet in 1998-99 constituted 77 *per cent* of the total revenue from goods traffic, this had come down to 33 *per cent* in 2002-03.The percentage of hire charges and supervision charges on the other hand had during the same period consistently showed a rising trend. To that extent, the increase in the operating revenue during 1998-2003 by 83 *per cent* was not the outcome of increased operational efficiency but the effect of the increased inflows to SNT from hire charges and supervision charges both of which accrued to it by virtue of its monopoly position and for which it had to expend virtually nothing.

This also explains why though operating revenue increased by 83 *per cent*, operating expenses increased by only 24 *per cent* during the same period.

SNT did not maintain the break up of operational expenditure between goods traffic and passenger traffic nor had it ever attempted an analysis to ascertain their profitability separately. If the operational expenses of Rs.16.38 crore in 2002-03 are apportioned on the basis of the gross kilometres run by buses and trucks during the year, Rs.6.60 crore and Rs.9.78 crore would be the operating expenses for buses and trucks respectively against operating revenues of Rs.1.68 crore and Rs.10.42 crore. By this count, the operation of passenger services was grossly unsustainable. The same was the case for goods traffic also, considering that as much as Rs.7.01 crore (67 *per cent* of total revenue) during 2002-03 came from hire and supervision charges, the collection of which entailed little effort and minimal cost on the part of SNT.

Outstanding dues

3.1.5 SNT as of March 2003, was owed freight charges totalling Rs.46 lakh from the Food Corporation of India which remained unrealised for nine years.

On these dues, SNT suffered loss of interest income to the tune of Rs.35.19 lakh till March 2003[3]. No effective steps were taken by SNT to recover the arrears. Given this position, it was surprising that SNT had not thought it fit to incorporate a clause in its agreement with clients for charging interest in case of delayed payment of freight bills.

Operational performance

Vehicular strength and age profile

3.1.6 The fleet holding, age profile, fleet utilisation and other operational details at the end of the years 1998-99 to 2002-03 are given in **Appendix–IX, X** and **XI.** The operational performance of SNT is discussed through the following selected parameters.

Fleet strength

3.1.7 The fleet strength of SNT comprised 151 buses and 162 trucks as on 31 March 1998. During 1998-99 to 2002-03, it added 23 buses and 12 trucks and condemned 73 buses and 60 trucks leaving it with 101 buses and 114 trucks as on 31 March 2003.

According to SNT norms, the average age of a bus should be nine years or 2.5 lakh kilometres and a truck eight years or 2.5 lakh kilometres, whichever was earlier. Scrutiny revealed that 49 buses (49 *per cent*) were more than nine years old and 85 trucks (75 *per cent*) more than eight years old. SNT did not maintain records of the kilometres run by each vehicle in its fleet.

The age norm followed by SNT was contrary to the norm laid down by the Association of State Road Transport Undertakings (ASRTU) that 60 *per cent* of the fleet strength should be less than four years old. By this yardstick, SNT had only 24 buses (24 *per cent*) less than four years old. Similarly, only 20 trucks (18 *per cent*) were less than four years old.

SNT had not formulated any time bound action for phasing out the old vehicles with new ones by generating surplus out of own resources or through an effective capital/loan outlay programme. The ageing fleet (particularly trucks, since they contributed the major share of operating revenues) would have had an adverse effect on both operational and maintenance costs, but the same could not be quantified due to non-maintenance of vehicle-wise, year-wise records by SNT relating to the consumption of fuel, maintenance cost, dead kilometres, break-downs, etc.

Fleet utilisation

3.1.8 Fleet utilisation is the ratio of the vehicles on road to the average number of vehicles held. According to the recommendation of the ASRTU, 92 *per cent* of

[3] Calculated at the average rate of Government borrowings (8.5%).

the fleet should be road worthy of which 90 *per cent* shall be kept in operation and 2 *per cent* as reserve. In respect of buses, the fleet utilisation of SNT ranged between 75 to 85 *per cent* during 1998-99 to 2002-03, falling short of the norm by 7 to 17 *per cent.* The fleet utilisation of trucks ranged between 70 to 95 *per cent* during 1998-99 to 2002-03.

Vehicle Productivity

3.1.9 The vehicle productivity (VP) indicates the average revenue earning kilometres covered by each vehicle per day, for which SNT had not fixed any norm. The VP of SNT buses for the period 1998-99 to 2000-01[4] compared with that of other hill States' Road Transport Corporations (RTC) are shown below:

Table-3.3

State Road Transport Corporations	1998-99	1999-2000	2000-01
SNT	85.64	81.90	80.72
Himachal RTC	215.10	224.80	223.40
Meghalaya RTC	186.10	121.10	136.90
Nagaland RTC	NA	103.90	132.50
Mizoram RTC	118.40	119.60	118.80
All India Average	279.00	295.00	267.00

Source: Data compiled by the Central Institute of Road Transport

While the VP of the other RTCs in the hill States and the All India Average ranged between 104 to 295 kilometres per day, the VP of SNT buses was a paltry 81 to 86 kilometres per day. During 2001-02, the VP of SNT buses was 81.34 kilometres and in 2002-03, the VP further declined to 76 kilometres.

Operational efficiency

Operation of bus fleet

3.1.10 According to the latest fare formula of SNT adopted with effect from February 2002, the expenditure per kilometre per bus worked out to Rs.20.02 (for long distance) and Rs.18.74 (for short distance). Out of 9,638 bus trips operated out of Gangtok during 2002-03, in 2,923 and 6,715 long and short distance trips respectively the per kilometre earning per bus was less than the cost. The loss on this account worked out to Rs.1.17 crore during 2002-03 for Gangtok depot alone.

It was also seen that SNT discontinued services, reasons for which were not on record, from Gangtok to Pelling (long distance) and District Courts (short distance) from August 2000 and September 2002 even though these services recorded high average earning of Rs.33.78 and Rs.27.99 per kilometre. The SNT resumed the Pelling service from October 2000 to November 2000 during which period the average earning came down to Rs.7.23 per kilometre. Thereafter, this service was discontinued. Considering that the service to Pelling was started in April 2000 and in the few months of its operation had recorded a high average earning, the management's decision to discontinue it just after two months of its

[4] Years for which data was available for other States

resumption without first ascertaining the reasons for the drop in average earning was ill-considered and hasty. Likewise, the discontinuation of the services to the District Courts did not make commercial sense.

Extra expenditure due to low fuel efficiency

3.1.11 SNT had fixed the fuel efficiency of buses at three kilometres per litre (kmpl) of HSD. However, the actual consumption as worked out by Audit was 1.82 kmpl (1998-99), 2.41 kmpl (1999-00), 2.19 kmpl (2000-01), 1.88 kmpl (2001-02) and 1.82 kmpl (2002-03). The extra expenditure on HSD incurred by SNT due to the lower fuel efficiency of its bus fleet worked out to Rs.3.92 crore during 1998-2003. Despite the fuel efficiency being 27 to 37 *per cent* less than the norm and the consequent adverse impact on its profitability, SNT did not consider it necessary even once during the period under review to ascertain the reasons or take remedial measures.

Further, the fuel efficiency of SNT buses for the period 1998-2002[5] was the lowest compared to the Road Transport Corporations (RTC) of other States with topographies similar to Sikkim, as evident from the table below:

Table-3.4

(In kilometres per litre)

Name of the Transport Corporation	1998-99	1999-2000	2000-01	2001-02
SNT	1.82	2.41	2.19	1.88
Meghalaya RTC	3.19	3.11	3.17	N.A
Mizoram RTC	3.00	3.00	2.87	2.74
Nagaland RTC	Not available	3.5	3.5	3.5
Tripura RTC	3.68	3.67	3.53	3.57
All India Average	3.68	3.67	3.53	4.59

Source: Data compiled by the Central Institute of Road Transport

Delay in commissioning of vehicles

3.1.12 During the period under review, SNT had acquired 23 and 17 new buses and trucks. It was noticed that there were unjustified delays at every stage leading up to the commercial operation of these vehicles as below:

[5] Years for which data was available for other States.

Table-3.5

Days → / Stages ↓	< 30	>30 < 90	>90 < 180	>180<240	>240<365
1. Receipt of chassis and handing it over for fabrication					
Bus	5	4	7	-	3
Truck	8	6	-	3	-
2. Time taken between handing over of chassis and receipt of fabricated body					
Bus	-	9	9	2	-
Truck	-	19	1	-	-
3. Time lag between receipt of fabricated body and commercial operation					
Bus	14	6	-	-	-
Truck	15	5	-	-	-

A further analysis showed that

- the time lag between receipt of the chassis and handing it over for fabrication ranged between 13 to 305 days for buses and 14 to 234 days for trucks;
- fabrication of the body took anywhere between 49 to 209 days for buses and 33 to 123 days for trucks as against the stipulated time given in the work order between 35 to 70 days for buses and 22 to 45 days for trucks resulting in delays in fabrication ranging from four to 174 days (in 20 cases) for buses and 10 to 38 days (in 17 cases) for trucks;
- even after the vehicles were received back from the coach builders, SNT took another 10 to 67 days in the case of buses and three to 53 days for trucks, to put them into commercial operation.

The revenue loss incurred by SNT due to the above unwarranted delays would have been considerable.

Short realisation of freight

3.1.13 According to SNT notification no. 1(31)/368/T dated 10 November 1992, the freight rate would be 40 *per cent* extra over and above the normal rate for carriage of materials more than 15 feet in length.

In the course of audit of SNT conducted prior to this review, 61 cases were detected where SNT trucks had transported goods like GI pipes, torsteel, etc., which were more than 15 feet in length from Siliguri to different destinations in Sikkim during April 1998 to September 2002. The failure to charge 40 *per cent* extra resulted in short realisation of freight charges to the tune of Rs.7.23 lakh.

After the above observation was issued to the management in September 2002, SNT in December 2002 while revising its freight rate (effective from 1 April 2003) also increased the length of materials to be carried at the normal rate to 20 feet. Although the latter would have a negative impact on revenues, there was no evidence on record to indicate that the decision was taken after due consideration of the pros and cons.

Non - repair of Weigh Bridge at Siliguri and consequential loss of revenue

3.1.14 For carriage of goods from Siliguri to different destinations in Sikkim, SNT hires private trucks to supplement its own fleet. SNT had installed a weighbridge at its complex at Siliguri sometime during 1990 for the purpose of weighing the loads carried by these trucks. For this service a fee was charged. The weighbridge was however, inoperable since July 1996 for want of minor repairs costing Rs.0.31 lakh. Apart from the fact that the equipment was idle for almost seven years, it is not clear how SNT was ensuring that the loads carried by its trucks were within the legally permissible limits in the absence of the facility.

Further, the charge for use of SNT weighbridges was last fixed in August 1998 at Rs.50 per vehicle. Due to non-functioning of the weighbridge at Siliguri, SNT in just the three years 2000-01, 2001-02 and 2002-03 lost a revenue of Rs.17.88 lakh on 35,764 trucks hired by it for carrying goods from Siliguri to Sikkim.

Performance of Workshop

Delay in repairing of vehicles in departmental workshop at Rangpo

3.1.15 Scrutiny of minor repair works carried out at Rangpo workshop in 2001-02 revealed that 112 trucks and tankers were detained in excess of 10 days for a total of 3005 days although the foreman of the workshop certified in these cases that the work would take 2-3 days. Detention of these vehicles far beyond the estimated repair time of 2-3 days, apart from reflecting poorly on the functioning of the workshop, caused a revenue loss of Rs.15.19 lakh[6] in 2001-02.

Excess consumption of Engine Oil

3.1.16 No norm for consumption of engine oil for topping purposes in bus/truck/tanker had been fixed by SNT. The Association of State Road Transport Undertakings (ASRTU) specified the consumption of one litre of oil in the sump for every 1,000 kilometres run. During the period 1998-99 to 2002-03, it was seen that consumption of engine oil for topping purposes was 130 *per cent* in excess of

[6] average earning per truck/tanker per day in 2001-02 of Rs.505.55 X 3005 days

the ASRTU norms resulting in extra avoidable expenditure of Rs.24.28 lakh as below:

Table-3.6

Year	Gross kilometres run during the period (in lakh)	Mobil required for topping as per ASRTU norms (in litres)	Mobil actually utilised for topping (in litres)	Excess consumption	Rate (in Rupees per litre)	Excess Expenditure (in Rupees.)
1998-99	83.17	8317	24317	16000	39.00	624000.00
1999-00	77.77	7777	20843	13066	50.52	660094.32
2000-01	73.78	7378	16620	9242	67.57	624481.94
2001-02	66.76	6676	12671	5995	57.88	346990.60
2002-03	60.86	6086	8732	2646	65.00	171990.00
Total	**362.34**	**36234**	**83183**	**46949**		**2427556.86**

The Department (November 2003) stated that high engine oil consumption was because most of its fleet of vehicles were over aged. The reply corroborates Audit's contention in paras 3.1.7 and 3.1.16 of this review.

Wastage of burnt engine oil

3.1.17 Government of India vide letter no.17011/4/86-SUP dated 19 September 1988 pointed out the urgent need for all bulk users to get their used oils (burnt oil) re-refined by registered and licensed re-refiners so that this becomes available as an addition to the restricted supply of lubricants and this move also had the potential of saving valuable foreign exchange. As calculated by Audit, during 1998-99 to 2002-03 SNT would have discarded 17,100 litres[7] of burnt engine oil, which was not sent for recycling leading to wastage of the burnt oil. Neither did SNT collect and sell this oil to the re-refiners to earn some revenue. Further, for topping, the reclaimed engine oil could have been used which was more economical. During 1998-99 to 2002-03, 83,183 litres of fresh engine oil costing Rs.44.25 lakh was consumed –a portion of this quantity could have been substituted by the reclaimed oil thereby reducing expenditure as reclaimed oil was approximately half the cost of fresh engine oil.

The Department (November 2003) while accepting the point stated that efforts were being made to contact registered oil refining units to get the engine oil reclaimed.

Avoidable expenditure on retreading of tyres by a private firm

3.1.18 The Tyre Retreading Plant (TRP) at Central Workshop, Jalipool had the capacity to resole four tyres a day. Scrutiny of records relating to the period April 1998 to March 2003 revealed that while 2,687 tyres were resoled at the TRP, resoling of another 480 tyres during the same period was outsourced to a private

[7] During this period 20,516 litres of fresh oil was used for refilling. Capacity of a sump being 18 litres, refilling was therefore done 1,140 times. Assuming that the sump would contain on an average 15 litres of burnt oil, the figure of burnt oil hence works out to 17,100 litres (1140 X 15 litres).

firm at a cost of Rs.8.10 lakh which was totally avoidable as the TRP had adequate spare capacity available as shown below:

Table-3.7

Period	Working days during the period	Number of days TRP was not in working condition	Number of days TRP was working	Number of resoled tyres that could be produced @ 4 per day	Resoled tyres actually produced	Extent of unused capacity (in number of tyres)
1998-1999	267	103	164	656	563	93
1999-2000	271	109	162	648	560	88
2000-2001	267	121	146	584	355	229
2001-2002	264	50	214	856	682	174
2002-2003	275	72	203	812	527	285
Total	**1344**	**455**	**889**	**3556**	**2687**	**869**

In reply (November 2003) the Department stated that the TRP at Central Workshop, Jalipool was closed down due to non availability of resolable tyre casing, delay in receipt of resoling materials and defects in the compressor, tyre builders and buffing machines. As evident from the reply, all these factors were clearly controllable by appropriate management actions.

Loss due to sale of condemned vehicles without following the tender process

3.1.19 During 1999-00[8] to 2002-03, 94 condemned vehicles valuing Rs.52.45 lakh were disposed off by the Central Workshop, Jalipool. While only 13 of these vehicles were sold through tender, 81 vehicles were sold, without following the due procedure of calling for tenders, etc., to nominees of the public representatives at the values assessed by SNT which in 71 cases were found to be lower than the depreciated value of the condemned vehicles by a total of Rs.5.24 lakh.

The Department's reply (November 2003) that the vehicles were allotted to public representatives as per the valuation and the approval of the Minister is not acceptable as it violated due procedures of auction besides resulting in avoidable loss of Rs.5.24 lakh.

Avoidable engagement of private firms for body building/renovation work

3.1.20 The Central Workshop at Jalipool was equipped to carry out fabrication of truck bodies on new chassis and all bus and truck body repairs. Despite this, during 1998-2003, SNT got these works done through private firms at a cost of Rs.36.72 lakh. It was explained that due to non-availability of Sal timber, fabrication of truck bodies could not be taken up at the Central Workshop. The reply was untenable since it was observed that this work was executed through a firm based at Singtam which is just 20 kilometres from Jalipool.

[8] Records relating to 1998-99 were not furnished to Audit.

Material Management

Shortage of stock materials

3.1.21 Cross verification of the stock issue register of the Central Store, Jalipool with the stock registers of three divisional workshops viz., Gangtok, Rangpo and Jorethang, in respect of 22 items issued and received during 1998-99 to 2002-03 revealed that there was an unexplained shortfall in the receipt of these items by the depots with reference to issues by Central Store the value of which worked out to Rs.43.85 lakh. The details are given in **Appendix XII.**

The Department replied (November 2003) that all the stock registers had been called for from the depots to cross check and verify the shortfall.

Extra expenditure due to local purchase of spares at higher rates

3.1.22 SNT makes annual bulk purchase of spare parts from firms under Association of State Road Transport Undertakings (ASRTU) rate contract. However, it was seen that SNT during the period under review also made substantial local purchase of spares costing Rs.2.44 crore (out of total purchase of Rs.5.06 crore). A test check of 35 items purchased locally for Rs.29.97 lakh revealed that rates of local suppliers were 23 to 287 *per cent* higher than rates of the firms under ASRTU rate contract due to which an extra expenditure of Rs.12.28 lakh was incurred.

As seen from departmental records, reason for the local purchases was that supplies from the rate contract firms took two to three months lead time to execute and hence in order to cater to the need during the lead time, SNT resorted to local purchases every year. This justification was unacceptable considering that the spares in question were fast moving items and the stores were therefore, expected to keep a minimum amount of these in stock. This only highlighted the lack of a proper inventory management and reordering system. In case of the items test checked, owing to inflated prices the overall extra payment worked out to 41 *per cent*. Considering that Rs.2.44 crore was spent on local purchases during 1998-2003, the extra expenditure incurred by SNT would have been substantial.

The Department (November 2003) while accepting the audit observation stated that inventory and purchase had been computerised and steps were being taken to minimise local purchases.

Discrepancy between HSD issued and actually consumed

3.1.23 The earning statement of every bus contains a record of the actual amount of HSD filled in before every trip. A cross-check of these statements with the records of Gangtok and Jorethang fuel depots for 2001-02 and 2002-03 revealed the following:

Table-3.8

Depots	Year	HSD issued as per depot records (litres)	HSD filled-in from the depot as per earning statement of vehicles (litres)	Difference (litres)
Gangtok	2001-02	547888	521373	26515
Gangtok	2002-03	490750	482900	7850
Jorethang	2001-02	348687	307792	40895
Jorethang	2002-03	304233	292437	11796
Total		**1691558**	**1604502**	**87056**

Source: Department's figure

While Gangtok depot as per its records showed an issue of 10,38,638 litres of HSD, the vehicle records indicated that they had filled in a total of 10,04,273 litres at the depot. The figure for Jorethang depot was 6,52,920 and 6,00,229 litres respectively. There was thus an inexplicable difference of 87,056 litres of HSD valuing Rs.14.58 lakh[9] in just two (out of four) depots in two years. Similar variations could not be ruled out in the other depots as well.

Other points of interest

Irregular Engagement of Muster Roll (MR) Employee

3.1.24 There were seven bus conductors as on 31 March 2003 employed on MR, handling cash and tickets. No security or fidelity bond was obtained from these persons as required under the rules.

Despite directions by the Home Department in December 1994, August 1995, January 1997, April 1998 and February 2001 banning fresh employment of staff on MR, SNT appointed 37 persons on MR basis during the period 1998-2003. This also resulted in avoidable expenditure of Rs.86.84 lakh[10] on account of their wages.

Un-remunerative service

3.1.25 SNT is tasked with issuing prepaid coupons for MS, HSD and engine oil to all Government departments in Sikkim. Government vehicles are required to produce the coupons at various private filling stations to obtain their requirements. The stations raise their bills against these coupons with SNT for payment for which SNT levies a service charge of Rs.0.02 per litre from the dealers.

During 1998-99 to 2002-03, SNT earned Rs.1.80 lakh as service charge on 90.03 lakh litres of fuel and lubricants purchased by various Government departments whereas it incurred Rs.10.21 lakh on salary and printing charges (on coupons) for

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[9] @ Rs. 16.29 per litre

[10] Figures furnished by the Department.

the purpose. The cost incurred by SNT for the service rendered thus far exceeded its earnings and only served to contribute to its losses year after year.

System deficiency in printing, stock keeping and issue of bus tickets

3.1.26 Test check of records of printing of tickets, issue and stock keeping revealed the following irregularities and system deficiencies:

- Series and serial numbers of each denomination of tickets printed at Government press/private printers and their receipts were not recorded in the stock register maintained at the head office.
- No proper records were maintained for issue and receipt of tickets at head office and the depots.
- Verification of ticket cash book, ticket stock register and physical balance of tickets both at head office as well as in depots was never carried out by any designated officer(s) of SNT even once during 1998-2003.

As a consequence of above system deficiencies, the following were noticed during cross-check of records of five depots[11] with that of head office:

- Some tickets were missing from the records.
- Tickets issued from head office were not recorded in the stock registers of depots concerned.
- Tickets not shown as issued by head office were recorded as received in the depots.
- Tickets valuing Rs.63.65 lakh printed during August 1995 to March 2002 could not be properly accounted for. Their misuse and related loss of revenue could not be ruled out.

Delay in deposit of departmental receipts

3.1.27 Sikkim Financial Rules stipulate that all moneys received by or on behalf of the Government should be credited into the government account without any delay.

Test check of the cash book of Gangtok booking office for 2001-02 and 2002-03 revealed that in 55 instances as detailed below, sale proceeds of tickets amounting to Rs.18.49 lakh were retained by the cashier for periods ranging from five days to nine months without the infractions even once being detected by his superiors which was suggestive of lack of effective supervision and control by the management.

Table-3.9

Year	<31days		>31 < 90 days		>90 < 180 days		>180 days	
	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees
2001-02	--	--	--	--	10	2,71,572	1	60,000
2002-03	13	7,11,001	30	7,91,744	1	15,000	--	--
Total	**13**	**7,11,001**	**30**	**7,91,744**	**11**	**2,86,572**	**1**	**60,000**

[11] Gangtok, Jorethang, Rangpo, Melli, Namchi.

Avoidable payment of Rs.26.90 lakh

3.1.28 SNT vehicles were insured against third party and the insurance premium paid from 1998-99 to 2002-03 totalled Rs.26.90 lakh. It was noticed that vehicle no SK-04-2667, which inexplicably was not insured, met with an accident on 24 September 1998. As a consequence, SNT had to bear the compensation payment of Rs.15.25 lakh to the accident victims which otherwise the insurance company would have borne had the vehicle been insured.

Conclusion

3.1.29 Despite a near monopoly over road transport in the State, the operations of SNT was characterised by losses year after year. The picture would have been more dismal but for the fact that the percentage contribution to revenues from its non-core business, viz., hire charges and supervision charges rose from 33 *per cent* in 1998-99 to 77 *per cent* in 2002-03. This state of affairs was largely on account of the old age of its fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles; inept material management and inventory control. To reverse the trend, SNT should take urgent steps to address these issues.

CHAPTER-III
CIVIL DEPARTMENTS

SECTION : B

(AUDIT PARAGRAPHS)

CHAPTER-III
CIVIL DEPARTMENTS
SECTION:B
(AUDIT PARAGRAPHS)

FINANCE DEPARTMENT

3.2 Avoidable payment of interest

Delay by the Department in initiating prompt action to prepay a loan resulted in avoidable payment of interest of Rs.76.39 lakh.

Government of Sikkim (GOS) is availing loans from Government of India (GOI) at varying rates of interest to finance its Annual Plans. During the course of finalisation of the Annual Plan 2001-02, the Government decided (February 2001) to prepay the Small Savings Collection (SSC) loan carrying 13 to 14.5 *per cent* rate of interest and an amount of Rs.10 crore was earmarked for this purpose.

Scrutiny of records revealed (March 2002) that the proposal for prepayment of the SSC loan was moved as late as in September 2001 and the payment was released in October 2001, despite the fact that Government had a cash balance of Rs.52.68 crore as on 31 March 2001. Thus, delay on the part of the Department to initiate the proposal for repayment of SSC loan amounting to Rs.10 crore led to avoidable payment of Rs.76.39 lakh as interest for the period 1 April to 15 October, 2001.

Further, it was noticed that even after payment of Rs.10 crore SSC loan in October 2001, the Department continued to make interest payments on this loan resulting in excess payment of interest amounting to Rs.64.63 lakh for the period October 2001 to March 2002.

The Department while remaining silent on the delay in initiating the repayment proposal stated (March 2003) that the matter relating to excess payment of interest would be taken up with Government of India for adjustment against future payments.

INDUSTRIES DEPARTMENT

3.3 Unfruitful expenditure on idle staff

Inordinate delay in appointing the Managing Director resulted in idling of the factory for 10 months during which time Rs.10.39 lakh was spent on salaries, wages and other expenses.

Government Fruit Preservation Factory (GFPF), a departmental undertaking, leased out (July 1996) to M/s Red Orchid Food Processing Ltd., Singtam was brought back (March 1999) under the control of Industries Department as the lessee failed to honour its contractual obligations.

Scrutiny of records revealed that after taking over GFPF, the Department moved a proposal (April 1999) to the Chief Secretary (CS) for constitution of a Board of Control and appointment of a Managing Director (MD) who would prepare a detailed plan to restart the factory. This proposal was forwarded to Minister, Industries by the CS on the same day. It was seen however, that the file reached the Minister for approval only in November 1999 - a delay of eight months. While the reason for the inordinate delay in file movement was not on record, no tangible action was found to have been taken by the Department to expedite the matter during the interim period. Consequently, the constitution of the Board of Control and appointment of the MD of GFPF were finally effected in December 1999 and the factory recommenced production only in February 2000.

Thus, the apathy of the Department in the matter of appointment of the MD resulted in the GFPF remaining inoperative from March 1999 to January 2000 during which time Rs.10.39 lakh was incurred on salaries, wages and other expenses of staff who remained idle for this period.

The Department replied (March 2003) that the non-operation of the factory during this period was due to worn machinery resulting from its long closure during the period of the lease and that during this time the 52 staff were deployed in maintaining the security of the factory premises. The reply is not acceptable as there was nothing on record to substantiate that repair and renovation of the machinery was carried out by the Department before production recommenced. The claim that all 52 staff of GFPF comprising various grades like General Manager, Managers, Store Keeper, Supervisors, etc., were deployed on security duties is not acceptable.

In a further reply (May 2003) the Department stated that six of the 52 employees were posted in Industries Department during the period the GFPF was idle. The Department promised to take every possible step to avoid this kind of delay and losses in future.

In a subsequent reply (October 2003), delay of seven months in restoring the unit was attributed to administrative reasons prevailing at that time, and the Department contended that payment of salaries and wages was unavoidable during that period.

LAND REVENUE DEPARTMENT

3.4 Excess Payment in land acquisition

Payment of *solatium* of Rs.14.80 lakh despite the landowner wilfully offering his land for acquisition was against the provisions of Land Acquisition Act, 1894 and also resulted in excess payment.

Section 23 (2) of the Land Acquisition Act, 1894 stipulates that the court while determining the amount of compensation to be awarded for land acquired under the Act, shall award as *solatium,* a sum of 30 *per cent* on market value of land in consideration of the compulsory nature of the acquisition. In *Lily Ghosh v State of W.B. AIR 1979 Cal 329* it was held that "the principle behind payment of *solatium* is to satisfy the landowner who shows disinclination to part with his land. But where the landowner wilfully offers his land for acquisition at an agreed market value, he cannot claim any *solatium*". Again in *Narain Das Jain v Agra Nagar Mahapalika (1991) 4 SCC 12*, the court reaffirmed that " '*solatium*' is money comfort quantified by the statute, and given as a conciliatory measure for the compulsory acquisition of the land of the citizen, by a welfare State such as ours".

Scrutiny of records (August 2002) of the Member Secretary, State Council of Science & Technology revealed that for setting up a Science Centre and Planetarium, the Government approved (August 1998) the proposal of the Council to acquire land measuring 1.9120 hectares at Sajong, Rumtek, East Sikkim. The land was selected on the basis of offer of sale (May 1998) made by the landowner to the Government. The District Collector (East) in October 1998 assessed the compensation for the land at Rs.65.76 lakh which included Rs.14.80 lakh on account of 30 *per cent solatium.* The Council transferred Rs.25 lakh (March 1999) and Rs.40.76 lakh (August 1999) to the Land Revenue Department who in turn disbursed the amount to the owner.

Since the land in this case was wilfully offered by the landowner and it was not a case of compulsory acquisition, the assessment and payment of Rs.14.80 lakh as *solatium* was irregular and not in consonance with the provisions of the Land Acquisition Act, 1894.

In reply (April 2003), the Department stated that the offer by the land owner for the sale of his property was made keeping in mind the total compensation that would be payable as per the assessment made and in no way could it constitute to mean sale of land by way of voluntary offer. The reply is untenable as the offer of sale was made by the owner in May 1998 on his own volition without any conditions attached and according to the court's ruling, since there was no disinclination to part with his land *solatium* was clearly not payable.

FOOD & CIVIL SUPPLIES & CONSUMER AFFAIRS DEPARTMENT

3.5 Incorrect fixation of retail prices of motor spirit and high speed diesel

Inclusion of higher allowances while determining the retail price resulted in the petroleum dealers earning a wind fall. On Government account alone this led to excess payment of Rs.67.44 lakh to petroleum dealers.

Retail prices of Motor Spirit (MS) and High Speed Diesel (HSD) in Sikkim are fixed by the Food & Civil Supplies & Consumer Affairs Department (FCS&CAD) under the *Sikkim Essential Commodities (Price Display & Control of Supplies and Distribution) Order, 1977.* The rates are regulated by FCS&CAD in line with the Central Issue Price (CIP) of MS and HSD as revised from time to time by the Government of India after adding to it applicable sales tax, toll tax @ Rs.12.50 per thousand litres, bank commission @ Rs.3 per thousand rupees, shrinkage allowance @ 1.5 *per cent*, handling charges @ 3 *per cent* and dealer's commission.

On scrutiny, however, it was noticed that the rate of bank commission was Rs.2 per thousand only. Further, toll tax was not being levied in Sikkim and shrinkage allowance @ 1.5 *per cent* was found be on the higher side since the norm of the Sikkim Nationalised Transport (a State Government undertaking) for shrinkage allowance on petroleum products was a maximum of 0.22 *per cent*. Also, the component of handling charges allowed in the retail price was inadmissible according to Indian Oil Corporation (IOC) guidelines as the Corporation has been supplying MS and HSD at dealers' locations in Sikkim.

The unwarranted higher rates of commission and shrinkage allowance and unjustified inclusion of toll tax and handling charges by the FCS&CAD had the effect of inflating the retail prices of MS and HSD by 4 *per cent* and resulted in the sellers earning super profits at the expense of consumers.

During 1995-96 to 2001-02, official vehicles of the various departments of the Government of Sikkim consumed 60,86,929 litres of MS and 18,77,136 litres of HSD[1] at a cost of Rs.16.86 crore and the extra burden on Government account

[1] Calculated from the records of the SNT for this period.

due to the incorrect price fixation, and correspondingly the super profits earned by the petroleum dealers in the State, worked out to Rs.67.44 lakh. This figure would be much higher if retail sales to the general public are taken into consideration.

In reply (August 2003) the Department stated that items like handling charges, toll tax, bank charges, etc. have historically been included in the pricing of MS and HSD since inception. It proposed to rationalise these allowances as and when changes in the price of MS/HSD are effected in future.

It further stated that shrinkage allowance has been incorporated in the price structure according to IOC norms and enclosed the particulars of shrinkage allowance prescribed by IOC for certain areas in adjoining Darjeeling district of West Bengal an analysis of which indicated that the shrinkage allowance permitted by the Department was around 66 *per cent* more for MS and 92 *per cent* more for HSD when compared to the norm prescribed by IOC for Mirik, the place nearest in altitude to Gangtok.

URBAN DEVELOPMENT & HOUSING DEPARTMENT

3.6 Non-realisation of rent

14 rooms of a shopping complex constructed at a cost of Rs.1 crore have remained vacant for the last seven years and rent totalling Rs.8.27 lakh remained uncollected.

Mention was made in paragraph 3.9.9 (d)(i) of the Audit Report 1997-98 about the delay in construction of a parking-cum-shopping complex at Development Area taken up under the scheme "Integrated Development of Small and Medium Town" (IDSMT) by three years and non-distribution/disposal of the shops by two years four months which created a burden on the State exchequer. The Department had then assured (June 2000) the Public Accounts Committee that steps were being taken to dispose off the complex and earn expected revenue in due course.

However, even till December 2002 it was seen that 14 out of 42 shops in the complex were still lying vacant. This was despite the Government's decision in June 2001 to allot the unoccupied shops to Government departments and undertakings. Further, in respect of the 23 out of a total of 28 shops let out, the Department had never bothered to collect the rent from the time the shops were let out - it was owed Rs.8.27 lakh (as of December 2002) as rent which remained uncollected for periods ranging from March 1998 to June 2002.

Thus, due to selection of an unsuitable site for a shopping complex, the Department's apparent lack of concern and urgency in finding tenants for the 14 rooms vacant for more than seven years and its negligence in failing to collect the rent due, the expenditure of Rs.1 crore (of which Rs.29.75 lakh was a loan carrying 9.75 *per cent* rate of interest from the Centre) spent on the construction of the complex has failed to yield its full potential and as such became unproductive.

In reply (November 2003), the Department stated that the efforts are being made to vacate all the present occupiers and rent out the whole complex to Science & Technology Department, since it has been realised that public did not prefer the complex as business venue. The reply corroborated the audit contention that the selection of the site for a commercial objective was not well chosen.

3.7 Short realisation of revenue on allotment of plots

Non-levy of salami, cost of land and development fee resulted in short realisation of Rs.8.59 lakh.

The Sikkim Allotment of House Sites and Construction of Buildings (Regulation and Control) Act, 1985 stipulates that

i) The Government shall, within six months but not later than one year from the date of commencement of the Act, prepare a plan and notify the areas in the State for residential, commercial, residential-cum-commercial, industrial and public purposes.
ii) Persons having a dwelling house in a particular town or bazaar shall not be eligible for allotment of site within any urban area.
iii) A person to whom land is allotted by the Government shall pay such site salami and cost of land as may be notified from time to time.

Scrutiny of land allotment records of the Department for the period June 1998 to March 2001 revealed that while no plan had been prepared or notified for the various purposes as required under the Act, allotment of Government land to individuals was made on the basis of applications received from time to time depending on the availability of land without properly verifying whether the applicant already had a dwelling house or not. Further, of the 93 allotments made in and around Gangtok during the above period, 50 cases were test checked in audit (January 2002). It was seen that cost of land amounting to Rs.7.20 lakh was not levied as provided in the Act in 24 cases. Besides, there was short levy of site salami* of Rs.1.39 lakh in 12 cases.

In the 24 cases (out of 50) as above, the total amount not levied worked out to Rs.8.59 lakh.

* *Land allotment fee levied by Government of Sikkim.*

In reply (November 2003), the Department stated that while the site salami amounting to Rs.0.77 lakh was realised from six allottees, the cost of land could not be levied due to non furnishing of land rates by the office of the District collector (East), for which reminder to them had since been issued.

TRANSPORT DEPARTMENT (MOTOR VEHICLE DIVISION)

3.8 Incorrect fare revision

Incorporation of higher rate of interest in the analysis of fares resulted in undue benefit of Rs.6.66 crore per annum to the vehicle owners.

In exercise of the power conferred by clause (i) sub-section (1) of section 67 of the Motor Vehicles Act, 1988, Motor Vehicle Division of the Transport Department regulates the fares for contract carriages (motor cab, maxi cab) plying in the State and last revised it w.e.f. February 2001. The fare revision was worked out by the Department on per kilometre per vehicle basis taking into consideration all elements of costs, *viz*, ownership cost, operational cost and owner's profit at 15 *per cent* thereon.

Scrutiny of records of the revision effected in February 2001 revealed that the rate of bank interest, which was one of the items of ownership cost, was incorporated in the cost analysis @ 20 *per cent* per annum, whereas prevalent bank rate of interest on a vehicle loan was 14.74 *per cent* per annum during the same period. This resulted in loading of additional overhead cost and corresponding fixation of higher fares by Rs.0.30 per kilometer for local taxis and Rs.0.48 per kilometer for mainline taxis resulting in undue benefit to the vehicle owners to the tune of approximately Rs.6.66[@] crore per year, at the expense of the commuters.

While accepting the fact, the Department informed (August 2002) that the matter would be scrutinised and all the required information including formula for operational costs from the Association of State Road Transport Undertakings would be taken into consideration in future. In a further reply (June 2003) it stated that with the recent price hike of HSD and MS, revised fares would be worked out shortly wherein the existing bank rate of interest would be incorporated.

In a further reply (November 2003), the Department stated that ownership cost of 20 *per cent* was initially adopted in 1995 and the same rate was incorporated during subsequent fare fixations. However, the current interest rate of the State Bank of India on vehicular loans had been obtained and the same would be incorporated in the next fare revision which was under process.

[@] For 1,757 local taxis and 2,348 mainline taxis registered in the State as on 01 March 2001 with average running of 40,000 kms. per year as fixed by the Department.

CHAPTER-IV

WORKS EXPENDITUTRE

SECTION - A

(AUDIT REVIEW)

CHAPTER-IV
WORKS EXPENDITURE
SECTION-A
(AUDIT REVIEWS)

POWER DEPARTMENT

4.1 Review of Power Department (Transmission & Distribution)

Highlights

The Power Department is responsible for the development of the power sector in Sikkim. A review of the transmission and distribution system of Power Department for the period 1998-99 to 2002-03 indicated deficient financial management, high system losses, poor programme management, mounting arrears of revenue and non-recovery of outstanding dues from the West Bengal State Electricity Board. Operating deficit of the Department was very high and accounted for 9 to 122 per cent of the State's fiscal deficit.

Rs.2.65 crore was irregularly drawn and kept outside the Government account to avoid lapse of budget grant.

(Paragraph 4.1.5)

System losses ranged from 20 to 28 *per cent*, which was much higher than the norms of the Central Electricity Authority.

(Paragraph 4.1.7)

Estimates of six works were inflated by Rs.62.48 lakh as the electrical wing followed its own Schedule of Rates.

(Paragraph 4.1.15)

The Department's inability to evacuate power from Ramam project led to extra expenditure of Rs.1.98 crore and non-recovery of dues amounting to Rs.25.79 crore.

(Paragraphs 4.1.17 & 4.1.18)

Consumption of lattice structures was higher than the norms resulting in extra financial outgo of Rs.23.58 lakh.

(Paragraph 4.1.19)

The differential between cost of energy purchased and its sale ranged between 24.86 to 40.50 paise per Kwh and resulted in a burden of Rs.13.06 crore to the State exchequer.

(Paragraph 4.1.26)

The operating deficit of the Department ranged between Rs.12 to Rs.19.82 crore and accounted for 9 to 122 *per cent* of State's fiscal deficit.

(Paragraphs 4.1.27)

Introduction

4.1.1 Sikkim abounds in innumerable streams and rivers which provide the State with abundant potential for development of hydro electric power. According to the estimation of the Central Water Commission, Sikkim's hydel potential is 8,000 Mega Watt (seasonal) and 3,000 Mega Watt (firm). The Power Department is responsible for the development of the power sector in the State which, *inter alia*, includes development of power projects, generation, transmission and distribution.

Organisational Setup

4.1.2 The Department is headed by a Secretary assisted by four Chief Engineers (CE) designated CE (Generation), CE (Transmission), CE (Headquarters) and CE (Civil). In addition, the Department's manpower as on 31 March 2003 comprised four Additional Chief Engineers, seven Superintending Engineers, 18 Executive Engineers and 389 other technical and 858 general staff.

Audit Coverage

4.1.3 The operation of power projects in the State was commented upon in the Report of the Comptroller & Auditor General of India for the year ended 31 March 1999. This review encompassing the period 1998-99 to 2002-03 covered the aspects of transmission and distribution of power and was conducted during April-June 2003 through a test check of records in the office of the Secretary, four Circle offices (out of seven) and 12 Divisional offices (out of 18), covering 40 *per cent* of total expenditure on transmission and distribution schemes.

Financial Outlay

Budget Provision and Expenditure

4.1.4 The budget provision and expenditure on transmission and distribution from 1998-99 to 2002-03 were as under:

Table 4.1

(Rupees in crore)

YEAR	Budget Provision			Expenditure			Excess (+)/Savings (-)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
1998-99	3.79	11.25	15.04	3.90	12.37	16.27	(+) 0.11	(+) 1.12	(+) 1.23
1999-00	5.47	14.35	19.82	5.56	14.21	19.77	(+) 0. 09	(-) 0.14	(-) 0.05
2000-01	4.86	12.72	17.58	5.99	14.30	20.29	(+) 1.13	(+) 1.58	(+) 2.71
2001-02	6.45	23.71	30.16	6.25	36.91	43.16	(-) 0.20	(+) 13.20	(+) 13.00
2002-03	6.28	45.94	52.22	6.15	39.51	45.66	(-) 0.13	(-) 6.43	(-) 6.56
TOTAL	**26.85**	**107.97**	**134.82**	**27.85**	**117.30**	**145.15**	**(+) 1.00**	**(+) 9.33**	**(+) 10.33**

Source- Detailed Appropriation Accounts of the Government of Sikkim.

It would be seen that against the total budget provision of Rs.134.82 crore during 1998-2003, the expenditure there against was Rs.145.15 crore resulting in an excess of Rs.10.33 crore. The excess under the revenue and capital account was rupees one crore and Rs.9.33 crore respectively. The excess expenditure of Rs.13 crore in 2001-02 was as much as 43 *per cent* of the budgetary provision under the revenue and capital heads for that year. This was mainly due to the clearance of pending bills during that year.

Irregular drawal to avoid lapse of budget grants

4.1.5 Sikkim Financial Rules prohibit drawal of money from Government account unless it is required for immediate disbursement. It is also not permissible to draw money in anticipation of demands or to prevent lapse of budget grants.

On 30 March 2002, the Department transferred Rs.2.65 crore to the Sikkim Power Development Corporation (SPDC) to avoid lapse of budget grants. The State Finance Department was not informed of this action. This money was meant for land compensation and compensatory afforestation (Rs.1.90 crore) and electrification work of community health centres (CHC) at Geyzing (Rs.40 lakh) and Mangan (Rs.35 lakh). It was seen that the SPDC returned Rs.1.90 crore through demand drafts between October 2002 and March 2003 to the Department of which till June 2003, only Rs.1.84 crore had been credited to the head of account "8443- Civil Deposits".

It was further noticed that as of June 2003, the SPDC was yet to return the balance of Rs.75 lakh. The Department had also not taken up the electrification work of the CHC at Mangan (CHC at Geyzing was taken up and completed in March 2003).

While accepting the above facts, the Department stated (June 2003) that transfer of funds was to facilitate the functioning of the SPDC but due to its lack of manpower and required infrastructure, the project could not be taken up by the SPDC. The Department's action to transfer the money to SPDC, whose primary mandate was to undertake generation projects in the State, solely to avoid lapse of funds was a violation of codal provisions and therefore, irregular.

Target and achievement

4.1.6 The target and achievement relating to transmission and distribution during 1998-99 to 2002-03 were as under:

Table 4.2

Particulars	Unit	O/B as on 1.4.98	1998-99		1999-00		2000-01		2001-02		20002-03	
			T	A	T	A	T	A	T	A	T	A
132 KV lines	KM	0	0	0	0	0	0	0	32	15	17	15
132/66 KV Sub station	MVA	0	0	0	0	0	0	0	100	0	100	0
66 KV lines	KM	300.87	0	0	0	0	17.30	2.00	24.50	16	38.50	25.30
66/11 KV substation	MVA	80.01	0	0	7.5	7.5	0	0	8.5	6	3.5	1
11KV lines	KM	2161.91	18.24	8.80	41	35.20	26.70	25.70	35.90	34.9	40.45	37.19
11/0.43 KV substation	MVA	48.46	8.64	4.05	6	2.60	5.68	3.51	4.62	4.31	3.46	3.40
LT lines	KM	5269.22	82.76	61.76	37.60	35.60	54.55	52.55	55.02	54	96.15	95.15
Total circuit kilometres		**7732**	**101**	**70.56 (70)**	**78.60**	**70.80 (90)**	**98.55**	**80.25 (81)**	**147.60**	**119.9 (82)**	**192.40**	**172.64 (90)**
Total MVA		**128.56**	**8.64**	**4.05 (54)**	**13.50**	**10.10 (75)**	**5.68**	**3.51 (62)**	**113.12**	**10.31 (9)**	**106.96**	**4.40 (4)**

Note: Figures within brackets denote percentage of achievement with reference to targets for that year.
KM – circuit kilometres; MVA –Mega Volt Ampere.
Source: Departmental figures.

It would be seen that during 1998-2003, the annual targets were mostly not achieved. In the case of transmission lines, the percentage of achievement ranged from 70 to 90 *per cent*. For substations, the achievement ranged between 4 to 75 *per cent* - in the last two years the figure was as low as 9 and 4 *per cent* respectively.

System losses

4.1.7 System losses during 1998-99 to 2002-03 were as below:

Table 4.3

Sl No		Item	1998-99	1999-2000	2000-01	2001-02	2002-03
			(In million units)				
1	(a)	Gross generation	54.43	50.42	44.14	29.55	35.00
	(b)	Less auxiliary consumption	0.90 (1.65)	0.90 (1.79)	1.03 (2.35)	0.78 (1.50)	1.20 (3.40)
2		Net generation	53.53	49.52	43.11	28.77	33.80
3		Purchase from outside the State	73.14	82.94	89.79	113.00	116.00
4		Total energy available for distribution (2+3)	126.67	132.46	132.90	141.77	149.80
5	(a)	Actual energy sold	85.00	89.38	87.22	106.80	108.00
	(b)	Energy supplied free*	16.18	16.43	15.93	0	0
6		Total energy distributed (5a+5b)	101.18	105.81	103.15	106.80	108.00
7	(a)	Transmission & Distribution loss (4-6)	25.49 (20.12)	26.65 (20.12)	29.75 (22.39)	34.97 (24.66)	41.80 (28.00)

*Source: Annual Plan of the Department; Figures within brackets denote percentage; * till November 2000*

Transmission & Distribution (T&D) loss ranged from 20 *per cent* in 1998-99 to 28 *per cent* in 2002-03 and during the review period averaged 21 *per cent* which was far above the norm of 15.5 *per cent* for T&D loss fixed by the Central Electricity Authority (CEA). During 1998-2003, the T&D loss in excess of the CEA norm was 52.72 million units (MU) and in financial terms this worked out to Rs.105.44 crore[1]. According to a report of the Planning Commission (May 2002), Sikkim ranked 21 out of 27 states in T&D losses.

Auxiliary consumption as a percentage of gross generation was also higher than the CEA norm of 0.5 *per cent*. It varied from 1.50 to 3.40 *per cent* during the review period. The excess consumption worked out to 3.84 MU, which resulted in a loss of Rs.7.68 crore[2] of potential revenue.

The Department did not have the required infrastructure for measuring T&D loss at various stages of generation, transmission and distribution. The overall T&D loss as worked out by the Department was arrived at by deducting auxiliary consumption, free supply and energy sold. The data computed by the Department was not reliable for the following reasons:

- No systematic returns were/are found furnished by field offices to the headquarters at Gangtok. As and when, information was required by the CEA, Planning Commission and others, data was collected and compiled for that specific purpose. One set of data compiled for one purpose did not tally with the same data compiled for another purpose.
- No efforts were ever made to conduct energy audit and load surveys of the power system in a scientific and systematic manner.
- Absence of a proper system to ascertain stage wise losses was further compounded by a lack of *cent per cent* metered energy supply.

The Department also did not have a vigilance wing to check power theft and meter tampering and not once during 1998-2003 was action in this direction undertaken despite the high T&D losses.

Non-realisation of energy charges

Non-billing for public lighting - Rs.9.46 crore

4.1.8 Following a cabinet decision, the Department vide a notification dated 02 November 2000 stipulated that energy charges for public and street lighting in urban areas would be paid by the Urban Development & Housing Department and in rural areas by the respective Panchyats/Rural Development Department. It was noticed however, that the Department never raised any energy bills against these authorities for the energy consumed by public and street lighting from November 2000 to March 2003. As a result, the arrears of revenue on this account could also not be quantified by Audit.

[1] At the average rate of Rs.2 per unit of energy during 1998-2003.

[2] At the average rate of Rs.2 per unit of energy during 1998-2003.

Further, it was noticed that prior to November 2000, 47.30 Mkwh of energy valued at Rs.9.46 crore[3] was supplied free for public lighting between April 1998 to November 2000, although there was no authorisation of the Government for this on record. In the face of the huge operating losses incurred by the Department year after year, the unauthorised free supply of power till November 2000 and the non-billing for power supply after November 2000 was untenable.

Energy charges not raised – Rs.3.84 lakh

4.1.9 According to the Department's notification *ibid*, energy charges for upto 100 units per month to army pensioners, blind householders and places of worship in Sikkim were to be paid by the State Rajya Sainik Board (RSB), State Social Welfare Department (SWD) and Ecclesiastical Department (ED) respectively with effect from November 2000. Charges for consumption in excess of 100 units were to be borne by the individual consumers. It was however, seen that the Department never billed the three agencies for the energy consumption of up to 100 units of the individual consumers under their jurisdiction. Further, the Department did not even have a list of the three categories of consumers eligible for this benefit nor did it ever seek this information from the RSB, SWD and ED.

In three (out of 12) revenue billing units it was found that energy charges had not been raised against all the 336 consumers falling in the three categories or the RSB/SWD/ED for energy worth Rs.3.84 lakh consumed during the period November 2000 to March 2003.

Programme management and implementation

4.1.10 Efficient execution of works is dependent on proper planning, realistic targets and an effective monitoring and control mechanism, attributes which were found wanting as evidenced from the audit findings below.

In 352 works completed/taken up/ongoing during 1998-2003, it was seen that there was time over run ranging from one month to more than three years in 242 works **(Appendix-XIII).**

Cost overrun ranging from 4 to 52 *per cent* of the original estimated costs was noticed in 83 works **(Appendix-XIV)** completed/ongoing during the review period.

Financial rules forbid taking up of works and procurement of materials without the administrative approval, technical and expenditure sanction of competent authority. Ninety two works/schemes procurement **(Appendix-XV)** at a total cost of Rs.1.90 crore were taken up during 1998-99 to 2002-03 without complying with these formalities.

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[3] Calculated at Rs 2 per unit.

Execution of a transmission scheme

4.1.11 The State Government sanctioned in November 1998 a project, "Construction of 132 KV transmission line, switchyard, etc." at a cost of Rs.26.28 crore (revised in October 2002 to Rs.39.79 crore). Observations with reference to the execution of this project are as follows.

Land acquisition– injudicious decision of the Department and irregular payment of interest

4.1.12 For construction of switch yard and residential quarters at Melli, the required land measuring 3.01 hectares was identified by the Department and the Land Revenue Department (LRD) was asked (May 1999) to assess the cost of the land. The LRD assessed the value of the land in June 1999 at Rs.27 per square feet. Subsequently the rate was negotiated to Rs.20 per square feet and Rs.1.12 crore was paid to the landowner in February 2003 along with interest of Rs.24.30 lakh (at 9 *per cent* per annum from November 1999, the month the land was occupied by Power Department).

From August 1999 to February 2003, the file pertaining to the land acquisition lay dormant in Power Department. In paragraph 4.1.5 it was pointed out that Rs.1.90 crore was transferred to the SPDC on 30 March 2002 to avoid surrender of the unspent budgetary provision for land acquisition and afforestation. Instead of transferring the fund to SPDC, this amount could have been utilised to pay the landowner in March 2002 and the Department could have thus avoided interest payment of Rs. 7.29 lakh[4] for the period March 2002 to February 2003 but for the fact that no action was taken on the concerned file between August 1999 to February 2003.

Although the possession of the land was taken in November 1999, the work order for construction of switchyard structures and quarters on this plot was awarded only in November 2002. Therefore, taking possession of the land in November 1999 was much in advance of the actual requirement. Had the Department taken possession in November 2002 interest of only Rs.1.82 lakh[5], instead of Rs.24.30 lakh, would have had to be paid to the landowner for the period December 2002 to February 2003.

Unwarranted payment of Rs.14.30 lakh to the contractor

4.1.13 The work relating to erection of 132 KV transmission lines including sub-station estimated at Rs.23.37 crore was awarded to a contractor in November 2002 at his quoted bid of Rs.27.87 crore (19 *per cent* above).

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[4] (Rs.24.30 lakh X 12) /40 months = Rs. 7.29 lakh.

[5] (Rs.24.30 lakh X3)/40 months= Rs. 1.82 lakh.

It was noticed that this contractor was also paid Rs.14.30 lakh in June 2002 for survey work for the transmission line although survey and investigation work for this project had been given to a Kolkata based firm for which it was paid Rs.18 lakh in February 2002. It was further noticed that the Department had not invited open offers for this work and neither did it enter into any formal agreement with the Kolkata firm who was given the job.

Irregular framing of estimates on lump sum basis.

4.1.14 Despite having a full fledged civil engineering wing headed by a Chief Engineer, the estimates of Rs.2.82 crore relating to the civil work for construction of quarters, office building, internal electrification, etc. was prepared on lump sum basis which was a startling deviation from normal procedure.

Extra financial liability of Rs.62.48 lakh in six projects alone due to inflated rates of the electrical wing of the Department

4.1.15 All works Departments of the State Government with effect from November 1998 follow the Schedule of Rate (SOR) of the Sikkim Public Works (Roads & Bridges) Department (SPWD). In the case of the Power Department however, while its civil wing followed the SPWD SOR, the electrical wing had its own SOR in respect of civil engineering works executed by it. A comparison of the SORs of the civil wing and electrical wing revealed the rates of the latter were far higher than of the former in respect of the same items of work. The estimates prepared by the electrical wing in respect of civil works executed by it were therefore, inflated by this extent.

For example, it was seen in the case of one item, viz., 1:2:4 RCC work of a project executed jointly by both the civil and electrical wings, the estimates of the former was Rs.1,552 per cubic metre for this work while that of the latter Rs.4,500 per cubic metre.

A scrutiny of the civil work estimates of six[6] transmission lines/switch yard projects prepared and executed by the electrical wing during 1998-2003 revealed that the estimates for these works were inflated by Rs.62.48 lakh in respect of two items of civil work alone *viz.* 1:2:4 RCC work and 1:3:6 CC work, of these projects which were test checked. This figure would be much higher if all the civil items of work of these projects are taken into account.

[6] (i) 66 KVA sub-station at Mamring; (ii) 66 KVA sub-station at LLHP; (iii) 66 KV S/C transmission line from URHP to Nimtar; (iv) 66 KVA/11KVA sub-station at Phodong; (v) Construction of S/C transmission line from Melli to Mamring; (vi) 132 KV transmission line from Sagabary to Mamring.

Unrealistic basis of fixing transportation cost

4.1.16 The Department allows 10 *per cent* extra over and above the estimated cost for electrical works on account of transportation charges, the basis for which was neither available on record nor could be justified by the Department.

For road and rail carriage in India, transportation charges are generally fixed on the basis of weight and distance. Sikkim Nationalised Transport's (SNT) freight charge in May 2003 was Rs.4.45 per kilometre per metric tonne and railway freight was Rs.1.48 to Rs.2.15 per kilometre per metric tonne up to 1000 kilometre in September 2003. The policy of the Department allowing a lump sum 10 *per cent* extra on account of transportation charges was therefore, unusual and a departure from normal practice. In the case of high value contracts particularly, the system followed by the Department appeared to favour the contractor as the amount paid as transportation costs was very high.

In the case of one contract[7] involving installation of transformers at a cost of Rs. 5.26 crore, the Department paid Rs.52.60 lakh as transportation costs.

It is recommended that the Department reimburse transportation costs on the basis of weight and distance at the carriage rates of the SNT or the railways.

Ramam Hydel Electricity Project (RHEP)

Extra expenditure of Rs.1.98 crore due to inability to evacuate the State's share of power

4.1.17 According to the agreement of November 1996 between the Governments of Sikkim and West Bengal in respect of the RHEP

- The Government of Sikkim was entitled to 20 *per cent* of the total energy generated (less auxiliary consumption) at the bus bar of the RHEP Stage-II against payment at the cost of generation as determined by Government of West Bengal.
- Should the Government of Sikkim not be in a position to utilise its share of power, the Government of West Bengal would buy back all such power at the rate of 2.5 paise per unit which represented the difference between the cost of generation and the resale rate of the said electrical energy by the Government of Sikkim, i.e., sale price of Government of Sikkim *minus* cost of generation = 2.5 paise per unit.

Although the RHEP was commissioned in April 1996, the Government of Sikkim could not draw its share till April 2001 amounting to 214.01 Million Units (MU) due to the Department's failure to erect a 132 KV transmission line to evacuate the power. Thus, the State which is power deficit could not draw its share of

[7] Construction of 132 KV transmission line, switchyard, etc.

power between April 1996 and April 2001 and during this period it imported 299.30 MU of power at a cost of Rs.37.93 crore. Had it been in a position to do so, it would have saved Rs.1.98 crore[8] which represents the difference between what it would have paid the Government of West Bengal (Rs.25.14 crore[9]) for 214.01 MU of power and the cost (Rs.27.12 crore[10]) of the equivalent quantity of power it imported during this period.

Outstanding dues of Rs.25.79 crore

4.1.18 In accordance with the agreement of 1976, Government of West Bengal bought back the Government of Sikkim's 20 *per cent* share of power between April 1996 to April 2001 and compensated the latter at the rate of 2.5 paise per unit.

In December 2000, Audit pointed out that the rate of 2.5 paise per unit was unrealistic considering that sale price and cost of generation had increased considerably since 1976 which would have resulted in a higher differential rate. Only in September 2002 did the Department act on this counsel and took up the matter with Eastern Regional Electricity Board. Thereafter, in September 2002 both the Governments agreed to revise the earlier differential rate of 2.5 paise per unit to Rs.1.23 per unit with effect from April 1996. Due to this revision the Government of West Bengal was liable to pay the Government of Sikkim Rs.25.79 crore which till September however, had not been paid up. There was no evidence to indicate that the Department took any proactive steps to recover the dues.

Excessive consumption lattice structures - Rs.23.58 lakh

4.1.19 According to norms of the Department, 10 lattice structures of 11 metres length or 14 of 9 metres or 20 of 8.5 metres (the last, rarely used in the State) are to be utilised for one circuit kilometre of distribution line. Of the 12 works executing divisional offices of the Department, nine more or less adhered to these norms. In the remaining three[11], a check of 267 works completed by these offices during 1998-2003 showed that in 114 works, 15 to 29 lattice structures per circuit kilometre of the three types were used which resulted in an excess consumption of 570 lattice structures the value of which worked out to Rs.23.58 lakh[12]. The extra financial liability would be higher if the cost of related consumables like stay wire, insulators, concreting, etc., are taken into account.

Thus, although the Department had fixed norms, it did not monitor and enforce compliance as a result of which it was unaware of the excessive consumption of lattice structures.

[8] Rs.27.12 crore - Rs.25.14 crore = Rs.1.98 crore.

[9] Rs.1.18 (Average cost of generation) X 214.01 MU = Rs. 25.14 crore.

[10] (Rs.37.93 crore ÷ 299.30 MU)X 214.01MU=Rs.27.12 crore.

[11] Geyzing, Jorethang and Mangan.

[12] calculated at Rs.4,137 per lattice structure of 9 metres – rate of the Department in 2000-01.

Non-deduction of Royalty

4.1.20 In accordance with Government directions, royalty for consumption of forest produce was to be deducted from the bill of a contractor and deposited into Government revenues. While the civil wing of the Department was complying with this requirement in respect of works it executed, the electrical wing was not. The royalty foregone by the Government in one instance was as below.

According to Departmental norms, the consumption of stone chips and sand for installing one lattice structure and one stay wire are:

- Lattice structure – 12 cubic feet (cft) stone chips and six cft sand.
- Stay wire - eight cft stone chips and four cft sand.

Audit observed that 7,710 lattice structures and 1,242 stay wires were used for 514 kilometres of power lines during 1998-2003 for which as per norms, 1,02,456 cft of stone chips and 51,228 cft of sand would have been consumed. It was however seen that in not a single case was royalty on sand and stone totalling Rs.1.17 lakh ever deducted from contractors' bills. The contractors thus got an undue benefit to this extent at the expense of the State exchequer.

The amount would be far higher if all the works executed by the electrical wing are taken into account. The Department is advised to immediately ensure that the Government directive on deduction of royalty is complied with forthwith by its electrical wing.

Replacement of overhead lines by underground cable – value/quantity not taken into account

4.1.21 During 1998-2003, 12.05 circuit kilometres of overhead distribution lines were replaced by underground cable. However, the replaced over ground cables, totalling 36.15 kilometres in length which were in working condition were not taken into store account for possible use elsewhere nor was any deduction of their value effected from the bills of contractors. The approximate value of these cables (excluding other accessories) worked out to Rs.14.46 lakh[13].

Utilisation of meters-defective meters and locking up of Rs.41.84 lakh

4.1.22 Information obtained from all 12 divisional offices of the Department indicated that they were supplied 12,099 meters of different specifications between November 2001 to March 2003. As on June 2003, 10,267 metres were utilised, 1,413 were in stock and 419 declared unserviceable. According to the agreement with the two suppliers of these meters, all defective meters were to be repaired/replaced by them. However, no action has been taken by the Department

[13] calculated at half the cost of a new cable (Rs.80,000 per kilometre) in June 2003.

in this regard with the result that the 419 unserviceable meters costing Rs.25.42 lakh were lying in stock.

It was further observed that out of 270 meters of specifications other than those supplied to the divisional offices which were received between October 2001 to August 2002 in the central store, only 156 meters were issued on the basis of actual requirement till March 2003. Apart from indicating a faulty assessment of requirements, this resulted in locking up of funds amounting to Rs.16.42 lakh (cost of the 114 unutilised meters).

Failure of transformers

4.1.23 The year-wise data on the failure rate of transformers, during the period under review, compiled from information submitted by all 12 divisional offices was as under:

Table 4.4

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Existing Transformer during the period including installed transformer during the year	1120	1154	1194	1225	1268
Failed during the year	85	87	84	106	95
Failure rate (in *per cent*)	7.58	7.53	7.03	8.65	7.49

Against the permissible norm of 4 *per cent* the failure rate of transformers during the review period varied from 7.03 *per cent* during 2000-01 to 8.65 *per cent* in 2001-02. Continuous loading of the transformers beyond the limits prescribed by the manufacturers, failure to keep the transformers in good condition by maintenance of the prescribed oil levels, use of fuses of incorrect sizes and poor upkeep of protective devices like lightening arresters and breakers are some of the common reasons for the failure of transformers.

Further, of the 1,268 transformers with the Department as on 31 March 2003, 83 distribution transformers and four power transformers valued at Rs.1.30 crore were in unserviceable condition. As of September 2003, no steps had been taken to dispose them off.

Revenue from sale of power

Arrears of revenue up by 205 per cent during 1998-2003

4.1.24 The position during 1998-2003 in this respect was as follows:

Table 4.5

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Number of consumers	48981	52645	54749	59029	60800
Dues at the beginning of the year *(Rupees in lakh)*	326.84	464.61	677.08	800.93	1150.93
Assessment during the year *(Rupees in lakh)*	814.06	1037.51	1073.85	1850	2465.00
Revenue collected during the year *(Rupees in lakh)*	676.49	824.84	950.00	1500	2200.00
Outstanding revenue at the end of the year *(Rupees in lakh)*	464.61	677.08	800.93	1150.93	1415.93
Revenue collected as a percentage of assessment	83	80	88	81	89
Outstanding revenue as a percentage of assessment	57	65	75	62	57

Source: Information furnished by the Department.

During the review period the number of consumers went up by 24 *per cent* while the amount billed on account of energy consumption rose by 203 *per cent.*

The power dues of the rural consumers amounting to Rs.2 crore was waived by the Government in March 2000 but despite this, the arrears of revenue as on 31 March 2003 was Rs.14.16 crore, up from Rs.4.65 crore as on 31 March 1999. This represented an increase of 205 *per cent* during 1998-2003.

Outstanding revenue at the end of each year of the review period was consistently more than half of the amount billed as energy charges during the year and ranged from 57 (1998-99 and 2002-03) *per cent* to as high as 75 *per cent* (2001-02).

The revenue collected every year was always less than the amount billed. The shortfall ranged from 11 *per cent* (2002-03) to 20 *per cent* (1999-00).

The above statistics indicated that the revenue collection machinery of the Department was extremely weak and lacked initiative and drive.

Arrears of revenue from Government/private consumers

4.1.25 The position of outstanding arrears of revenue in respect of nine revenue divisions (out of 12) as on 31 March 1999 and 2003 in this respect was as below:

Table 4.6

(Rupees in crore)

Category	Outstanding Revenue as on 31 March	
	1999	2003
Private	7.30	8.94
Government	1.47	1.59
Total	**8.77**	**10.53**

It would be seen that as on 31 March 1999, of the total dues of Rs.8.77 crore, Rs.7.30 crore (83 *per cent*) and Rs.1.47 crore (17 *per cent*) was owed by private consumers and Government agencies respectively. As on 31 March 2003, the total dues were Rs.10.53 crore of which Rs.8.94 crore (85 *per cent*) and Rs.1.59 crore

(15 *per cent*) was owed by private consumers and Government agencies. The percentage increase during 1998-2003 in the dues payable by the private and Government consumers was 22 per *cent* and 8 *per cent* respectively.

With regard to the dues from private consumers, it was seen that although various tariff notifications of the Department invariably mentioned that failure to pay any bill would invite disconnection of power supply under the Indian Electricity Act, 1910, this provision was seldom resorted to. It is suggested that the Department should automatically cut off power supply to any consumer whose payment is in arrears by more than three months which should be restored only on payment of the arrears plus a punitive fine and reconnection charges.

Energy tariff

Gap between cost and sale price

4.1.26 Though the average tariff had marginally increased over the review period, this was still insufficient to cover the gap between cost and sale price as shown in the table below:

Table 4.7

Year	Average cost (paise/ Kwh)	Average tariff (paise/ Kwh)	Gap (paise/ Kwh)	Recovery as percentage of cost	Average cost of imported power (paise/ Kwh)	All India average tariff of electricity departments
1998-99	158.99	80.46	78.53	50.60	1.16	162.76
1999-00	189.85	88.50	101.35	46.61	1.29	181.16
2000-01	163.28	89.14	74.14	54.59	1.23	207.07
2001-02	183.66	89.14	94.52	48.53	1.20	205.72
2002-03	166.81	89.14	77.67	53.43	1.14	Nil

Source: Department's Tenth Plan document; Kwh: kilowatt hour.

The gap between the cost of supply and average tariff ranged between 74.14 to 101.35 paise during 1998-2003. The level of recovery accordingly ranged between 46.61 to 54.59 *per cent* only.

The average price at which energy was sold in the State was even lower than the price at which the Department imported power from outside the State to meet the shortfall. The differential ranged between 24.86 to 40.50 paise/Kwh. During 1998-2003 the Department purchased 399.79 Million Unit of power and due to this disparity between cost and sale price, the subvention foisted on the public exchequer on this account alone was to the tune of Rs.13.06 crore[14].

Furthermore, the Department's average tariff ranging between 80.46 to 89.14 paise/Kwh was also very low as compared to the all India average tariff of electricity departments which was between 162.76 to 207.07 paise/Kwh.

[14] Average difference of 32.68 paise/Kwh during 1998-2003X399.79 MU.

Operating deficits – contribution to fiscal deficit of the State

4.1.27 Electricity generation and supply should be self-supporting to meet its maintenance and operation cost. The Indian Electricity (Supply) Act, 1948 stipulates a minimum return of 3 *per cent* on capital employed is to be achieved. Not only was the Department not getting this return, the revenue earned through sale of power was insufficient to meet even its operating (revenue) expenditure as would be seen from the table below:

Table 4.8

(Rupees in crore)

Year	Revenue Expenditure	Revenue earned through sale of power as (percentage of revenue expenditure)	Operating surplus (+)/ deficit (-)	State's fiscal deficit
1998-99	20.14	6.76 (34)	(-) 13.38	146.86
1999-00	23.44	8.25(35)	(-) 15.19	92.55
2000-01	29.32	9.50(32)	(-) 19.82	50.51
2001-02	29.00	15.00 (52)	(-) 14.00	66.85
2002-03	34.00	22.00(64)	(-) 12.00	9.86

The revenue earned covered only between 32 (2000-01) to 64 *per cent* (2002-03) of revenue expenditure, a situation which resulted in operating deficits ranging from Rs.12 crore in 2002-03 to Rs.19.82 crore in 2000-01.

The operating deficit of the Department year after year accounted for 9 to 122♥ *per cent* of the State's fiscal deficit during 1998-99 to 2002-03, a disquieting contribution by a single department of the Government.

Man Power Management

Number of employees vis-à-vis all India averages

4.1.28 The Department compared poorly on the following parameters when evaluated against the all India averages of the power sector.

Table 4.9

Year	1998-99	1999-00	2000-01	2001-02	2002-03
No. of employees*	1230	1230	1190	1281	1281
No. of employees per million Kwh sold*	12.16	11.62	11.48	10.39	8.01
No. of employees per thousand consumers*	23.36	22.47	21.11	22.09	21.35
All India average: No. of employees per million Kwh sold**	3.25	3.07	2.82	2.60	#
All India average: No. of employees per thousand consumers**	9.89	8.97	8.00	7.78	#

*Source: * Department figures ** Planning Commission; # Data not available.*

♥ *State's fiscal deficit was less than opening deficit of the department during 2002-03.*

It would be seen that the number of employees per million Kwh sold varied from 8.01 to 12.16 compared to the all India average of 2.60 to 3.25.

The number of employees per thousand consumers was 21.11 to 23.36 as against the all India average between 7.78 and 9.89.

The excess staffing not only resulted in increasing the cost of power but also contributed to the operating losses incurred by the Department year after year.

Diversion of funds

4.1.29 The Department in 2002-03 received Rs.17.30 crore under the Accelerated Power Development Programme (APDP) from the Government of India. The programme guidelines stipulated that the money was scheme specific and any diversion would attract 10 *per cent* penal interest.

It was noticed that the Department expended Rs. 25.42 lakh in October 2002 and March 2003 for payment of arrears of pay of the departmental staff out of the APDP fund on the orders of the Secretary of the Department.
Approval of the Government of India or State Finance Department was not obtained for this action. The diversion was therefore, irregular and without any authority.

Conclusion and recommendations

4.1.30 Efforts should be initiated to minimise operating losses, launch an all out drive to collect the arrears of revenue, arrest the growing losses on account auxiliary consumption and T&D, better programme execution to cut down on time and cost overrun of projects and improvement of and use of MIS by management so that effective and systematic monitoring of all activities is carried out on a continuous basis.

CHAPTER-IV

WORKS EXPENDITURE

SECTION : B

(AUDIT PARAGRAPHS)

CHAPTER-I

WORKS EXPENDI
SECTION-B
(AUDIT PARAGR

ROADS & BRIDGES DEPARTMENT

4.2 Additional expenditure due to lower compaction norms

Adoption of lower compaction norms led to additional expenditure of Rs.18.42 lakh in 28 road works alone besides benefiting the contractors by way of recovery of less hire charges amounting to Rs.18.58 lakh.

Compaction norms[@] prescribed by the Ministry of Surface Transport (MOST) on use of a 8-10 ton capacity Road Roller for 'Premix carpeting' and 'Spreading of Road Metal' are 930 square metres of surface area and 34 cubic metres of stone chips a day respectively. The Central Public Works Department (CPWD) also follows these standards. As compared to this, the compaction norms of a Road Roller of similar capacity as projected in the Analysis of Rate (AOR) of the Sikkim Public Works Department (SPWD), based on which the Schedule of Rate (SOR) was prepared, were 500 square meters of surface area and 13.33 cubic metres of stone chips a day respectively.

The per day compaction output of the SPWD, therefore, was on the lower side to the extent of 430 square metres of surface area for 'Premix Carpeting' work and 20.67 cubic metres of stone chips for 'Spreading of Road Metal' work, resulting in the SOR of the SPWD for these items being correspondingly inflated resulting from the necessity of increased usage of Departmental Road Rollers and the equivalent amount of hire charges to be recovered from contractors for carpeting and metalling a given road surface area.

Scrutiny of records (December 2002) of 28 road works of the Department randomly selected against which payments were made to various contractors between August 2000 and August 2002 revealed that due to the adoption of lower compaction norms than that of MOST, the SPWD incurred an additional expenditure of Rs.18.42 lakh in carpeting and spreading road metal involving a surface area of 4,20,009.60 square metres.

The audit contention that the SPWD compaction norms were on the lower side was borne out by the fact that whereas the estimates for the above works provided

[@] Annexure to MOST letter no.RM-14 (3)/83 dated 22 October 1993 for the utilisation of 3,990.07 Road Roller days, the actual departmental hire charges for Road Roller recovered from the contractors was only for 1,087.50 days leading to a short recovery of Rs.18.58 lakh and led to extra financial benefit enjoyed by the contractors to this extent.

The Department (December 2003) stated that the necessary modification in SOR according to the norms was being carried as suggested by Audit keeping in view the prevailing condition of the State and its terrain.

4.3 Infructuous Expenditure on Dentam-Utterey link road

Despite an expenditure of Rs.82.59 lakh of which Rs.19.51 lakh proved infructuous, the work scheduled for completion in February 1997 remained incomplete.

The work of "Construction of eight kilometer link road from Dentam powerhouse intake point to Uttarey" in West district at an estimated cost Rs.82.74 lakh (revised to Rs.88.27 lakh in June 1996) was awarded to seven contractors, in segments, in February 1996 with the stipulation that the work be completed by February 1997. It was seen in audit that:

Till December 2001, only 90 *per cent* of the work was completed against which the contractors had been paid Rs.63.07 lakh. In addition, Rs.10.27 lakh was paid in March 1998 as compensation for acquiring land for 4th km. stretch of road. Due to the objection of the villagers, the alignment was changed. This change was carried out by the Assistant Engineer without the approval of the Department/Government.

While construction of the road through the new alignment was in progress, debris and boulders from the road cutting damaged the water channel of the Kalej Khola powerhouse resulting in its closure in November 1997. The Department prepared an estimate of Rs.21.84 lakh to repair the channel. Of this amount, the Cabinet accorded financial sanction for Rs.11.81 lakh in February 1999 – the balance of Rs.10.03 lakh was to be met from the original estimate of the road work by curtailing some items of work. The Department verbally awarded the repair work, to be completed by June 1999, to the same contractor who was responsible for the damage. Upto June 1999, the contractor was paid Rs.9.25 lakh for this work.

The Department in July 1999 informed the Power Department (PD) of the completion of the repair work and restoration of the water channel. In November 1999, PD officials fed water into the channel on trial basis which led to water seepage in the channel bed and landslides downstream of the channel. The concerned contractor was asked to complete the work along with the new repair work. The contractor however, declined and abandoned the work in February 2000.

Thus, faulty survey and investigation coupled with the failure of the department to ascertain the availability of land prior to starting the work necessitated the change of alignment at the 4th km which in turn set off a chain of events which resulted in (i) infructuous expenditure of Rs.10.27 lakh on land compensation, (ii) closure of the Kalej Khola power house from November 1997 till date (June 2003) resulting in revenue loss which would have otherwise accrued through sale of power, (iii) unproductive expenditure of Rs.9.25 lakh on repairs of the water channel, and, (iv) despite an expenditure of Rs.82.59 lakh, the work scheduled to be completed in February 1997 remained incomplete (October 2003).

In December 2003 the Department while conceding to the audit observations stated that due to fund constraints the work would be taken up during 2004-05.

4.4 Mismanagement of funds

The Department's action was characterised by indecision and resulted in infructuous expenditure of Rs.45.40 lakh and diversion of Rs.28.56 lakh besides avoidable delay in setting up the airfield for boosting tourism prospects of the State.

On the recommendation of the Tenth Finance Commission, the State Government received Rs.3 crore from the Government of India over the period 1997-2002 for construction of an airfield near Gangtok.

The Roads and Bridges (R&B) Department engaged a firm in January 1996 to prepare a feasibility report and master plan of the proposed airfield. The firm surveyed a site at Pakyong and another at Karthok and recommended the former. However, owing to local opposition to the project the R&B Department in June 1999 asked the firm to prepare the final feasibility report for the site at Karthok despite the firm categorically bringing to its notice that this would be a "futile exercise" as the site was unsuitable. On the Government of Sikkim's insistence, the firm accordingly submitted (June 1999) its report for the site at Karthok for which it was paid Rs.19.95 lakh during March 1996 to June 1999.

The Government of Sikkim subsequently in March 2000 in consultation with the Government of India decided to construct seven heliports (in addition to renovation of the existing heliport at Gangtok) in lieu of the airport at an estimated cost of Rs.2.98 crore. The R&B Department engaged the Airport Authority of India (AAI) as consultant for preparing the feasibility report and supervision of construction of the heliports at a cost of Rs.35 lakh out of which upto March 2001, Rs.26.25 lakh was paid to AAI.

Till December 2002, the R&B Department had incurred Rs.2.82 crore on construction of the seven heliports out of which Rs.28.56 lakh was diverted for construction of an approach road. Further, Rs.25.45 lakh was spent on construction of a heliport at Lachung which was later abandoned (November

2001) due to objection from the defence authorities. Of the remaining six heliports as of March 2003, three were yet to be completed even 2 ½ years after the scheduled date of completion. In two completed works cost escalation of Rs.15.91 lakh was noticed.

According to the direction of the Government of India in March 2001, all ongoing works were to be completed by March 2001 failing which the balance fund in respect of the works remaining incomplete would be recovered by it. The Department sidestepped this directive by transferring on 31 March 2001 the balance fund of Rs.1.42* crore to the Sikkim Tourism Development Corporation (STDC) and thereafter, misreported to Government of India *cent per cent* utilisation of the fund.

Interestingly, the Government of Sikkim again requested the Eleventh Finance Commission for a special grant for an airport at Pakyong and was awarded Rs.50 crore, out of which Rs.11.81 crore was transferred (March 2002) to the Land Revenue Department for payment of land compensation.

Thus, the action of the Department, with regard to the airfield project, was characterised by indecision and resulted in avoidable delay in setting up the airfield at Pakyong thereby retarding the prospects of boosting tourism in the State which was one of the objectives, besides misreporting of expenditure to Government of India resulted in infructuous expenditure of Rs.45.40 lakh (Rs.19.95 lakh on fees to the firm + Rs.25.45 lakh spent on the abandoned heliport), diversion of Rs.28.56 lakh for an unrelated purpose and cost escalation of at least Rs.15.91 lakh apart from substantial time overruns in the case of three heliports.

The Department in March 2002 contended that the expenditure of Rs.28.56 lakh was not a diversion as the road leads to the heliport at Gangtok. The reply is not acceptable as the road ends at the District Court and does not extend to the heliport which was a good four-five kilometer away.

4.5 Undue benefit to the contractor on throwing of spoils

Incorrect action of the Department to allow payment on account of throwing of spoils resulted in inadmissible payment of Rs.32.58 lakh.

Schedule of Rate (SOR) followed by the Sikkim Public Works Department (SPWD) based on which the Analysis of Rates (AOR) and work estimates are framed stipulates a consolidated rate of hill cutting including throwing of spoil for all leads and lift all complete.

Notwithstanding the above, the Department in the work Premix Carpeting of 13-kilometre Rumtek-Song Road (km 13th to 25th), included provision for carriage of

* During the year 2001-02 out of total allocation of Rs.2.25 crore, expenditure to the tune of Rs.83.32 lakh was incurred and balance fund of Rs 1.42 crore was transferred to STDC.

1,004.21 cubic meters of spoils in the estimates for 3 kilometer stretch of the road as under. To this extent the estimates for this work were defective.

Table-4.10

Stretches	Quantity of spoil to be carried (in Cubic metres)	Number of trips to be made	Rate per trip (In Rupees)	Amount (In Rupees)
15 km	342.82	121	300	36,300
16 km	508.71	180	200	36.000
17 km	152.68	54	300	16,200
Total	**1004.21**	**355**		**88,500**

It was further seen that an amount of Rs.32.58 lakh was paid to the contractor on account of throwing of 22,773.01 cubic meters spoils obtained from the hill cutting in all the 13 stretches of the road at a uniform rate of Rs.300 per trip. This payment did not arise, as in the SOR and AOR, throwing of spoils was not a separate item of work as it was included in the consolidated rate for hill cutting. Therefore, the payment of Rs.32.58 lakh was inadmissible.

It was also noticed that the contractor was paid at a uniform rate of Rs.300 per trip as against the admissibility varying between Rs.200 to Rs.300 per trip, resulting in undue benefit to the contractor to the tune of Rs.1 lakh (Rs.100 X 10) for 16th to 25th kilometre stretch of road.

Thus, the action of the Department to allow payment on account of throwing of spoils resulted in admissible payment of Rs.32.58 lakh out of which Rs.31.58* lakh was clearly beyond the scope of the work contract.

In reply the Department (December 2003) sought to justify the inadmissible payment by stating that "there has been a mistake in the nomenclature in the SOR and AOR 1997 and hence in the estimate itself." The reply is unacceptable, as the contract agreement was signed on the basis SOR and AOR approved by the Government which stipulates the rates for all leads and lift.

ROADS & BRIDGES, URBAN DEVELOPMENT & HOUSING AND EDUCATION DEPARTMENT

4.6 Irregular expenditure from Non-Lapsable Central Pool of Resources

Three departments spent Rs.1.31 crore in violation of scheme guidelines resulting in diversion of funds to this extent.

Non-lapsable Central Pool of Resources (NLCP) was constituted by the Government of India since 1998-99 to ensure the speedy development of infrastructure in the North Eastern Region, including Sikkim, by increasing the

* (Rs.32.58 lakh – Rs.1 lakh)

flow of budgetary financing of specific viable infrastructure projects/schemes in the Region. The assistance released from the pool is tied with the project and no diversion is permissible. Further, cost of land acquisition was not eligible for funding under the scheme.

Scrutiny of records for 2000-01 and 2001-02 of three departments Roads & Bridges (R&B), Education and Urban Development & Housing (UD&HD) revealed that these departments had received Rs.24.44 crore under the NLCP out of which Rs.1.31 crore was irregularly incurred on acquisition of land:

Table 4.11

(Rupees in lakh)

Department	Year	Amount received under NLCP	Amount diverted	Item on which expenditure incurred
UD&HD	2000-01	590.00	47.64	Acquisition of land for construction of ropeway.
Education	2000-01	1671.00	44.57	Acquisition of land for District Institute of Education & Training.
R&B	2001-02	182.74	39.23	Acquisition of land for road construction.

The above expenditure was not in conformity with the scheme guidelines and resulted in unauthorised diversion of NLCP funds to the tune of Rs.1.31 crore for purposes other than what was intended under the Scheme.

UD&HD replied (April 2003) that there was insufficient provision under State Plan fund for payment of land compensation for the ropeway project and hence the NLCP fund was utilised as a temporary measure to be subsequently adjusted when fund were available under State Plan fund. R&B Department stated (April 2003) that since it was not aware of the guidelines, payments for land acquisition were made from scheme fund. The replies of the departments were unacceptable as scheme guidelines categorically forbade diversion of fund for acquisition of land/ other purposes.

Education Department did not respond to the audit observation (November 2003).

RURAL DEVELOPMENT AND EDUCATION DEPARTMENT

4.7 Excess payment to contractors for Coarse Rubble Stone Masonry work

Utilisation of less quantity of cement as compared to norms in CRSM work led to excess payment of Rs.20.87 lakh to the contractors.

Analysis of Rates (AOR) and Schedule of Rates (SOR) prepared by the Roads & Bridges (R&B) Department is the basis on which estimates are framed by all works departments of the Government of Sikkim for works executed by them. Scrutiny of the AOR and SOR of 1997 and 2001, effective from December 1998 and January 2002 respectively prepared by the R&B Department, revealed an inconsistency in the consumption chart appended to the SOR relating to quantity of cement to be used in 1:4:8 cc Coarse Rubble Stone Masonry (CRSM) works.

that were required

While the AOR and SOR stipulated the use of 1.0176 bag of cement for executing one cubic metre of 1:4:8 CRSM work, the consumption chart appended with SOR erroneously incorporated the figure of 0.848 bag of cement for executing the same unit of work.

Scrutiny of 299 works executed by Rural Development Department (RDD) and 53 works executed by Education Department through contractors during 1999-2002 and 2002-03 respectively revealed that though the departments adopted the lower rate of 0.848 bag of cement while working out the actual consumption of cement used by the contractors for CRSM work, payments to contractors were made according to higher consumption norm of 1.0176 bag per cubic metre of CRSM work. This resulted in excess payments of Rs.20.87 lakh* to contractors involved in execution of 63,764.193 cubic metres of 1:4:8 cc CRSM work. resulted

in excess pay of Cem. Charges ... (bags x 10) and

While accepting the observation, RDD stated (July 2003) that immediate steps would be taken to rectify the error retrospectively and efforts initiated to realise the excess amount. No reply was received from Education Department (November 2003).

and Supervision charges @ 10% for excess within ... are also not recovered. (As per Rule 138 (c) of PWD Code 10% supervision charges should be recovered from sale of stores materials to Public or Contractors for non-bona fide use or sales to local bodies.

Vr. No. 986/H/II

11.6.04

a/c running bill

To, Superintending Engineer, Tourism Deptt. GTK.

1st + ~~DA bill~~ for construction of (Ticket Lachen) Tourist Information Centre at Lachen

* *Education Department-Rs.13.08 lakh; Rural Development Department-Rs.7.79 lakh.*

in N. Sikkim for Rs. 2,21,635, Deptt. of Tourism, GTK.

CHAPTER-V

STORE AND STOCK

(AUDIT PARAGRAPHS)

CHAPTER-V
STORE AND STOCK
(*AUDIT PARAGRAPHS*)

POWER DEPARTMENT

5.1 Avoidable expenditure and committed extra liability

Instead of purchasing directly from the manufacturer, the Department allowed the procurement of steel plates by contractor at a higher rate resulting in extra expenditure of Rs.63.74 lakh

The construction of water conductor system and aqua duct of Lachung Hydel (LH) Project-Stage II (estimated cost Rs.87.20 lakh) was awarded (February 2000) to the lowest tenderer at 35 *per cent* above the estimated cost with the stipulation to complete the work by June 2003.

Scrutiny of records revealed that one of the items of the work was supply of 206.83 MT of eight mm Mild Steel (MS) Plate @ Rs.35,000 per MT, procurement of which was allowed to the contractor. A comparison with the work estimates, contract and supply particulars of another identical work, viz., 'Renovation of Water Conductor System at Bhusuk, LLHP - Phase II' awarded in March 2001 revealed that 8 mm IS 2062 Grade A Unnormalised MS Plates @ Rs.14,040 per MT and IS 2062 Grade B Unnormalised MS Plates @ Rs.16,432 per MT were procured (August 2001) by the Department directly from M/s Steel Authority of India (SAIL) and issued to the contractor for this work.

In the LH Project the Department despite having a full-fledged stores procurement wing, awarded the work of supply of MS Plates to the contractor instead of procuring the same directly from SAIL. Due to this the Government incurred an extra expenditure[1] of Rs.24.39 lakh[2] for 79.135 MT supplied upto March 2002 and additional committed liability of Rs.39.35 lakh[3] in respect of the remaining contracted quantity of 127.695 MT.

In reply the Department stated (September 2002) that the procurement made directly from SAIL at lesser cost had no bearing and could not be compared as in the instant case the item was included in the tender documents. The reply is

[1] The extra expenditure and additional liability has been calculated by comparing the price of Rs.35,000 per MT paid to the contractor with the rate of Rs.16,432 per MT of IS 2062 Grade B Unnormalised MS Plates.
[2] [{(Rs.35,000 + 35%) – (Rs.16,432) }x 79.135 MT]= Rs.24,38,782.
[3] [{(Rs.35,000 + 35%) – (Rs.16,432) }x 127.695 MT]=Rs.39,34,195.

untenable considering that since the Department was well aware that supply of MS Plates constituted the major part of the work, it should have gone in for direct procurement of the material at the most economical rates through its stores procurement wing. The Department's further argument that direct purchase from SAIL is against 'D' form and tax concessions availed should therefore, also be considered is farfetched since taxes alone would not account for the huge difference between the contractor's and SAIL prices. The Department went on to say that if the Government framed a policy "to deal and procure materials directly from SAIL, TISCO, etc., then directives as issued shall be followed" – an illogical stance since it is the primary responsibility of the Department to ensure that public money is spent in the most thrifty and cost-economical manner.

5.2 Excess expenditure on purchase of cable

Non-adherence to the codal provision in purchase of XLPE cable resulted in procurement at higher rate and consequent excess expenditure to the tune of Rs.14.11 lakh.

According to Sikkim Financial Rule (SFR), purchases costing more than Rs.5,000 are to be made through State Trading Corporation of Sikkim (STCS) and only in exceptional cases of urgency, direct purchases may be made directly from the open market through the system of open competitive tender.

For renovation of Diesel Power House at Gangtok, the Department placed a requisition with STCS for procurement of 11 KV Grade XLPE cable 3 core x 300 sq. mm size (October 1997). It was ascertained from the Departmental records that sealed tenders were invited and received by STCS against this requisition (November 1997) and it was decided to open the tenders by November 1997.

While no records were produced by the Department to show the fate of above tender and the cheapest rates quoted therein, it went ahead and procured against the work 840 metres of XLPE cable of 3 core x 300 sq. mm size (June 1998) directly from a local supplier at the rate of Rs.4,779 per metre (ST extra) without invitation of tenders.

Further scrutiny of records revealed that around the same time the procurement of the similar cable was done by the Department in some other work (July 1998) at the rate of Rs.3,099 per metre (ST extra).

Procurement of XLPE cable by the Department directly from a local dealer without inviting tenders resulted in excess payment of Rs.14.11 lakh ((Rupees 4,779-3,099) x 840 metres) when compared with the procurement price of the similar specification of cable in a different work.

The Department in reply (November 2003) stated that it had placed an order with the lowest tenderer, which declined to supply the materials. It stated that since the

XLPE Cable 3 X 300 sq mm was urgently required the purchase order was placed to local supplier at the lowest rate. The reply of Department is not tenable as around the such time cable was available at lower rate.

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.3 Extra expenditure on purchase of GI pipes

Failure of the Department to procure the GI pipes at the approved rates resulted in extra expenditure of Rs.12.91 lakh

Despite Government directive that all purchases above Rs.5,000/- should be through the State Trading Corporation of Sikkim (STCS), the Public Health Engineering Department (PHED) regularly procured materials directly from open market. For this, the PHED fixed procurement rates during a particular year for different items on the basis of quotations received from local suppliers. During the period August 1997 to March 2002, all the three divisions* of the Department on the plea of emergency requirements purchased 1,15,848.25 metres of GI pipes of different sizes from the open market through 615 contingent bills at a cost of Rs.3.03 crore. Scrutiny of these procurements revealed that in 50 cases the PHED purchased materials at rates higher than its own approved rates resulting in an extra avoidable expenditure of Rs.12.91 lakh as shown in the table below

Table-5.1

Sizes (Dia-meter in mm)	Total number of cases of purchase from the open market	Total quantity of purchase (in metres)	Total value of purchases (in Rs.)	Total number of cases of purchase at prices higher than the approved rate	Total quantity of purchase at prices higher than the approved rate (in metres)	Excess amount paid with reference to the approved rate (in Rs.)
15	26	10766.13	582986	1	300	2916
20	10	5701.5	419064	1	200	2581.20
25	43	13320.59	1235914	4	1599	42999.60
32	2	369.70	42867	0	0	0
40	63	20236.14	3089076	6	7793.21	229020.24
50	126	26344.09	6011368	7	9212.75	276136.83
65	64	9798.48	2963400	9	2910.34	198313.05
80	111	13014.64	4836396	11	4965.81	240506.08
100	110	9093.96	5003587	6	2111.45	213658.66
150	60	7203.02	6074280	5	1899.52	84906.13
Total	**615**	**115848.25**	**30258938**	**50**	**30992.08**	**1291038**

The Department's reply (October 2002) that the extra expenditure was unavoidable as the material had to be procured to restore the water pipe lines within six hours was unacceptable as all the supplies were to be procured at the approved rates only. The PHED itself had made emergent purchases in 565 cases at the approved rates during the same period.

* Gangtok (2), Ravangla (1)

CHAPTER-VI

REVENUE RECEIPTS

CHAPTER VI

REVENUE RECEIPTS

6.1 Trend of Revenue Receipts

6.1.1 The tax and non-tax revenue raised by the state government, state's share of divisible Union taxes and grants-in-aid from Government of India during the year 2002-03 along with the corresponding figures for the preceding four years are given below:

Table-6.1

(Rupees in crore)

		1998-99	1999-2000	2000-01	2001-02	2002-03**
I	**Revenue raised by the State Government**					
(a)	Tax Revenue	46.76	49.07	65.39	80.39	105.96
(b)	Non-Tax Revenue*	1020.92 (42.92)	1042.75 (64.78)	289.02 (65.63)	1128.20 (71.12)	1315.84 (143.36)
	Total	**1067.67**	**1091.82**	**354.41**	**1208.59**	**1421.80**
II	**Receipts from the Government of India**					
(a)	State's share of divisible Union taxes	92.21	99.54	72.20	84.83	76.77
(b)	Grants-in-aid	280.78	320.47	435.99	513.75	581.95
	Total	**372.99**	**420.01**	**508.19**	**598.58**	**658.72**
III	**Total receipts of the State (I+II)**	**1440.66**	**1511.83**	**862.60**	**1807.17**	**2080.52**
IV	**Percentage of I to III**	**74**	**72**	**41**	**67**	**68**

* *Figures in brackets indicate net receipts after deducting, Rs 978.00 crore, Rs 977.96 crore, Rs.223.39 crore, Rs.1057.09 crore and Rs.1172.48 crore on account of expenditure towards State Lotteries during1998-99, 1999-2000, 2000-01, 2001-02 and 2002-03 respectively.*

** *For details, please see 'Statement No. 10-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.*

Tax revenue raised by the State

6.1.2 Receipts from tax revenue constituted 7.45 *per cent* of the total revenue raised by the state during 2002-03. An analysis of the tax revenue for the year 2002-03 and the preceding four years is given below

Table- 6.2

(Rupees in crore)

Sl. No.	Tax Revenue	1998-99	1999-2000	2000-01	2001-02	2002-03	Increase (+)/ Decrease (-) (in 2002-03 over 2001-02)	Percentage of variation
1	Sales Tax	13.06	13.64	24.50	34.97	41.42	6.45	18.45
2	Taxes on Income other than Corporation Taxes	18.32	17.84	19.29	22.03	32.67	10.64	48.33
3	State Excise	11.86	13.39	17.61	17.59	22.45	4.86	27.62
4	Taxes on vehicles	1.51	1.69	1.54	1.97	2.35	0.38	19.33
5	Stamps & Registration Fees	0.51	0.62	0.50	1.30	3.45	2.15	165.81
6	Land Revenue	0.12	0.54	0.22	0.51	0.40	-0.12	-22.53
7	Other Taxes and Duties on Commodities and Services	1.37	1.35	1.73	2.02	3.22	1.20	59.49
	Total	**46.76**	**49.07**	**65.39**	**80.39**	**105.96**	**25.58**	

The increase in state excise revenue was due to upward revision of excise duty and better management of revenue collection. The increase of taxes on vehicles was due to increase in the number of vehicles in the state.

The reasons for variation in respect of the remaining heads of revenue have not been received (September 2003).

Non-tax revenue raised by the state

6.1.3 Lotteries, road transport service, power, forest, interest, police and plantations were the principal sources of non-tax revenue of the state. Receipts from non-tax revenue during the year 2002-03 constituted 92.55 *per cent* of the revenue raised by the state. An analysis of non-tax revenue under the principal heads for the years 1998-99 to 2002-03 is given below

Table-6.3

(Rupees in crore)

Sl. No	Non-Tax Revenue	1998-99	1999-2000	2000-01	2001-02	2002-03	Increase (+) Decrease (-) in 2002-2003 with reference to 2001-2002	Percentage of variation
1	Road Transport	7.49	11.89	11.90	15.56	17.26	1.70	10.94
2	Power	6.44	8.33	10.04	11.84	12.97	1.12	9.46
3	Forestry and Wild Life	1.60	4.90	6.39	6.65	7.15	0.50	7.58
4	Interest Receipts	0.26	0.51	4.48	6.02	7.17	1.15	19.08
5	Plantations	2.22	2.35	2.39	2.01	1.78	(-) 0.24	(-) 11.71
6	Dividends and Profits	1.23	0.72	0.01	0.01	1.76	1.75	16496.23
7	Police	3.45	2.84	5.84	3.86	1.40	(-)2.46	(-)63.67
8	Public Works	0.51	0.45	1.25	0.99	2.41	1.43	144.58
9	Tourism	0.39	0.40	0.39	0.67	0.54	(-)0.13	(-)19.57
10	Crop Husbandry	0.21	0.20	0.47	0.43	0.50	0.07	16.68
11	Stationery and Printing	0.95	0.96	0.86	0.98	1.12	0.13	13.57
12	Village & Small Industries	0.50	0.49	0.66	0.64	0.63	-	(-)0.77
13	Animal Husbandry	0.14	0.16	0.16	0.24	0.24	0.01	4.34
14	Industries	0.11	-	-	0.01	0.01	-	12.20
15	Medical and Public Health	0.42	0.14	0.37	0.35	0.36	0.01	3.50
16	State Lotteries*	15.03	27.90	17.21	17.31	84.24	66.93	386.66
17	Others	1.97	2.54	3.21	3.55	3.82	0.27	7.54
	Total	**42.92**	**64.78**	**65.63**	**71.12**	**143.36**	**72.24**	**101.59**

**Excludes Rs 978.00 crore, Rs 977.96 crore, Rs.223.39 crore ,Rs.1057.09 crore and Rs.1172.48 crore on account of expenditure towards State Lotteries during 1998-99, 1999-2000, 2000-01, 2001-02 and 2002-03 respectively which has been taken in the Finance Accounts for the purpose of calculating the non-tax revenue during the respective years.*

The increase of revenue under state lottery was mainly due to introduction of on-line lotteries during the year. Similarly, the increase under dividends and profits was due to dividend received from public undertakings, under road transport was due to expansion of department's activities towards goods traffic and the increase under interest receipts was due to more investment of cash balances. The decrease under tourism was due to receipt of lease rent of Hotel Norkhill for the year 2002-03 in the subsequent financial year 2003-04.

The reasons for variation in respect of the remaining heads of revenue have not been received (September 2003).

6.2 Variation between the budget estimates and actuals

6.2.1 In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2002-03 was more than 10 *per cent.*

Table-6.4

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-)	Percentage
A. Tax Revenue					
1	Land Revenue	0.23	0.40	0.17	77.11
2	Taxes on income other than corporation tax	26.00	32.68	6.68	25.68
3	Stamp & registration fees	0.61	3.45	2.84	465.56
4	Sales Tax	21.50	41.42	19.92	92.65
5	Taxes on vehicles	1.38	2.35	0.97	70.08
6	Other Taxes & Duties on commodities and services.	3.95	3.22	(-) 0.73	(-) 18.50
B. Non-Tax Revenue					
7	Public Works	1.71	2.41	0.70	41.00
8	Medical and Public Health	0.40	0.36	(-) 0.04	(-) 10.63
9	Information and Publicity	0.06	0.19	0.13	198.31
10	Labours and Employment	0.04	0.05	0.01	13.00
11	Crop Husbandry	0.22	0.50	0.28	127.95
12	Animal Husbandry	0.30	0.25	(-) 0.05	(-) 18.20
13	Forestry and Wild Life	4.20	7.20	3.00	71.36
14	Food Storage and Warehousing	0.05	0.13	0.08	154.20
15	Other Rural Development Programme	0.04	0.08	0.04	106.00
16	Police	7.43	1.40	(-) 6.03	(-) 81.14
17	Water Supply and Sanitation	0.45	0.73	0.28	61.84
18	Social Security and Welfare	0.37	0.43	0.06	17.25
19	Plantations	2.76	1.78	(-) 0.98	(-) 35.62
20	Power	20.00	12.97	(-) 7.03	(-) 35.17

The increase under sales tax was due to more realisation under State Sales Tax Act, i.e. Rs.6.68 crore, and under taxes on income other than corporation tax it was due to more realisation of income tax levied under state law. The increase under forestry and wildlife was due to strict implementation of forest acts and rules.

The reasons for variation in respect of the remaining heads of revenue have not been received (September 2003).

6.3 Cost of collection

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

Table-6.5

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 2001-2002
1	State Excise	2000-01	17.61	1.07	6.07	3.21
		2001-02	17.59	1.13	6.42	
		2002-03	22.45	1.09	4.85	
2	Sales Tax	2000-01	24.50	0.65	2.65	1.26
		2001-02	34.97	0.72	2.06	
		2002-03	41.42	0.97	2.34	
3	Taxes on vehicles	2000-01	1.54	0.24	15.58	2.99
		2001-02	1.97	0.37	18.78	
		2002-03	2.35	0.37	15.74	

It would be seen from the table that the percentage of expenditure to gross collection during 2002-03 as compared to the corresponding all India average percentage for 2001-02 was very high.

6.4 Outstanding Inspection Reports

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

The position of IRs in respect of revenue receipts issued to the end of December 2002 but remaining outstanding as at the end of June 2003 was as under:

Table-6.6

(Rupees in crore)

Sl. No.		At the end of				
		June 1999	June 2000	June 2001	June 2002	June 2003
1	Number of outstanding IRs.	154	161	110	134	123
2	Number of outstanding Audit objections	381	377	281	296	268
3	Money value of the objections	27.35	32.51	49.20	28.84	77.47

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

Table-6.7

(Rupees in crore)

Sl. No.	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount
1	Sales Tax	08	25	10.26
2	Income Tax	08	34	20.51
3	Forests	43	93	0.40
4	Land Revenue	29	45	0.70
5	Motor Vehicle	08	20	1.91
6	State Excise	03	09	4.46
7	Urban Development & Housing Department	10	17	1.78
8	Power	06	15	16.40
9	Lotteries	03	04	8.56
10	Mines & Geology	05	06	12.49
	Total	**123**	**268**	**77.47**

Out of 123 IRs pending settlement, even first replies had not been received (June 2003) in respect of 98 reports containing 208 audit objections.
The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the state government (June 2003)

6.5 Results of Audit

6.5.1 Test check of the records of Forest, Power, State Excise, Motor Vehicle, Income Tax, Urban Development and Housing, Tourism and State Lotteries Departments conducted during the year 2002-03 revealed under-assessment/short levy/loss of revenue amounting to Rs.10.33 crore in 8 cases. A few illustrative cases involving Rs.9.06 crore highlighting important audit observation are mentioned in the following paragraphs.

EXCISE DEPARTMENT

6.6 Short levy of excise duty of Rs.2.95 lakh

Incorrect levy of excise duty rates resulted in revenue loss of Rs.2.95 lakh

As per Industries Department's notification of 3 October 2000 read with its letter dated 4 October 2000 to Excise Department, M/s. Sikkim Distilleries Ltd. (SDL) was required to pay excise duty (ED) @ 100 *per cent* of the applicable rate of ED on liquor products with effect from 4 October 2000.

Scrutiny of records revealed that Excise Department levied and collected ED from SDL on liquor products @ 65 *per cent* of the applicable rate of ED instead of @ 100 *per cent* from 4 October 2000 to 11 October 2000. During this period SDL produced 2510 cases of liquor products and paid Rs.5.48 lakh as ED against Rs.8.43 lakh actually due, resulting in short realization of ED to the tune of Rs.2.95 lakh.

In reply, the Department stated in June and November 2003 that the Industries Departments notification of 3 October 2000 was received on 10 October 2000 and the same was communicated to the unit immediately. The Department further added that accountability for the delayed enforcement of the notification, therefore should lie with Industries Department and not the Excise Department. The reply is not tenable as lack of proper coordination between Industries and Excise departments resulted in loss of government revenue

FINANCE DEPARTMENT (DIRECTORATE OF LOTTERIES)

6.7 Short realisation of state's share of assured revenue of Rs.7.04 crore

Failure of the Directorate to ensure that the marketing agent submitted bank guarantees in accordance with the agreement resulted not only in short realisation of assured revenue by Rs.7.04 crore and loss of interest amounting to Rs.10.08 lakh, but rendered eventual recovery of the first amount doubtful.

The Government of Sikkim (GOS) entered into an agreement in August 2001 with a marketing agent (MA) for a period of seven years for operation, maintenance and marketing of the state's on-line lottery. The agreement, *inter alia,* stipulated that the MA was:

- liable to pay to the GOS 20 *per cent* of the gross revenues earned through sale of tickets every year for seven years. This was however, not to be less than the minimum assured revenue (MAR) of Rs.35 crore in the first year, Rs.45 crore in the second and up to Rs. 220 crore in the seventh year.
- required to execute a bank guarantee (BG) for every quarter of the year by the 10th of the first month of the quarter for an amount proportionate for the quarterly period in relation to the MAR for the year. The BG would be invoked by the GOS in event of the failure of the MA to pay the MAR.

The first draw of the Sikkim on-line lottery styled 'Sikkim Super Lotto' was held on 29 March 2002. Thereafter, the MA in June 2002 moved the Government for approval to launch one more on-line lottery styled 'Sikkim Thunder Ball" (later renamed 'Sikkim Super Ball'). The cabinet on 14 July 2002 approved the same on the understanding that the MA would adhere to the MAR to the GOS as committed. At the behast of the MA, the GOS in November 2002 approved the increase in the jackpot prize of the 'Sikkim Thunder Ball' from Rs.50 lakh to Rs.75 lakh.

During test check of records of Thunder Ball Scheme, it was observed that since its introduction, gross revenue of Rs.108.47 crore was collected by MA through sale of tickets in 36 draws. Of which, the MA remitted Rs.14.65 crore as government share against the due amount of Rs.21.69 crore. This resulted in shortcharging of Rs.7.04 crore by GOS. This amount could not be made good from the MA despite GOS reference to MA to pay differential. It further entailed loss of interest of Rs.10.08 lakh.

Further, the MA against the required BG to be furnished, furnished BG for Rs.9 crore for the first quarter on 2 March 2002 which expired on 31 March 2003 and did not furnish BG for the remaining quarters of the first year in respect of on line lotteries. Directorate also did not take cognizance of this breach of agreement by MA. Thus due to non obtaining BG from MA, the recovery of government dues of Rs.7.04 crore short charged and interest of Rs.10.08 lakh appear doubtful.

The Directorate stated in April 2003 that since the prize pool of the Thunder Ball scheme was enhanced from 45 to 50 *per cent,* the MA was insisting on reduction of the state's share of gross revenues from ticket sells from 20 to 15 *per cent.* It further stated that supplementary agreement in respect of the Thunder Ball lottery was under process of finalisation. The reply was inconsistent with the Directorate's earlier action of asking the MA to remit the Government's 20 *per cent* share of gross revenues.

Further, the Directorate clarified in July & November 2003 that state's share had not been reduced to 15 *per cent* and stated that it was insisting upon to remit the differential amount at the earliest.

The MA while disputing the payment of 20 *per cent* share on Thunder Ball scheme, invoked the arbitration clause to resolve the issue. However, the issue was neither resolved through arbitration nor had the differential amount been remitted by the MA.(November 2003)

FOREST DEPARTMENT

6.8 Loss of revenue on account of short realisation of royalty of Rs.4.51 lakh

Failure to levy royalty at appropriate rate resulted in short realisation of Rs.4.51 lakh in 172 cases.

In terms of Rule 7 of the Sikkim Transit of Timber and other Forest Produce Rules, 1999 applicable from August 1999, transit permits shall be issued after levying a fee which shall be equal to the commercial rate of royalty for the timber or forest produce as notified in the Schedule of rates currently in force. Rule 11 however, provides for concessional fee to be levied when the (i) origin of timber is private land holding, (ii) timber is sought to be transported within three months of the day on which it was last transported within a distance of 25 kms. and (iii) when the timber was purchased from the Forest Department in an auction.

Scrutiny of records in the offices of the Principal Chief Conservator of Forest and four* District Forest Officers (DFOs) for the period August 1999 to April 2000 revealed that the Department failed to levy and collect normal rate of transit fee in 51 cases resulting in short realisation of Rs.2.32 lakh.

Further, records of the offices of four DFOs for the period April 2001 to March 2002 relating to the issue of permits for transit of timber from private landholdings showed that these offices failed to levy and collect transit fee at the concessional rate of 50 *per cent* of the normal rate in 82 cases resulting in short realisation of Rs.1.42 lakh.

In reply, the Department stated in August 2003 that in some cases approval of the Government for relaxation of Transit Permit fee were obtained. However, it could not substantiate the same with supporting documents.

In terms of Rule 2(b) and (c) of the Sikkim Private and Other Non-forest Lands Tree Felling Rules, 2001, 'bustiwala rate' means the concessional rate of royalty leviable on villagers and 'commercial rate' means the rate for sale to any individual, association, group, business establishment, hostel or agency of Government or otherwise.

Scrutiny of records of the offices of four DFOs for the period November 2001 to October 2002 revealed that in 39 cases while marking order of trees was issued in the name of villagers liable for levy and collection of royalty at bastiwala rate, transit permits were found issued in the name of some other persons against whom royalty was levied and collected at bastiwala rate. The holders of the transit permits not being the original tree holders were liable to be charged commercial rate of royalty. Thus, incorrect levy of royalty at bastiwala rate instead of commercial rate resulted in short levy of royalty of Rs.0.77 lakh.

The Department stated in August 2003 that the above timbers had originated from private holdings of villagers and were used by them for their bonafide purposes and were not sold. The contention of the Department is not tenable in view of the fact that the transit permit holders were not the original tree holders and thus were liable to levy as commercial rate of royalty.

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* DFO(T) East, Gangtok, DFO(T) West, Gyalsing, DFO(T) North, Mangan, DFO(T) South, Namchi

6.9 Short realisation of licence fees from quarries worth Rs.2.68 lakh

Leasing out of quarries for part of the year on piecemeal basis for extraction of forest produce during peak season resulted in undue benefit to quarry licence holders and consequent short realisation of licence fees of Rs.2.68 lakh.

As per Office Order No. 992/FTC dated 22 March 1999 of the Principal Chief Conservator of Forest-cum-Secretary, the rate of licence fee for allotment of quarries for extraction of forest produce like loose stone, sand and stone chips was revised to Rs.15 per 100 square feet of lease area per annum with effect from 1 April 1999.

Scrutiny of records of the office of the District Forest Officer (DFO), South for the period April 1999 to December 2002 revealed that 10 quarries in area ranging from 4,500 to 4,73,000 square feet were leased out for part of the year on piecemeal basis for extraction of forest produce during peak season instead of leasing out for one full year. Hence, licence fees were accordingly realised from quarry licence holders on prorata basis excluding the lean period of 151 months. This practice, thus, not only violated the spirit of the Office Order of the Forest Department to lease out the quarries for the year as a whole, but also resulted in non-collection of licence fee to the tune of Rs.2.68 lakh.

In reply the Department stated in June 2003 that the system of piece meal leasing has not violated the above order as the quarry operators were allowed to operate only for the period of lease. They further added that realisation of licence fee for full year would not be justified as the license was issued for only limited period of three/ six months. The reply is not tenable as the rates specified in the order were to be levied for whole year irrespective of the period of the year for which quarries were actually leased out.

INCOME & SALES TAX DEPARTMENT

6.10 Loss of revenue

Wrong interpretation and application of slab rates of taxation resulted in underassessment of income tax and consequent loss of revenue of Rs.27.85 lakh.

The Sikkim Income Tax Manual, 1948 provides the framework for levying and collecting income tax in Sikkim. After the merger of the State with India in 1975, the State Income Tax Manual obtained the force of law, which could be amended or repealed by a competent legislature only.

Mention was made in para 6.14 of the Audit Report of 2000-01 that notwithstanding the above, the Finance Minister (FM) of Sikkim in May 1998 approved a slab rate of taxation for petroleum dealers which was an executive decision and apart from causing revenue loss, it was also without jurisdiction and legally untenable. Against the statutory rate of 3 *per cent* per annum leviable on the gross sale proceeds beyond Rs.10 lakh (Rs.23,230 on sale proceeds up to Rs.10 lakh) of the previous year, the slab approved prescribed the rate of tax as 3 *per cent* for gross turnover of up to Rs.30 lakh, 2 *per cent* for gross turnover between Rs.30 lakh and Rs.1 crore and 1 *per cent* for gross turnover above Rs.1 crore.

Test check of records revealed that eight petroleum dealers for the accounting years 1998-99 and 1999-2000, one dealer for the years 1998-99 to 2000-01 and two dealers for the years 1998-99 to 2001-02 were assessed in 2001-02. While making assessment, the department charged income tax at a flat rate on the gross turnover of the dealers instead of charging at the slab rates. This resulted in underassessment of income tax amounting to Rs.27.85 lakh.

In reply, the Department stated in August 2003 that petroleum dealers of Sikkim were representing for enhancement of tax rebate from 90 to 97 *per cent,* which was turned down by the Finance Secretary and instead it was decided to levy tax on the slab rate of 1, 2 and 3 *per cent* depending on the volume of turnover. They further sought to justify the rate of 3 *per cent* as equivalent to Indian Income Tax Act leviable in neighbouring state.

The reply side steps the audit contention that slab rates should have been applied progressively on increasing turnover and not at a flat rate on total turnover.

6.11 Non-realisation of sales tax of Rs.19 lakh

Inaction by the Department resulted in non-realisation of Rs.6.19 lakh as sales tax.

Rule 12 of the Sikkim Sales Tax Rules prescribes that every registered dealer shall furnish returns in form III for each quarter in respect of his business to the assessing authority.

Scrutiny of records of the Additional Commissioner, Sales Tax Department revealed that M/S Scenic Sikkim Co. (P) Ltd, a registered dealer despite issue of reminders to him neither filed sales tax returns nor produced books of accounts since 1 April 1999. It was noticed that a sales tax clearance certificate was issued to the firm in April 2000 after realisation of advance tax of Rs.2 lakh and on the condition that it would submit all relevant books of accounts by 15 May 2000 for assessment. However, the firm failed to submit books of accounts and the Department thereupon seized all available documents of the firm in July 2000 and assessed the dealer in February 2001 and levied sales tax amounting to Rs.7.35 lakh and a penalty of Rs.1.84 lakh on a total turnover of Rs.49 lakh.

In response, the firm deposited Rs.1.00 lakh in March 2001 and requested the Department to allow payment of balance sales tax in four instalments after exempting payment of penalty. However, neither the firm, paid the remaining amount of assessed tax, nor did the Department initiate any effective steps to realise the remaining sales tax amounting to Rs.6.19 lakh. Further, assessment of tax for the period subsequent to July 2000 was also not done by the Department.

Department stated in November 2003 that the case had been referred to the Government Advocate in December 2002 for initiating process of recovery through a court of law. However, no recovery was effected till date.(November 2003.).

ROADS & BRIDGES DEPARTMENT AND INCOME & SALES TAX DEPARTMENT

6.12 Non realisation of sales tax of Rs.46.49 lakh from contractors

Owing to short recovery of sales tax of Rs.9.46 lakh at source and non-deduction of 2 *per cent* sales tax at source from contractors amounting to Rs.37.03 lakh, government revenue of Rs.46.49 lakh remained unrealised due to non-assessment of the contractors' income.

Sales Tax Department of the Government of Sikkim specified between June 1996 and May 2001 the rate of sales tax payable by a contractor involved in the execution of a works contract at four paise in a rupee and the rate of deduction of sales tax at source from bills of works contractors at two paise in a rupee. It was also clarified by the Department that balance 2 *per cent* sales tax was to be adjusted at the time of final assessment against the contractor's final liability to pay 4 *per cent* sales tax.

Cross check of 167 works payment vouchers and sales tax deduction records for the period July 2000 to August 2002 of the Roads & Bridges (R&B) Department with Sales Tax Department revealed that none of the contractors from whom 2 *per cent* sales tax was deducted at source were ever assessed by the Sales Tax Department subsequently. This resulted in retention of sales tax to the tune of Rs.37.03 lakh by contractors. Moreover, since none of the contractors had been assessed to sales tax in the state so far, permanent loss of revenue to the extent of 2 *per cent* short deduction of sales tax is not ruled out.

Further, in 119 out of the above 167 cases, there were short recoveries by the R&B Department of even 2 *per cent* sales tax at source, amounting to Rs.9.46 lakh.

While no reply was received from R&B Department regarding short recovery against 2 *per cent* sales tax at source, Sales Tax Department informed in November 2003 that assessment of contractors could not be done inspite of their concerted efforts as the required documents such as certificate of deduction of tax at source, copies of contracts, etc. necessary for assessment were not furnished by the contractors. The reply of the Sales Tax Department is not tenable as it was competent to assess the contractors on best judgement basis.

TRANSPORT DEPARTMENT
(MOTOR VEHICLE DIVISION)

6.13 Non-realisation of late fee of Rs.1.23 lakh

Despite clear orders to collect late fee on delayed payment of token tax, Department failed to collect it resulting in loss of revenue of Rs.1.23 lakh.

Under the Sikkim Motor Vehicle Taxation Act, 1982, token tax shall be imposed and levied on all motor vehicles used or kept for use in Sikkim, which shall be payable for the year in advance. Further, it was decided by the Department in May 1987 to realise a late fee at the prescribed rate for all types of vehicles for delayed deposit of tax

Scrutiny of registration records of 2383 vehicles out of 5670 vehicles registered with the Department revealed that in 144 cases late fee aggregating to Rs.1.23 lakh in respect of delayed payment of token tax was not realised by the Department for the period from January 1999 to July 2002.

In reply, the Department stated in January 2003 that list of defaulters had been published in a local daily for clearance of dues within stipulated time, failing which registration of the vehicles would be cancelled. However, no intimation was sent by the Department so far regarding either collection of arrears or cancellation of registrations.

The Department further stated in November 2003 that arrears would be realised during the time of subsequent renewal.

6.14 Loss of Rs.10.98 lakh due to non-levy of additional fee

Despite clear codal provisions, the Department failed to levy additional fee on delayed renewal of permits resulting in a revenue loss of Rs.10.98 lakh.

Rule 93(5) of the Sikkim Motor Vehicles Rules, 1991 read with Section 81(3) of the Motor Vehicle Act, 1988 stipulates that the State Motor Vehicle Department may renew a permit on an application made less than 15 days before the date of its expiry only on payment of an additional fee of fifty *per cent* of the fee prescribed for renewal of permit.

A test check of records of the Motor Vehicle Division revealed that in 1122 cases of route permits, which were submitted for renewal less than 15 days before the date of their expiry, the Division failed to levy the additional fee of fifty *per cent* resulting in a revenue loss of Rs.10.98 lakh for the period April 1995 to March 2003.

On this being pointed out by Audit, the Division intimated in January 2003 that it had issued a notice in August 2002 to the vehicle owners to pay additional fee wherever the application for renewal of permit was submitted less than 15 days before its expiry. In a further reply in November 2003, the Department stated that the arrears of additional fee would be realised during the subsequent renewal of taxes.

URBAN DEVELOPMENT & HOUSING DEPARTMENT

6.15 Non realisation of entertainment tax and penalty

The executive decision to levy slab rates of tax was legally not tenable and led to loss of government revenue. Non levy of penalty, and granting of permission to restart operations on part payment of outstanding dues was an undue favour extended to a cable operator resulting in a loss of Rs.89.41 lakh.

The Sikkim Entertainment Tax (Amendment) Act, 1998 read with sub-rules (4) and (5) of Rule 8 of the Sikkim Entertainment Tax (Amendment) Rules, 1998 required cable operators in the state to pay entertainment tax @ 25 *per cent* of the total payment received by way of subscription, contribution, installation and connection charges excluding the cost of cable wires on monthly basis, failing which a penalty of Rs.1 per connection per day was to be imposed.

In January 1999, the Sikkim Cable TV Operators Association appealed to the Government not to impose entertainment tax on the grounds that it was higher and beyond their capacity to pay. The Department with the approval of the Minister in May 1999 decided to levy tax at flat rates on the operators ranging between Rs.250 to Rs.10,000 per month depending on the category of bazaars/towns where the cable service was provided. The executive decision to levy tax at flat rates which was inconsistent with the provisions of the Sikkim Entertainment Tax (Amendment) Act, 1998 not only caused loss to Government revenues but was without jurisdiction and was legally untenable.

Reversing its earlier decision, the Department subsequently sent notices in March 2001 to the operators to pay entertainment tax at 25 *per cent* with effect from April 2000.

Test check of records revealed that a cable T.V. operator 'X' having largest customer base in the state continued to operate his business without payment of entertainment tax of Rs.41.88 lakh due from him from April 2001 to December 2001. The department suspended his licence only in December 2001. However in March 2003, the operator paid Rs.10.47 lakh out of the amounts due and was allowed to run his business without payment of balance amount of Rs.31.41 lakh due from him. Thus inaction on the part of the Department resulted in non-realisation of Rs.31.41 lakh. Besides, the operator was liable to pay penalty of Rs.58 lakh for non payment of tax for the period during which the default continued.

Thus, the laxity of the Department in vigorously enforcing the statute and its injudicious decision to allow 'X' to restart operations without realising the balance tax and penalty was an undue benefit extended to the operator which resulted in a loss of Rs.89.41 lakh (Rs.31.41+58 lakh) to the state.

The Department replied in November 2003 that the operation of 'X' had been suspended w.e.f October 2003 and action was initiated to cancel his licence. Further, it was also contemplating a suit against 'X' to recover the outstanding amount.

CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Introduction

7.1.1 Autonomous bodies and authorities are set up to discharge generally non-commercial functions on public utility services. These bodies/authorities by and large receive substantial financial assistance from the Government. The Government also provides substantial financial assistance to other institutions such as those registered under the Sikkim State Co-operative Societies Act, Registration of Companies Act, Sikkim, 1961, etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 2002-2003, financial assistance of Rs.13.52 crore was released to various autonomous bodies and institutions, broadly grouped as under:

Table-7.1

(Rupees in crore)

Sl. No.	Name of institutions	Amount of assistance paid
1.	Universities and Educational Institutions	1.85
2.	Zilla Parishad and Panchayati Raj Institutions	2.13
3.	Development Agencies	3.67
4.	Hospitals and other Charitable Institutions	0.05
5.	Other Institutions	5.82
	Total	**13.52 ***

* *The total figure of Rs.13.52 crore is based on departmental figures. It differs with the figure of Rs.4.07 crore shown in the Finance Accounts 2002-03 of the State Government. The difference is under reconciliation.*

7.2 Delay in furnishing utilisation certificates

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

Of the 457 utilisation certificates due in respect of grants and loans aggregating Rs.13.52 crore paid during the period 2002-2003, only 45 certificates for Rs.2.77 crore had been received by the grant releasing departments by 30 September 2003 and 412 certificates for an aggregate amount of Rs.10.75 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Table-7.2

Department	Number of certificates	Amount *(Rupees in lakh)*
Health and Family Welfare	8	45.00
Rural Development	30	371.08
Social Welfare	6	176.72
Art and Culture	61	65.60
Sports and Youth Affairs	14	20.56
Education	9	148.80
Co-operation	255	57.58
Tourism	7	14.90
Horticulture	16	10.00
Animal Husbandry and Veterinary Services	6	165
Total	**412**	**1075.24**

7.3 Audit arrangement

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

Table-7.3

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	2000-01 to 2004-2005	15 December 1999
2.	Sikkim Co-operative Milk Producers' Union Limited	1998-99 to 2002-2003	17 September 1998
3.	Sikkim Co-operative Supply and Marketing Federation Limited.	2000-01 to 2004-2005	02 November 2000
4.	Panchayati Raj Institutions	2001-02 to 2005-2006	27 August 2001

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

The status of submission of accounts by them and completion of audit as of September 2003 is given below:

Table-7.4

Sl. No.	Name of body	Annual accounts received upto	Annual accounts audited upto
1	Sikkim Khadi and Village Industries Board	1998-1999	1998-1999
2	Sikkim Co-operative Milk Producers' Union Limited	2000-01	2000-01
3.	Sikkim Co-operative Supply and Marketing Federation Ltd.	2001-02	2001-02
4.	Panchayati Raj Institutions	Entrusted with effect from August 2001	-

Against the 18 Institutions, which attracted Audit under Section 14 of the Comptroller and Auditor General's (DPCS) Act 1971, the position of accounts audited as of September 2003 is given below:

Table-7.5

Sl. No	Name of Body	Annual accounts finalised upto	Annual Accounts audited
1	State Leprosy Officer, East, Gangtok	2001-02	2001-02
2	Distt. Leprosy Officer, Gangtok	2001-02	2002-03
3	Distt. Leprosy Officer, West	2001-02	2001-02
4	Distt. Leprosy Officer, North	2001-02	2001-02
5	Distt. Leprosy Officer, South	2000-01	2001-02
6	Sikkim Renewable Energy Development Agency (SREDA)	2000-01	2000-01
7	Sikkim Institute of Higher Nyingma Studies (SHEDA)	2001-02	2001-02
8	Sikkim Research Institute of Tibetology	2001-02	2001-02
9	Institute of Hotel Management	2002-03	2002-03
10.	Society for Prevention and Control of Blindness	2001-02	2001-02
11.	National Aids Control Project	2001-02	2001-02
12.	Sikkim Institute of Rural Development	2001-02	2001-02
13.	Tashi Namgyal Academy	2001-02	2001-02
14.	Sikkim Rural Development Agency.	2000-01	2000-01
15.	Council of Science & Technology	2000-01	2000-01
16.	Paljor Namgyal Girls Senior Secondary School	2001-02	2001-02
17.	Sikkim State Illness Assistance Fund Association	2001-02	2001-02
18.	Sikkim Urban Development Agency	2001-02	2001-02

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies and Statutory corporations

8.1 Introduction

8.1.1 As on 31 March 2003, there were 12[+] Government companies (nine working companies and three non-working companies) and three Statutory corporations (three working Statutory corporations) as against the nine Government companies (six working companies and three non-working companies) and the same number of Statutory corporations (three working Statutory corporations) as on 31 March 2002 under the control of the State Government. The Companies Act, 1956 is not extended to the State of Sikkim. The companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government companies are audited by the Auditors who are directly appointed by the Board of Directors of the respective companies. The audit of these companies had been taken up by the Comptroller and Auditor General of India (CAG) on the request of the State Government under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

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

Table-8.1

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

[+] Three companies, viz., Sikkim Precision Industries Limited, Sikkim Poultry Development Corporation Limited and Sikkim Hatcheries Limited were formed in February 1999, March 1991 and August 1994 respectively but audit was entrusted to the CAG only in August 2002.

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

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

8.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

8.2.1 As on 31 March 2003, the total investment in 12 PSUs (nine Government companies and three Statutory corporations) was Rs.129.12 crore (equity Rs.64.21 crore and long-term loans•: Rs.64.91 crore) as against a total investment of Rs.119.87 crore (equity: Rs.56.11 crore and long term loans : Rs.63.76 crore) in nine PSUs (six Government companies and three Statutory corporations) as on 31 March 2002. The analysis of investment in working PSUs is given in the following paragraphs:

Working Government companies

8.2.2 Total investment in nine Government companies as on 31 March 2003 was Rs.117.49 crore (equity: Rs.53.12 crore and long term loans: Rs.64.37 crore) as against total investment of Rs.108.74 crore (equity: Rs.45.52 crore and long term loans: Rs.63.22 crore) as on 31 March 2002 in the six Government companies.

Increase in investment of Rs.8.75 crore was due to investment of Rs.4.42 crore (equity : Rs.4.16 crore and loan: Rs.0.26 crore) in newly formed Sikkim Precision Industries Limited, Sikkim Hatcheries Limited and Sikkim Poultry Development Corporation and additional equity and loans of Rs.4.33 crore received during 2002-03 in six working companies.

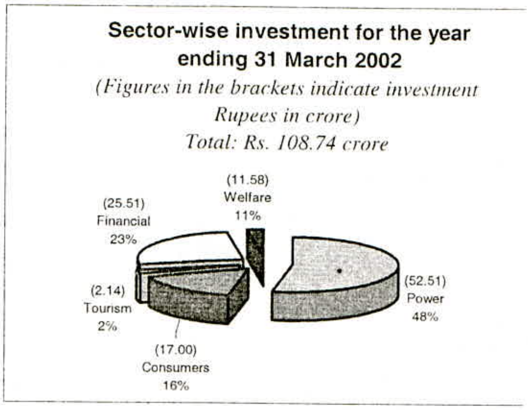
The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **APPENDIX-XVI.**

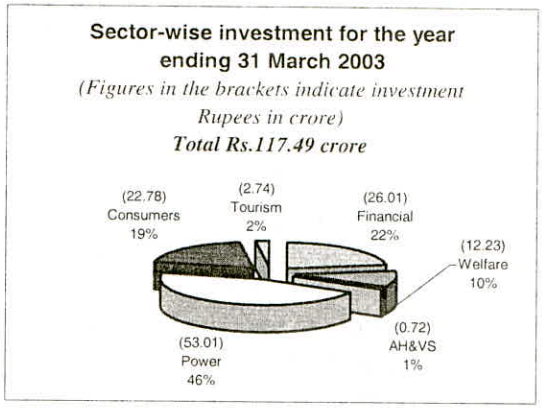
Sectorwise investment in working Government companies

8.2.3 As on 31 March 2003, in total investment of working Government companies, 45 *per cent* comprised equity capital and 55 *per cent* comprised loans compared to 42 *per cent* and 58 *per cent* respectively as on 31 March 2002. The sector-wise investment (equity including share application money and long term loans) for the years ended 31 March 2002 and 31 March 2003 is given in two separate pie charts below:

• Long term loans are excluding interest accrued and dues on such loans.

Chart-8.1





Working Statutory corporations

8.2.4 The total investment in three working Statutory corporations at the end of March 2002 and March 2003 was as follows:

Table-8.2

(Rupees in crore)

Name of Corporation	2001-2002		2002-03	
	Capital	Loan	Capital	Loan
State Bank of Sikkim (SBS)	0.58	-	0.58	-
Sikkim Mining Corporation (SMC)	8.88	0.54	9.39	0.54
State Trading Corporation of Sikkim (STCS)	1.11	-	1.11	-
Total	**10.57**	**0.54**	**11.08**	**0.54**

The summarised financial results of all the Statutory corporations are given in **APPENDIX-XVII** and financial position and working results of individual Statutory corporation are given in **APPENDIX-XIX** and **XX**.

8.3 Budgetary outgo, Subsidies, Guarantees and Waiver of dues

8.3.1 The details regarding budgetary outgo, subsidies, guarantees, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **APPENDIX-XVI** and **XVIII**

The budgetary outgo from the State Government to working Government companies and working Statutory corporations for the last three years ending 2002-03 in the form of equity capital, loans and subsidy is given below:

Table-8.3 *(Rupees in crore)*

	2000-2001				2001-2002				2002-2003			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	4	3.98	1	0.68	5	4.50	1	0.50	7	3.35	1	0.50
Loans	-	-	-	-	1	0.30	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total	**4**	**3.98**	**1**	**0.68**	**5**	**4.80**	**1**	**0.50**	**7**	**3.35**	**1**	**0.50**

During the year 2002-03, the Government had guaranteed loans/advances aggregating Rs.10 crore obtained by one working company. At the end of the year, guarantees amounting to Rs.73.07 crore against three Government companies (Rs.73 crore) and one Statutory corporation (Rupees seven lakh) were outstanding. There was no case of loans written off, interest waived, moratorium on loan repayment, conversion of loans into equity capital in any company or corporation during the year.

8.4 Finalisation of accounts by working PSUs

8.4.1 Accountability of Public Sector Undertakings to Legislature is to be achieved through the submission of audited annual accounts within the time schedule to the Legislature. It could be noticed from **APPENDIX-XVII**, out of nine working Government companies, only one company had finalised its accounts for the year 2002-03 and out of three Statutory corporations, none of the corporations had finalised their accounts for the year 2002-03 within the stipulated period.

During the period from October 2002 to September 2003, five working Government companies finalised accounts for previous years. Similarly, during this period only two working Statutory corporations finalised their accounts for the previous year.

The accounts of eight working Government companies and three working Statutory corporations were in arrears for the period from one to three years as on 30 September 2003 as detailed below:

Table-8.4

Sl. No.	Name of company / corporation	Period upto which accounts finalised	Period for which accounts in arrears	No. of years for which accounts in arrears
I	**A. Name of the company**			
	i. Sikkim Time Corporation Ltd.	2001-2002	2002-2003	1
	ii. SC, ST and OBC Development Corporation Ltd.	2001-2002	2002-2003	1
	iii. Sikkim Tourism Development Corporation	2001-2002	2002-2003	1
	iv. Sikkim Jewels Ltd	2001-2002	2002-2003	1
	v. Sikkim Industrial Development and Investment Corporation Limited	2001-2002	2002-2003	1
	vi. Sikkim Power Development Corporation	2001-2002	2002-2003	1
	vii. Sikkim Poultry Development Corporation Limited	2001-2002	2002-2003	1
	viii. Sikkim Hatcheries Limited	2001-2002	2002-2003	1

Sl. No.	Name of company / corporation	Period upto which accounts finalised	Period for which accounts in arrears	No. of years for which accounts in arrears
II	**B. Name of the Statutory corporation**			
	i. State Bank of Sikkim	2001-2002	2002-2003	1
	ii. Sikkim Mining Corporation	2000-2001	2001-2002 2002-2003	2
	iii. State Trading Corporation of Sikkim	1999-2000	2000-2001 2001-2002 2002-2003	3

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

8.5 Financial Position and working results of working PSUs

8.5.1 The summarised financial results of working PSUs (Government companies and Statutory corporations), as per latest finalised accounts are given in **APPENDIX-XVII**. Statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **APPENDIX-XIX** and **XX** respectively.

According to latest finalised accounts of nine working Government companies and three working Statutory corporations, five companies and two corporations had incurred an aggregate loss of Rs.1.17 crore and Rs.2.35 crore respectively, three companies and one corporation earned an aggregate profit of Rs.16.85 lakh and Rs.31.52 lakh respectively. One company, Sikkim Power Development Corporation is at the implementation stage.

8.6 Working Government companies

Profit earning working companies and dividend

8.6.1 As per latest finalised accounts, three companies *viz.* Sikkim Precision Industries Limited (SPIL), Sikkim Industrial Development and Investment Corporation Limited (SIDICO) and Sikkim Tourism Development Corporation (STDC) which finalised their accounts for 2002-03 (one company) and 2001-2002 (two companies) earned profit of Rs.16.85 lakh. None of the companies declared dividend during the year for which accounts were finalised.

Loss incurring working companies

8.6.2 Of the five loss incurring working companies, four companies had accumulated losses aggregating Rs.14.17 crore which represented 62 *per cent* of their paid up capital.

Working Statutory corporations

Profit earning Statutory corporation

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

Loss incurring Statutory corporation

8.6.4 Of the two loss incurring working Statutory corporations, one corporation *viz.* State Bank of Sikkim had accumulated losses aggregating Rs.23.27 crore which exceeded its aggregate paid up capital by Rs.22.69 crore.

Operational performance of working Statutory corporations

8.6.5 The operational performance of the working Statutory corporations for the last three years for which required information had been furnished by only two corporations is given in **APPENDIX-XXI.** It will be observed that in case of Sikkim Mining Corporation, percentage of capacity utilisation which was 73 in 2000-2001 came down to 22 in 2002-2003.

Return on Capital Employed

8.6.6 As per the latest finalised accounts (up to September 2003), the capital employed[1] worked out to Rs.99.16 crore in nine working companies and the total return thereon amounted to Rs.16.85 lakh which is 0.17 *per cent* as compared to total return of Rs.33 lakh in six companies (0.37 *per cent*) in 2001-02. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2003) worked out to Rs.187.18 crore and Rs.31.52 lakh (0.17 *per cent*), respectively, against the total return of Rs.31 lakh (0.21 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of each Government company and corporation is given in **APPENDIX-XVII.**

8.7 Non-working PSUs

Investment in non-working PSUs

8.7.1 As on 31 March 2003, the total investment in three non-working PSUs (Government companies) was Rs.1.27 crore (equity: Rs.1.27 crore) and there was no change from the position as on 31 March 2002.

The classification of non-working PSUs is as under:

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

Table-8.5

(Rupees in crore)

Sl. No.	Status of Non-working PSUs	Number of companies	Numbers of corporation	Investment			
				Companies		Corporations	
				Equity	Long terms loan	Equity	Long terms loan
i.	Under closure	2	-	0.58	-	-	-
ii.	Other*	1	-	0.69	-	-	-
	TOTAL	**3**	**-**	1.27	**-**	**-**	**-**

* *The operational function has been leased out.*

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

Budget outgo, grant, subsidy, guarantees, waiver of dues and conversion of loans into equity

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

The State Government had not given any budgetary support during 2002-03 to these non-working PSUs.

Total establishment expenditure of non-working PSUs

8.7.3 The year-wise details of total establishment expenditure of two non-working PSUs and the source of financing them during the last five years up to 2002-03 (reporting years) could not be analysed due to non-finalisation of accounts by the respective PSUs. One PSU *viz.* Sikkim Livestock Processing and Development Corporation is under lease.

Finalisation of accounts by non-working PSUs

8.7.4 The accounts of three non-working companies were in arrears for the periods ranging from one to eight years as on 30 September 2003 as could be noticed from **APPENDIX-XVII.**

Financial position and working results of non-working PSUs

8.7.5 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **APPENDIX-XVII.**

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

Table-8.6

(Rupees in crore)

Name of the Company *(Year of Accounts)*	Paid-up capital	Net-worth	Cash loss (-) / Cash profit (+)	ccumulated loss (-) / accumulated profit (+)
A. Non-working companies				
i. Sikkim Flour Mill Ltd. (1994-1995)	0.60	0.47	-	(-) 0.13
ii. Sikkim Livestock Processing and Development Corporation (2001-2002)	0.69	0.15	-*	(-) 0.54
iii. Chanmari Workshop and Automobiles Ltd (1994-1995)	0.002	(-)0.02	(-) 0.14	(-) 0.02

* Cash loss is Rs.17,387 only.

8.8 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

8.8.1 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India (CAG) in the Legislature by the Government.

Table-8.7

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

8.9 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

8.9.1 During the year 2002-03, there has been no privatisation (partial or complete) of any activity of these companies or corporations, and the Government has also not gone for disinvestments of shares in any company/corporation.

8.10 Results of audit by Comptroller and Auditor General of India

8.10.1 During the period from October 2002 to September 2003, the audit of 16 accounts of six working companies, three accounts of three working Statutory corporations and three accounts of one non working company were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Table-8.8

Details	No. of accounts				*Rupees in lakh*			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Decrease in profit	1	-	1	-	3.06	-	16.79	-
(ii) Increase in loss	4	3	2	-	7.02	7.42	3359.99	-

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

* During 2001-2002, the interest rebate claim of Rs.20.89 crore was shown as receivable from the Government of Sikkim by the State Bank of Sikkim (SBS) despite the refusal of the Government to reimburse the claim. This has resulted in overstatement of "Other Assets" with corresponding understatement of loss.

(SBS Annual Account 2001-02)

* The amount of Rs.56.59 lakh released by Government of Sikkim to Sikkim Poultry Development Corporation Limited (SPDCL) as equity during 1992-93 and 1993-94 was booked as grant in aid. Further, Rs.55.06 lakh released as equity for acquisition of land during 1992-93 and 1993-94 were not accounted for in the accounts. This has resulted understatement of paid up share capital by Rs.1.12 crore.

(SPDCL Annual Accounts 1996-97)

* Non provision of tax liability in the annual accounts of the corporations has resulted in overstatement of profit by Rs.16.79 lakh by State Trading Corporation of Sikkim (STCS) and also under statement of loss by Rs.27.68 lakh by State Bank of Sikkim (SBS) and Rs.3.90 lakh by Sikkim Mining Corporation (SMC).

(STCS Annual Account 1999-00)
(SBS Annual Account 2001-02)
(SMC Annual Account 1999-2000)

8.11 Response to Inspection Reports, Draft Paragraphs and Reviews

8.11.1 Audit observations noticed during audit and not settled on the spot are communicated to Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of the PSUs are required to furnish replies to the Inspection Reports within a period of four weeks. Inspection Reports up to March 2003 pertaining to 12 PSUs disclosed that the 128 paragraphs relating to 40 Inspection Reports remained outstanding at the end of September 2003. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2003 are given in **APPENDIX-XXII.**

8.12 Position of discussion of Audit Reports (Commercial) by the Public Accounts Committee (PAC)

8.12.1 The reviews and paragraphs of the Commercial Chapter of the Audit Report, Government of Sikkim pending for discussion by Public Accounts Committee as at the end of March 2003 were as below:

Table-8.9

Period of Audit Report	Total number of reviews and paragraphs in the Commercial Chapter		No. of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-2001	-	3	-	3
2001-2002	-	3	-	3

SIKKIM HATCHERY LIMITED

8.13 Operational losses

Due to construction activities not being taken up in a planned manner, Sikkim Hatcheries Limited in the first four years of its commercial operations alone, incurred operational losses aggregating Rs.47 lakh.

The Sikkim Hatcheries Limited (SHL) was incorporated in August 1994 under the Sikkim Registration of Companies Act, 1961 as a joint sector company (Government – 96 *per cent*, Privately – 4 *per cent*) promoted by Sikkim Poultry Development Corporation Ltd. (SPDCL), a State Government undertaking and Venkateshwara Hatcheries Limited, a private company. On 8 April 1994, Management approved a project estimated at Rs.2.56 crore for setting up a breeding farm for 10,000 broiler breeders and 5,000 layer breeders with hatchery of matching capacity and feed mill for captive consumption.

Scrutiny of records (June 2003) showed that the hatchery building, fencing, approach road, water supply, etc., were completed by January 1999, 18 months behind schedule at a cost of Rs.64.52 lakh. The breeder shed, grower shed and layer shed required for layer breeders and broiler parents were not taken up for construction though this infrastructure was essential for production of eggs required by the hatchery unit for hatching layer and broiler chicks. Due to this omission, the projected production of eggs could not commence and the eggs were sourced from outside.

During February 1999 to March 2002, SHL procured 24,51,242 eggs at a cost of Rs.2.08 crore, out of which 18,24,499 chicks were hatched which generated a revenue of Rs.2.99 crore (including other receipts of Rs.0.08 lakh). As against this, SHL purchased chicks and feed worth Rs.55 lakh in addition to incurring establishment and other fixed costs totalling Rs.83 lakh during this period. As a result instead of the anticipated profit of Rs.1.04 crore in the first four years of its operation, SHL wound up with operational losses of Rs.47 lakh in the same period.

Thus, due to construction works not being taken up in a planned manner as envisaged in the project report, the breeding of broilers and layers with eggs produced in-house could not be started and SHL was forced to procure eggs for hatching from outside sources leading to its uneconomical running and operational losses.

The matter was reported to the management and Government in July 2003; their replies are awaited (December 2003).

SIKKIM POULTRY DEVELOPMENT CORPORATION LIMITED

8.14 Unproductive expenditure

With the corporation remaining dormant since its formation, the expenditure of Rs.47.88 lakh on establishment related expenditure was a waste of public funds.

The Sikkim Poultry Development Corporation Limited (SPDC) was established as a 100 *per cent* Government owned company in March 1991 under the Registration of Companies Act (Sikkim), 1961 with the following objectives:

- promote, establish, administer, own and run, improve, develop, finance directly or indirectly production, processing, storage and sale of poultry, poultry products, poultry feeds and equipment;
- provide services and assistance for the said purpose including capital, credit resources, technical and managerial;
- organise and assist production, collection, marketing, transport, distribution, sale, import and export of poultry, poultry products, poultry feeds and equipments;
- establish, maintain and operate poultry farms to produce poultry, poultry products, distribution, sale, import and export of poultry, poultry products, poultry feeds, equipments etc.

The audit of the SPDC was entrusted to the CAG in July 2002 by the State Government pursuant to which the first audit of the Corporation was carried out in June 2003. It was noticed in Audit that since its inception no action, whatsoever, was ever initiated by the SPDC to perform or discharge the objectives for which it was set up. It remained virtually a dormant organisation with not a single activity being taken up in the twelve years of its existence.

From the time of its formation till 2001-02, it was seen that the SPDC received Rs.56.59 lakh as equity participation and Rs.23.93 lakh as grants from the Government of Sikkim (GOS). Against the total receipts of Rs.80.52 lakh against which it also earned interest income of Rs.15.75 lakh, the SPDC spent a total of Rs.47.88 lakh on salaries and allowances (Rs.16.95 lakh); purchase of vehicles, POL, repair and maintenance (Rs.14.94 lakh); furniture and fixtures (Rs.5.49 lakh) and miscellaneous office expenditure (Rs.10.50 lakh) besides transferring Rs.43.83 lakh to Sikkim Hatcheries Limited (SHL), (Rs.31.83 lakh during July 1995 and Rs.12.00 lakh during January 1997) another Government company.

Against the backdrop of the SPDC's utter inactivity for twelve years, the expenditure of Rs.47.88 lakh on salaries, furniture, vehicles, etc. during this period was a waste of public funds.

The management's reply (August 2003) that SPDC carried out construction of building, approach road and other infrastructure for SHL is not germane to the fact that no activity was carried out by SPDC towards the fulfillment of objectives for which it was set-up, by the Government. The management further admitted that after the establishment and commencement of commercial production by the SHL, the importance and activities of SPDC got minimised.

STATE TRADING CORPORATION OF SIKKIM

8.15 Loss due to imprudent financial management

Investing in a bank without verifying its antecedents and financial soundness resulted in a loss of Rs.30.99 lakh.

State Trading Corporation of Sikkim (STCS) invested an amount of Rs.27.38 lakh with Sikkim Bank Limited (SBL) in February 1998 in a term deposit with a maturity value of Rs.32.19 lakh on 24 April 1999. STCS also opened two current accounts at Gangtok and Jorethang branches of the same Bank during January 1997 and February 1997 respectively, the amount payable (as on 29 March 1999) to STCS against which stood at Rs.1.95 lakh (Gangtok Rs.1.24 lakh and Jorethang Rs.0.71 lakh).

Before making these investments with SBL {a private bank registered during 1985 under the Registration of companies (Act), Sikkim, 1961}, the STCS did not verify the antecedents of the Bank and its financial soundness. Due to adverse financial conditions, SBL went under moratorium in March 1999 and was amalgamated with Union Bank of India (UBI) in December 1999. Out of a total claim (including interest) of Rs.34.14 lakh, UBI paid only Rs.3.15 lakh to STCS as its pro-rata share in terms of the scheme of amalgamation. The balance amount of Rs.30.99 lakh was not taken over by UBI as a liability.

Thus, an imprudent decision to invest in a private bank without verifying its credentials caused a loss of Rs.30.99 lakh to STCS.

The Managing Director, while accepting the loss, stated (November 2003) that investment was made in consideration of the fact that the SBL was one of the top performers and was offering higher rate of interest as compared to other Banks and further added that a committee of depositors and investors have been formed to recover the loss. However, as of November 2003, no recovery was made from the Bank.

The matter was reported to the Government in June 2003; their reply is awaited.

CHAPTER-IX

INTERNAL CONTROL & INTERNAL AUDIT IN GOVERNMENT DEPARTMENTS

CHAPTER-IX

INTERNAL CONTROL & INTERNAL AUDIT IN GOVERNMENT DEPARTMENTS

9.1 Internal Control (IC) and Internal Audit (IA) is a process with the objective of providing reasonable assurance about

- Effectiveness and efficiency of operations
- Reliability of financial procedures and reporting
- Compliance with applicable rules and regulations

The IA function in the Government of Sikkim (GOS) is performed through the Office of the Director of Internal Audit functioning under the administrative control of the Finance Department. The IA wing in the discharge of its responsibility is required to inspect at periodical intervals the various departments and subordinate offices of the State Government.

Internal Control (IC), on the other hand, is an inherent part of the day-to-day management process (i.e., planning, organising, directing and controlling) within a department /office. Internal Audit is a part of Internal Control mechanism.

Thus, while IA is an independent appraisal by an external agency of a department/office to ensure compliance of the above three stated objectives; IC is built-in in the procedures and practices of the department/office to achieve the same objectives.

To gauge the efficiency of the IA wing and IC mechanism in the Government of Sikkim, a review of

(i) the Office of the Director of Internal Audit and
(ii) the Building & Housing Department

was undertaken during September 2003.The findings are enunciated below:

Office of the Director of Internal Audit (Finance Department)

Introduction

9.2 The Directorate of Internal Audit (IA) was established in 1990 under the overall control of the Finance Department to act as a catalysing agent to help departments maintain accounts and records accurately and efficiently, set right records and correct mistakes at the initial stages and thus obviate many of the objections at later stages by the Statutory Auditor. In 1992, a broad guideline for Working of Internal Audit was framed which provided that the IA will:

- Audit all departments of the State Government, Pay and Accounts Offices and the Drawing and Disbursing Officers (DDOs).

- Pursue settlement of objections taken in test audit notes issued by the Statutory Auditor and other matters relating to statutory Audit.
- Conduct inspection of various units and offices by 'on the spot verification' of accounts records.
- Conduct a detailed check of accounts records and procedures in regard to disposal of assets.
- Make efforts to inspect all the offices at least once a year.
- Watch as to whether the progress made towards the settlement of outstanding objections are reviewed quarterly and appropriate further action taken to ensure their speedy settlement.

Organisational setup

9.3 The IA Directorate is headed by a Director (Additional Director w.e.f. July 2003), assisted by an Accounts Officer, two Senior Accountants, three Accountants, one Steno and one Lower Division Clerk.

Manpower

9.4 Considering that the State Government had 41 departments with as many as 271 DDOs, the IA wing was grossly under staffed for the task at hand. No action was ever taken during the last 13 years either by the Directorate or by the controlling department (Finance) to augment the manpower. A maiden attempt was made only in July 2003 by the present in- charge, Additional Director IA. However, as of September 2003, no additional manpower was posted in the IA wing.

Independence of Internal Audit

9.5 An adequate degree of independence from the executive branch of Government is essential for an effective IA system. The IA Wing is under the control of Finance Department and its staff are drawn from the Sikkim Finance & Accounts Service. Though there is no predetermined tenure for the officials in IA wing, they are usually posted back to State Government departments after rendering certain years of service in IA. In that eventuality, they then come under the administrative control of the head of the concerned department to which they are posted and the concerned head of the department becomes their Reporting Officer for writing Annual Confidential Reports (ACRs). Since ACRs are a vital tool for determining future carrier progression, the independence of IA officials is compromised to a large extent as eventually they are required to work under the heads of the department whom they may have audited.

Auditing Standards

9.6 Auditing Standards provide a framework for the establishment of procedures and practices to be followed in the conduct of an audit. They provide minimum guidance for the auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit. It was seen that the Directorate of Internal Audit has not developed any such Auditing Standards of it's own nor had it adopted the Auditing Standards of any other established audit organisation.

Training

9.7 Training is one of the important tools to equip auditors to be professionally competent and to keep themselves updated with the latest developments in the field of accounts and audit which would contribute towards conducting better and effective audit, better audit planning, reporting and monitoring. None of the IA staff were ever nominated for any training programmes since the creation of IA Wing in 1990.

Audit Planning

9.8 For efficient and optimum utilisation of the limited manpower, Audit Planning is a must. The Audit Planning methodology should be a result-based approach emphasising on results or objectives of audit as the starting point and aim at covering as many as auditee units as may be required to achieve the objective. It ensures

- Preparation of audit plan in advance to cover all the auditee units over a period of time.
- Determining frequency of audit, i.e. whether the audit is to conducted annually, bi-annually or tri-annually according to its importance.
- Optimising the use of available resources for achieving the audit objectives.
- Providing a framework for identifying the departments, programmes, common functions, which are significant and vulnerable to risks and serious irregularities and therefore needs urgent audit attention.

It was noticed that the IA had so far not adopted the concept of Audit Planning. It did not even have the list of auditee units under its purview of audit. As a consequence, conduct of effective and timely audit was compromised as would be seen from following:

- Out of 271 auditee units only 59 were audited during 1990-91 to 2002-03.
- The frequency of audit was not according to any fixed norms.
- Audit was conducted only once in respect of 36 units and twice and thrice in respect of 18 and five units respectively in the last 13 years.
- 212 units including all major works departments with considerable budget outlays and expenditures were not checked by IA at all.

Reporting and Issuing of Inspection Reports

9.9 According to para 11(b) of the Guidelines of the IA Wing, the inspection reports should invariably be discussed with the Head of the Office inspected and their comments if any, suitably incorporated in the report. Inspection Report should be issued after being vetted at the headquarters.

Test check of records revealed that none of the inspection reports were discussed with the heads of the offices/department. The system of issue of Preliminary Observation Memos (POM) was also not in vogue and as a result, balanced reporting which duly incorporated the views of the auditee units was not possible.

Follow up action of Inspection Reports

9.10 According to para 11(b) and 12 of the manuals/guidelines of the IA Wing, progress of settlement of the points raised in the reports should be watched by the Director of Internal Audit. He should also review all points outstanding at the time of next inspection and keep a watch over a settlement of audit objections issued by the Statutory Audit. The internal audit wing was required to maintain a register setting apart separate folios for each DDO for the purpose. The progress made towards the settlement of outstanding objections should be reviewed quarterly and appropriate further action taken to ensure their speedy settlement. This ensures not only the effectiveness of IA but is also beneficial to the concerned auditee units if corrective action is taken on the observations pointed out by IA.

It was seen that after the audit inspection of the auditee units, the inspection report is submitted to the Director/IA for records and its pursuance. A check revealed that the Directorate had no records such as monthly progress register, Objection Books, Monthly/Quarterly Reports on Settlement of old outstanding objections/observations. It was noticed that during 1990 to 2003, 59 units were audited by the IA of which departmental replies were received in 23 cases only. Reminders for pursuance of inspection reports were issued in respect of only 11 departments till September 2003.

Conclusion

9.11 The functioning of the IA Wing is still at a nascent stage. For its effective and efficient functioning, the following steps should be taken:

- The independence of the IA wing should be ensured
- The IA staff should be regularly deputed for training programmes.
- The manpower should be augmented
- Audit Planning must be implemented to ensure efficient and optimum use of IA resources.
- Auditing Standards should either be framed or adopted.
- Procedure for follow up action after reporting and issuing of Inspection Reports should be stringently followed.

Building & Housing Department (BHD)

Introduction

9.12 The BHD, headed by a Principal Chief Engineer-cum-Secretary and assisted by other technical and general staff, is engaged in the construction and maintenance of Government residential and non-residential buildings. The Department has one planning and five executing divisions[1]. A review of its IC system in the areas of manpower, asset management, accounting and financial procedures, stores, project management and record keeping revealed the following.

Manpower controls

No individual job analysis and assessment of manpower requirement

9.13 The Department had never assessed its manpower requirements on a systematic basis. Individual job specification, quantum of work, output, etc. were never analysed nor prescribed and the overall deficiency or surplus ever reviewed. The department furnished a list of 232 sanctioned posts against which 211 staff were stated to be on roll as of September 2003. However, it could not clarify on what basis the posts were sanctioned and records relating to sanctioning of these posts by the appropriate authorities were also not available with the department.

Formal allocation of work not done

9.14 There was no formal distribution of work and clear demarcation of functional responsibilities among the personnel of the Department in absence of which it was difficult to determine accountability and responsibility at different levels.

Need –based and rational deployment of staff absent

9.15 The BHD had not adopted any system to streamline or rationalise the deployment of staff to match individual skill and expertise with the job requirement, regular rotation of assignments to prevent monotony and ensure that staff over a period of time gained experience in different areas of work. There were no proper records to indicate how long a person was performing a particular duty in a particular section of the Department, there being no formal work assignment to each individual.

No proper handing /taking over of charge

9.16 The system, at the time of change of charge between two officials, of a formal handing over/taking over of charge and a detailed note describing the job

[1] Planning Division, North/East Division, South Division, West Division, Headquarters Division and Projects Division

responsibility, important pending item of works and particulars of important files and documents handed/taken over which is intended to ensure continuity and smooth flow of work was not in vogue in the Department.

It was observed that 56 officers/officials were transferred to the BHD during 2001-03. Out of these, only in one case was a handing/taking over note available with the Department. Even this note was deficient as it did not indicate a detailed job description, pending works and the particulars of records handed/taken over.

Lack of training

9.17 The BHD did not have any arrangement for its staff to attend training programmes on a regular basis to upgrade skills and improve productivity. During 2000-01 to 2002-03, only four persons (two each in technical and non-technical) were sent on training programmes - one administrative, one accounts and two technical.

Control over Assets

Non-maintenance of Assets Register

9.18 The Department was not aware of the assets under its control as it was not maintaining an Assets Register showing the total number of buildings (residential/non-residential) under its control, their date of creation, value and location.

Non-maintenance of allotment records of quarters

9.19 As on 31 March 2003, 2275 quarters were stated to be under the Department's administrative control according to a report furnished by it to the Finance Department in August 2003.

Test check of records showed that the Department had not maintained any records indicating the name and other particulars of the allotee, date of allotment, licence fee recoverable, furniture issued, etc. No information in this respect was also being periodically received from the field offices and consolidated or maintained in the head office. It was therefore, not clear how the Department could furnish reliable statistics on the position of Government quarters under its control as and when demanded by any authority. Thus, the latest figure of 2275 quarters furnished to the Finance Department in August 2003 could not be vouchsafed by Audit as there was no basic record to support its authenticity.

Unauthorised retention of quarters and non-recovery of licence fee at market rate

9.20 According to the information furnished by the Department, three officers have been occupying two Government quarters each - one quarter at the place of their posting in the districts and one at Gangtok. The Department did not take any steps to charge house rent from these officers at the market rate as prescribed vide Notification No. 1/BLDGS/2002 dated 7.3.2002 for the second quarter retained by them. Further, two Deputy Secretaries[2] who had both retired on 31 March 2003 were occupying Government quarters till the time of audit (September 2003) even though the Sikkim Government Servants' (Allotment of Quarters) Rules, 1993 permit retention of quarters after retirement only upto 90 days. Even in these two cases, house rent at the rate prescribed according to the notification *ibid* was not realised.

Accounting/Financial control

Account of materials purchased not maintained correctly and cost of materials not booked under ***'Miscellaneous Public Works Advances' (MPWA)***

9.21 Materials are purchased from budgetary allocations under 'stock suspense' and 'works'. Codal provisions stipulate that all relevant details/accounts are required to be maintained separately for items purchased from funds under 'stock suspense' and 'works'. A test check revealed that this stipulation was not followed by the Department.

According to para 104 of the Sikkim Public Works Code (SPWC), when advance payments are made to suppliers, this should be first debited to the suspense head 'MPWA'. When materials are received, the amount advanced should be debited to stock suspense or the concerned work duly crediting MPWA. A check of records revealed that the BHD made advance payments totalling Rs.2.95 crore during 5 February 2003 to 31 March 2003 to suppliers. The entire amount was booked under stock suspense/various works without routing it through MPWA and as a result final adjustment of the amount could not be ascertained in audit.

Delayed credit of funds into Government account

9.22 Para 321 of the SPWC stipulate that funds received by the Department for executing deposit works and earnest money from contractors should be remitted to the bank for deposit into Government account. It was observed that 10 Term Deposit Receipts (TDRs) aggregating Rs.6.35 lakh were sent to bank on 16 August 2001 out of which TDRs valuing Rs.2.46 lakh were accounted for in Government account by the bank only after 25 to 48 days of receipt of the same while TDRs valuing Rs.0.88 lakh were not accounted for till August 2003.

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[2](i) Sh. K.C. Rai (ii) Sh. Tshultim Bhutia

Similarly, although two cheques[3] for Rs.45.60 lakh and Rs.20.00 lakh received for deposit works were remitted to the bank on 21 January 2002 and 26 March 2003 respectively, the same were accounted for in Government account only on 30 January 2002 and 26 May 2003.

The Department did not enquire the reasons from the bank for not crediting the funds promptly into Government account and to ensure that similar delays did not recur in future.

Improper maintenance of Cash Book and no physical verification of cash done

9.23 Para 91(3) of the SPWC prescribes that the Cash Book should be balanced daily to ensure accuracy of postings, totals and balance. Para 91(11) further stipulates that the amount given as advance or imprest should be continued to be shown separately under the details of cash balance till the account is rendered and debited to final head of account. Para 91(12) requires that the full particulars of name of payee, name of work, reference to Measurement Book No. and page should be furnished in the " particulars" column in the Cash Book.

It was seen that the Department was not following the above codal provisions. In some cases full classification of receipts and charges were also not recorded in the Cash Book against each entry of receipt/payment as required under para 91(13) of the SPWC.

Rule 49(iii) of the Sikkim Financial Rules (SFR) stipulates that the Head of the Department (HOD) should make a surprise physical verification of the cash balance at least once a month and record a certificate on the cash book indicating the results of such verification. This provision of SFR was also not found complied with.

Control over stores

9.24 The Department could not furnish to audit records relating to stores acquisitions. There was no established system to assess the requirement of stores and materials for any period and procurements by the stores wing was ad-hoc in nature.

The department had no system to check the quality of materials received to ensure that the materials conformed to the specifications.

No annual physical verification report of stores as prescribed under Rule 136 of the SFR could be produced to audit and no exercise of this nature was conducted during the three years 2000-01, 2001-02 and 2002-03.

[3] (i) Cheque No. SBS 071403 dated 17 January 2002 for Rs.45.60 lakh and (ii) Cheque No. SBS 071404 dated 12 March 2003 for Rs.20.00 lakh

Half-yearly inspection of stores by a responsible officer to ensure that stores are not held unnecessarily in excess of requirement of a reasonable period, as prescribed by Rule 138 (1) of the SFR had also not been conducted during 2000-01, 2001-02 to 2002-03.

Security bond was not executed according to Rule 217(1) of the SFR, with the persons entrusted with the custody of cash/stores.

Control over project management/execution

Delay in completion of works.

9.25 Examination of the monthly progress report of works for the month ending August 2003 revealed that there was considerable delay, reasons for which were not cited in the report, in the execution of works by the BHD as shown below:

Table-9.1

	Period of delay ranging from					
	1 month to 6 months	**More than 6 months to 1 year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**More than 4 years**
No of works	**6**	**5**	**6**	**4**	**2**	**2**

Administrative control - non-maintenance of records

9.26 The SFR, Sikkim Public Works Code and Manual prescribe the maintenance of certain registers/records which are essential for the sound management of a works department. Some of these records/registers which were found not maintained by the BHD, their purpose and the consequences of their non-maintenance are shown in the table below:

Table-9.2

Sl No	**Name of Record / Register (SFR/SPWD Code/Manual Para No)**	**Purpose**	**Consequence of non-maintenance**
1.	Contractors' Ledger (SPW Code, Para 66)	Personal account maintained for each contractor to record the value of works done and recoveries to be made to ascertain the balance due to or due from the contractor	There was no ready availability of information with the Department regarding value of work done, recoveries to be made and the amounts due to or due from each contractor
2.	Buildings Registers (SPW Manual, Para 94)	Shows the location, value of land, value of building, type of building, cost & year of addition, etc., of all buildings under the control of the Department	The Department did not have a consolidated record of the assets created by it and hence was not aware of the assets under its control

Sl No	Name of Record / Register (SFR/SPWD Code/Manual Para No)	Purpose	Consequence of non-maintenance
3.	Register of Check Measurement (SPW Code, Para 222)	Collective record of test check of works/supplies done by the AE/DE before submitting bills for payment	The Department did not have in a consolidated form information in respect of all works whether test check of works/supplies was carried out by AE/DE before submission of bills for payment for record purposes and check by higher authorities.
4.	Purchase Order Register (SPW Code, Para 116)	To record all purchase/supply orders and payments	The Department could not readily determine at any given time the total purchase orders issued, value and quantity of materials ordered, to whom orders given, supplies received against orders, balance quantities to be received, payments made, etc.
5.	Register of Indents (SPW Code, Para 128)	To keep proper account of the Indent books (indents for issue of material from stores)	The Department was not in a position to check against possible misuse of the indent books.
6.	Register of issue & consumption of materials (SPW Code, Para 129)	To watch issue of materials for works with reference to the estimate to avoid excess issue of materials.	The Department was in no position to monitor progressive issue and consumption of materials (work-wise) with reference to the estimate to check against excess issue of materials.
7.	Tools and Plants Ledger (SPW Code, Para 149)	To maintain the accounts of tools and plants received and issued	Due to absence of T&P Register, audit could not ascertain whether the Department had any tools and plants. If it did have, there was no record to indicate their existence. If it did not have, it is not clear how departmentally executed works were carried out.
8.	Liability Register (Rules 83(6) of SFR)	To be maintained monthly by the Controlling officer indicating the latest position of outstanding liabilities to facilitate budgetary control and preparation of correct budget estimates, etc.	Due to non-maintenance of liabilities register, effective financial control and monitoring of expenditure by the controlling officer was doubtful. Audit was also not in a position to ascertain total liabilities of the Department.

Conclusion

9.27 The internal control mechanism of the BHD with regard to personnel and asset management, accounting and financial procedures, stores, project management/ execution and administration was beset with weaknesses and shortcomings. Individual job responsibilities and duties were not defined, personnel were not being rotated periodically between different assignments and training was a largely ignored activity. The Department did not have any idea of the buildings and residences under its control, expenditure on purchase of materials was not being accounted and adjusted as per codal provisions, cash book was not being maintained properly, physical verification of stores had not been carried out in the last three years, completion of various works were delayed and important records/registers were not maintained. It is recommended that the Department take remedial measures in these areas so that an effective degree of internal control is established.

Gangtok
The 29 MAY 2004

(A.W.K. LANGSTIEH)
Accountant General (Audit), Sikkim

Countersigned

New Delhi
The 04 JUN 2004

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

APPENDICES

APPENDIX-I

(Reference: Paragraph 1.1: Page 1)

Part A-Government Accounts

1. Structure:

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State constituted under Article 266 (1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.)

Part II: Contingency Fund.

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorization from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislate during the year was Rs 200 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits reserve funds, suspense remittances, etc., which do not form part of the Consolidated Fund are accounted for in Public Account and are not subject to vote by the State Legislature.

2. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B- List of terms used in the Chapter-1 and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount)-1] *100
Trend/ Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1996-97) Amount of 2001-02)-1) *100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Libilities)/2]*100
Interest spread	GSDP growth – Weighted interest rates
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt minus all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt.

SIKKIM								Average
	97-98	98-99	99-2k	2000-01	2001-02	2002-03	Trend	
Revenue Receipts	1299.47	1440.66	1511.83	862.60	1807.18	2080.52	7.32	
Tax Revenue	36.50	46.76	49.07	65.39	80.39	105.53	22.91	69
Taxes on Sales, Trade, etc.	12.71	13.06	13.64	24.50	34.97	41.42	30.99	
State Excise	10.81	11.86	13.39	17.61	17.59	22.45	15.72	
Taxes on Vehicles	1.54	1.51	1.69	1.54	1.97	2.35	8.38	
Other Taxes	11.44	20.33	20.35	21.74	25.86	39.31	22.00	
Non-Tax Revenue	929.83	1020.91	1042.75	289.02	1128.21	1315.84	2.17	959
State's share of Union taxes and duties	79.91	92.21	99.54	72.20	84.83	77.20	-2.10	85
Grants-in-aid from GOI	253.24	280.78	320.47	435.99	513.75	581.95	19.66	427
Revenue Receipts	1299.48	1440.66	1511.83	862.60	1807.18	2080.52	7.32	
Recoveries of Loans and Advnaces	0.72	0.92	1.07	1.46	1.14	1.28	11.57	
Public Debt Receipts	61.75	95.54	146.73	69.12	91.37	78.53	0.90	
Revenue expenditure	1258.19	1495.60	1509.97	763.31	1664.25	1882.62	4.84	
Plan	116.32	159.77	134.60	155.93	192.67	248.03	13.70	
Non-Plan	1141.86	1335.83	1375.37	607.38	1471.58	1634.59	3.69	
General Services	986.90	1127.77	1143.87	406.01	1254.02	1405.75	3.05	
Interest Payments	40.94	52.47	67.92	78.67	84.16	89.53	16.94	
Social Services	143.45	212.21	196.26	192.49	226.67	238.74	8.10	
Economic Services	127.84	155.63	169.84	164.81	183.56	238.13	10.76	
Grants-in-aid and Contributions	3.08	2.17	3.49	8.39	12.07	7.80	35.65	
Capital Expenditure	107.23	91.76	94.34	150.92	210.73	208.98	19.72	
Plan	107.23	91.76	94.34	150.92	210.73	208.98	19.72	
Non-Plan	0.00	0.00	0.00	0.00	0.00	0.00		
General Services	6.59	4.60	3.87	4.45	8.14	11.49	14.15	
Social Services	33.06	29.72	36.18	50.32	73.44	83.66	24.56	
Economic Services	67.58	57.44	54.29	96.15	129.15	113.83	17.38	
Loans and Advances	1.80	1.08	1.14	0.33	0.19	0.06	-48.84	
Total Expenditure	1367.22	1588.44	1605.45	914.56	1875.17	2091.66	6.07	
Repayment of Public Debt	27.10	32.99	14.02	32.66	34.20	40.35	8.78	
Appropriation to Con. Fund	0.50	0.00	0.00	0.00	0.00	0.00	0.00	
Total Disbursement in CFI	1394.82	1621.43	1619.47	947.22	1909.37	2132.01	6.11	
Revenue Deficit	41.28	-54.94	1.86	99.29	142.93	197.90	2.48	
Fiscal Deficit	-67.03	-146.86	-92.55	-50.50	-66.85	-9.86	-73.32	
Primary Deficit	-26.09	-94.39	-24.63	28.17	17.31	79.67	1.23	
GSDP	651.06	781.84	840.03	976.34	1072.37	1152.73	964.66	
Outstanding Debt (year end)	356.69	503.67	676.34	729.37	806.06	867.68	716.62	

ANNUAL GROWTH RATES								
Revenue Receipts		10.87	4.94	-42.94	109.50	15.13	7.32	
Tax Revenue		28.11	4.94	33.26	22.94	31.27	22.91	
GSDP		20.09	7.44	16.23	9.84	7.49	11.96	
DEBT		41.21	34.28	7.84	10.51	7.64	18.47	
REXPENDITURE		18.87	0.96	-49.45	118.03	13.12	4.84	
WEIGHTED INTEREST RATES		12.20	11.51	11.19	10.96	10.70	11.31	
TAX BUOYANCY		1.40	0.66	2.05	2.33	4.17	1.92	
REVENUE BUOYANCY		0.54	0.66	-2.65	11.13	2.02	0.61	
DEBT BUOYANCY		2.05	4.61	0.48	1.07	1.02	1.54	
Debt/Revenue Buoyancy		3.79	4.37	1.59	-0.24	0.07	2.52	
RExp Buoyancy with GSDP		0.94	0.13	-3.05	12.00	1.75	0.40	
RExp Buoyancy with RR		1.74	0.19	1.15	1.08	0.87	0.66	
SalesTax	34.82	27.93	27.80	37.47	43.50	39.25	30.99	
Excise Duties	29.62	25.36	27.29	26.93	21.88	21.27	15.72	
Others	35.56	46.71	44.92	33.45	34.62	39.48	20.58	
REVENUE SHARE								
Own Tax	2.81	3.25	3.25	7.58	4.45	5.07	4.72	14.53
Own Non Tax	71.55	70.86	68.97	33.51	62.43	63.25	59.80	-4.79
Central TaxTransfers	6.15	6.40	6.58	8.37	4.69	3.71	5.95	-8.78
Grants in aid	19.49	19.49	21.20	50.54	28.43	27.97	29.53	11.50
R EXPENDITURE								
General Services	78.44	75.41	75.75	53.19	75.35	74.67	70.87	
Interest Payments	3.25	3.51	4.50	10.31	5.06	4.76	5.63	
social Services	11.40	14.19	13.00	25.22	13.62	12.68	15.74	
Economic Services	10.16	10.41	11.25	21.59	11.03	12.65	13.38	
RE as % to TE	92.03	94.16	94.05	83.46	88.75	90.01	90.59	
RE as % of RR	96.82	103.81	99.88	88.49	92.09	90.49	105.69	
Revenue Receipts	1299.47	1440.66	1511.83	862.60	1807.18	2080.52	1540.56	
Own Tax Revenue								
Taxes on Sales, Trade, etc.	12.71	13.06	13.64	24.50	34.97	41.42	25.52	
State Excise	10.81	11.86	13.39	17.61	17.59	22.45	16.58	
Other Taxes	12.98	21.84	22.04	21.87	27.83	41.66	27.05	
Revenue expenditure	1258.19	1495.60	1509.97	763.31	1664.25	1882.62	1463.15	
RExp Buoyancy with GSDP	0.00	0.94	0.13	-3.05	12.00	1.75	0.40	
TAX BUOYANCY		1.40	0.66	2.05	2.33	4.17	1.92	
REVENUE BUOYANCY		0.54	0.66	-2.65	11.13	2.02	0.61	
Debt/Revenue Buoyancy		3.79	4.37	1.59	-0.24	0.07	2.52	
Sales Tax/GSDP	0.02	0.02	0.02	0.03	0.03	0.04	0.03	
Own Tax/GSDP	0.06	0.06	0.06	0.07	0.07	0.09	0.07	
Revenue/GSDP	2.00	1.84	1.80	0.88	1.69	1.80	1.60	

RE/GSDP	1.93	1.91	1.80	0.78	1.55	1.63	1.52	
TE/GSDP	2.10	2.03	1.91	0.94	1.75	1.81	1.67	
Debt/GSDP	0.55	0.64	0.81	0.75	0.75	0.75	0.74	
Revenue Deficit/Fiscal Deficit	-0.62	0.37	-0.02	-1.97	-2.14	-20.07	-0.03	
Capital Exp/Fiscal Deficit	-159.97	-62.48	-101.93	-298.85	-315.23	-2119.47	-26.90	
Loans & Advances/FD	-2.69	-0.74	-1.23	-0.65	-0.28	-0.61		
FISCAL HEALTH INDEX								
Revenue Buoyancy	0.00	0.54	0.66	-2.65	11.13	2.02	0.61	
Tax Buoyancy	0.00	1.40	0.66	2.05	2.33	4.17	1.92	
Revenue Receipts/GSDP	2.00	1.84	1.80	0.88	1.69	1.80	1.60	
Own Tax/GSDP	5.61	5.98	5.84	6.70	7.50	9.15	7.20	
Sales Tax/GSDP	1.95	1.67	1.62	2.51	3.26	3.59	2.65	
DE/TE	0.27	0.29	0.28	0.55	0.33	0.32	0.35	
CE/TE	0.08	0.06	0.06	0.17	0.11	0.10	0.10	
OR/RE	0.77	0.71	0.72	0.46	0.73	0.75	0.68	
IP/RR (INV)	31.74	27.46	22.26	10.96	21.47	23.24	21.08	
IP (RE) (INV)	30.73	28.50	22.23	9.70	19.77	21.03	20.25	
CEL/TE	0.08	0.06	0.06	0.17	0.11	0.10	0.10	
Byoyancy with RR (INV)		0.58	5.14	-0.10	0.93	1.15	1.51	
Plan/TE	0.16	0.16	0.14	0.34	0.22	0.22	0.21	
RE/RR (INV)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	
RD/GSDP	0.06	-0.07	0.00	0.10	0.13	0.17	0.00	
FD/GSDP	-0.10	-0.19	-0.11	-0.05	-0.06	-0.01	-0.08	
PD/GSDP	-0.04	-0.12	-0.03	0.03	0.02	0.07	0.00	
RD/FD (INV)	-1.62	2.67	-49.76	-0.51	-0.47	-0.05	-29.55	
Fiscal Liabilities/NSDP (IN)	1.83	1.55	1.24	1.34	1.33	1.33	1.35	
Byuoyancy (INV)		0.49	0.22	2.07	0.94	0.98	0.65	
Buoyanct RR (INV)		0.26	0.23	0.63	-4.08	14.32	0.40	
NSDP-Interrest Spread		7.89	-4.07	5.03	-1.13	-3.20	0.65	
RR/FL		2.86	2.24	1.18	2.24	2.40	2.18	
OR/FL	2.71	2.12	1.61	0.49	1.50	1.64	1.47	
General services/TE	72.66	71.29	71.49	44.88	67.31	67.76	64.54	-2.78
Interest Payments/TE	2.99	3.30	4.23	8.60	4.49	4.28	4.98	10.25
Social services/TE	12.91	15.23	14.48	26.55	16.00	15.41	17.54	4.80
Economic Services/TE	14.29	13.41	13.96	28.53	16.68	16.83	17.88	6.44

Loans & Advances/TE	0.13	0.07	0.07	0.04	0.01	0.00	0.04	-51.77
TE Growth	0.00	16.18	1.07	-43.03	105.04	11.55	6.07	
TE Buoyancy GSDP	0.00	0.81	0.14	-2.65	10.68	1.54	0.51	
TE Buoyancy RR	0.00	1.49	0.22	1.00	0.96	0.76	0.83	
RR/TE		0.91	0.94	0.94	0.96	0.99	0.95	
Plan Exp	223.55	251.53	228.94	306.85	403.40	457.01	329.55	16.30
Social services	176.51	241.93	232.44	242.81	300.11	322.40	267.94	11.16
Economic Services	195.42	213.07	224.13	260.96	312.71	351.96	272.57	12.89
RR/RE		0.96	1.00	1.13	1.09	1.11	1.06	
CE	107.23	91.76	94.34	150.92	210.73	208.98	151.35	19.72
TE	1365.42	1587.36	1604.31	914.23	1874.98	2091.60	1614.50	6.09
General services	993.49	1132.37	1147.74	410.46	1262.16	1417.24	1073.99	3.11
Interest Payments	40.94	52.47	67.92	78.67	84.16	89.53	74.55	16.94
Loans & Advances	1.80	1.08	1.14	0.33	0.19	0.06	0.56	-48.84
Own Resources	966.33	1067.67	1091.82	354.41	1208.60	1421.37	1028.77	3.42
		10.49	2.26	-67.54	241.02	17.60	10.57	
Table-1								
Revenue Receipts		1440.66	1511.83	862.60	1807.18	2080.52	1540.56	
Rate of Growth		10.87	4.94	-42.94	109.50	15.13	7.32	
Revenue Receipt/GSDP		184.27	179.97	88.35	168.52	180.49	159.70	
Revenue Buoyancy		0.54	0.66	-2.65	11.13	2.02	0.61	
Table-2								
Own Taxes		3.25	3.25	7.58	4.45	5.07	4.72	
Non-Tax Revenue		70.86	68.97	33.51	62.43	63.25	59.80	
Central tax Transfers		6.40	6.58	8.37	4.69	3.71	5.95	
Grants-in aid		19.49	21.20	50.54	28.43	27.97	29.53	
Table-3								
Own Taxes		22.91	1.92	7.20	4.72	14.53		
Non-Tax Revenue		2.17	0.18	99.45	59.80	-4.79		
Central tax Transfers		-2.10	-0.18	8.83	5.95	-8.78		
Grants-in aid		19.66	1.64	44.22	29.53	11.50		
Table-4								
Total Expenditure		1588.44	1605.45	914.56	1875.17	2091.66	1615.06	
Rate of Growth		16.18	1.07	-43.03	105.04	11.55	6.07	
TE/GSDP		203.17	191.12	93.67	174.86	181.45	167.42	
Expenditure Buoyancy		90.70	94.17	94.32	96.37	99.47	95.01	
GSDP		0.81	0.14	-2.65	10.68	1.54	0.51	
Revenue Receipts		1.49	0.22	1.00	0.96	0.76	0.83	
Table -5								
General Services		67.85	67.04	35.36	62.13	63.05	59.58	
Interest Payments		3.30	4.23	8.60	4.49	4.29	4.98	
Social Services		15.23	14.48	26.55	16.03	15.41	17.54	
Economic Services		13.41	13.96	28.53	16.68	16.83	17.88	
Loans & Advances		0.07	0.07	0.04	0.01	0.00	0.04	
Table-6								
Revenue Expenditure		1495.60	1509.97	763.31	1664.25	1882.62	1463.15	
Rate of Growth		18.87	0.96	-49.45	118.03	13.12	4.84	

RE/GSDP		191.29	171.75	78.98	144.19	163.32	151.67	
RE as % of TE		94.16	94.05	83.46	88.75	90.01	90.59	
Buoyancy		103.81	99.88	88.49	92.09	90.49	105.69	
GSDP		0.94	0.13	-3.05	12.00	1.75	0.40	
Revenue Receipts		1.74	0.19	-10.01	1.08	0.87	0.66	
Table-7								
Plan Expenditure		15.85	14.27	33.56	21.51	21.85	20.41	
Capital Expenditure		5.78	5.88	16.51	11.24	9.99	9.37	
Development Expenditure		28.66	28.46	55.10	32.71	32.24	33.49	
Table-8								
General Services		1.95	102.87	64.56	-2.83	0.26	0.42	
Interest Payments		17.01	7.73	4.98	10.26	1.42	2.32	
Social Services		11.17	27.79	17.54	4.81	0.93	1.53	
Economic Services		12.94	28.26	17.88	6.48	1.08	1.77	
Loans & Advances		-44.97	0.06	0.04	-48.12	*	*	
Table-9								
Revenue deficit		-54.94	1.86	99.29	142.93	197.90	2.48	
Fiscal deficit		-146.86	-92.55	-50.50	-66.85	-9.86	-73.32	
Primary Deficit		-94.39	-24.63	28.17	17.31	79.67	1.23	
RD/GSDP		-7.03	0.22	10.17	13.33	17.17	0.26	
FD/GSDP		-18.78	-11.02	-5.17	-6.23	-0.86	-7.60	
PD/GSDP		-12.07	-2.93	2.89	1.61	6.92	0.13	
RD/FD		37.41	-	-	-	-	-	
Table-10								
Fiscal Liabilities		519	702	750	827	888	737	
Rate of Growth		40.65	35.26	6.84	10.27	7.38	18.21	
GSDP		66.37	83.57	76.84	77.15	77.02	76.43	
Revenue Receipt		36.03	46.43	86.91	45.77	42.68	47.85	
Own Resources		48.61	64.30	211.26	68.46	62.47	71.66	
Debt Buoyancy								
GSDP		2.020	4.754	0.422	1.044	0.976	1.522	
Revenue Receipt		3.742	7.138	*	0.094	0.487	2.488	
Own resources		3.876	15.588	*	0.043	0.417	5.325	
Table-11								
Weighted Interest Rate		11.82	11.13	10.84	10.65	10.50	10.99	
GSDP Growth		20.12	7.42	16.19	9.84	7.56	11.96	
Interest spread		8.31	-3.71	5.35	-0.82	-2.94	0.98	

* Loans and Advances had a negative growth

APPENDIX – II

(Ref: Paragraph No 2.3.4 Page 20)

Statement showing unnecessary supplementary provision

(Rupees in lakh)

Sl No	Grant No and Name of Grant	Original provision	Supplementary provision	Total provision	Expenditure during the year	Savings
	Revenue					
1	2	3	4		5	6
1	18-Information & Public Relations	404.87	15.00	419.87	376.31	43.56
2	21-Judiciary	400.71	15.21	415.92	319.88	96.04
3	27-Motor Vehicles	95.36	5.67	101.03	94.98	6.05
4	30-Planning & Development	1397.40	8.41	1405.81	425.82	979.99
5	Public Service Commission	45.70	4.00	49.7	44.22	5.48
6	35-Roads & Bridges	3114.36	164.40	3278.76	2431.04	847.72
7	40-Sports & Youth Affairs	196.42	14.00	210.42	183.77	26.65
8	1-Agriculture	2239.64	40.53	2280.17	1648.37	631.80
9	3-Building & Housing	597.57	4.82	602.39	591.77	10.62
10	4-Co-operation	393.71	1.93	395.64	381.28	14.36
11	7-Education	13307.04	113.70	13420.74	12967.31	453.43
12	12-Food & Civil Supplies & Consumer Affairs	976.25	18.23	994.48	728.21	266.27
13	13-Forestry & Wildlife	2901.55	352.05	3253.6	2469.35	784.25
14	14-Health & Family Welfare	4360.13	180.00	4540.13	4077.85	462.28
	Capital					
15	31-Police	262.00	61.40	323.4	249.20	74.20
16	32-Power	6940.00	1015.00	7955	5432.40	2522.60
17	34-Public Health Engineering	2278.94	313.97	2592.91	1200.16	1392.75
18	35-Roads & Bridges	5357.93	259.56	5617.49	3376.02	2241.47
19	36-Rural Development	3250.00	330.00	3580	3133.62	446.38
20	40-Sports & Youth Affairs	943.00	74.60	1017.6	582.74	434.86
21	42-Urban Development & Housing	1098.00	539.50	1637.5	839.51	797.99
22	17-Industries	395.00	25.00	420	305.06	114.94
	Total	**50955.58**	**3556.98**	**54512.56**	**41858.87**	**12653.69**

APPENDIX-III

(Ref: Paragraph No. 2.3.7 Page 21)

Statement showing surrender less than actual savings

(Rupees in crore)

Sl. No.	Grant No	Name	Actual savings	Amount actually surrendered	Less Amount surrendered
1	2	3	4	5	6
REVENUE					
1	1	Agriculture	6.32	6.25	0.07
2	2	Animal Husbandry	0.45	0.39	0.06
3	3	Building & Housing	0.11	0.09	0.02
4	4	Co-operation	0.14	0.09	0.05
5	7	Education	4.53	1.98	2.55
6	11	Fisheries	0.18	0.13	0.05
7	12	Food & Civil Supply & Consumer Affairs	2.66	2.61	0.05
8	13	Forestry & Wildlife	7.84	7.56	0.28
9	14	Health & Family Welfare	4.62	4.33	0.29
10	16	Horticulture	1.23	1.19	0.04
11	21	Judiciary	0.96	0.72	0.24
12	25	Legislature	0.11	0.05	0.06
13	26	Mining & Geology	0.05	0.01	0.04
14	30	Planning & Development	9.80	8.81	0.99
15	31	Police	4.34	4.26	0.08
16	32	Power	0.70	0.42	0.28
17	34	Public Health Engineering	0.03	0.01	0.02
18		Public Service Commission	0.05	0.00	0.05
19	35	Roads & Bridges	8.48	0.23	8.25
20	36	Rural Development	0.53	0.33	0.20
		Total (Revenue)	**53.13**	**39.46**	**13.67**
CAPITAL					
1	7	Education	5.26	5.19	0.07
2	23	Land revenue	0.24	0.20	0.04
3	32	Power	25.23	22.55	2.68
4	34	Public Health Engineering	13.93	12.69	1.24
5	35	Roads & Bridges	22.41	15.87	6.54
6	39	Social welfare	0.88	0.24	0.64
7	40	Sports & Youth Affairs	4.35	4.00	0.35
8	42	Urban Development & Housing	7.88	5.67	2.21
		Total (Capital)	**80.18**	**66.41**	**13.77**
		Grand Total	**133.31**	**105.87**	**27.44**

APPENDIX – IV

(Ref : Paragraph No. 2.3.9 Page 21)

Statement showing surrender in excess of actual savings

(Rupees in lakh)

Sl. No	Grants No	Name	Actual savings	Amount actually Surrendered	Excess Amount Surrendered
REVENUE					
1	6	Ecclesiastical	4.82	10.17	5.35
2	8	Election	15.43	17.44	2.01
3	15	Home	1.55	2.03	0.48
4	17	Industries	00.09	14.83	14.74
5	42	Urban Development & Housing	118.82	120.58	1.76
CAPITAL					
6	3	Building & Housing	86.76	88.00	1.24
7	41	Tourism	9.81	10.00	0.19
		Total	**237.28**	**263.05**	**25.77**

APPENDIX-V

(Ref.: Paragraph No. 2.3.10 Page 21.)

Statement showing persistent Savings

(Rupees in lakh)

Sl.No	GRANT & NAME	2000-01	2001-02	2002-03
	REVENUE			
1	8- Election	16.29 (20)	16.17 (21)	15.43 (19)
2	12- Food & Civil Supply & Consumer Affairs	988.25 (71)	683.81(46)	266.27 (27)
3	21-Judiciary	67.50(26)	39.19 (18)	96.04 (23)
	CAPITAL			
1	32-Power	590.57 (15)	662.29 (12)	2522.59 (32)
2	34- Public Health Engineering	1927.29 (52)	127.32 (11)	1392.75 (54)

(Figures in brackets indicate percentage to total provision)

APPENDIX – VI

(Ref: Paragraph No. 2.3.11 Page 21)

Statement showing the Grants in which the expenditure fell short by more than Rs.10 lakh and also by 10 *per cent* or more of the total Provision

(Rupees in lakh)

Sl. No	Grant No and Name of Grant / Appropriation	Amount of Saving (percentage of saving to the provision)	Reasons for saving
1	*2*	*3*	*4*
REVENUE			
1	1 - Agriculture	631.80 (28)	Mainly due to (i) non-receipt of approval from GOI (ii) transfer, deputation from Department & non-submission of bills.
2	8 - Election	15.43 (19)	Reasons not stated
3	12 - FCS&CA	266.27 (27)	Mainly due to (i) withdrawal of subsidy on rice for consumers of APL (ii) non-finalisation of list of beneficiaries of below poverty level and Above poverty level categories of consumers during the year etc.
4	13 - Forestry & Wildlife	984.25 (24)	Mainly due to (i) non-receipt of fund from Government of India (ii) non-finalisation and non-completion of work.
5	14 - Health & Family Welfare	462.28 (10)	Mainly due to (i) Withdrawal of Central grant under rural family welfare scheme (ii) restructuring of Family Welfare Department (iii) withdrawal of provision by GOI under post portam at District level, (iv) non organising of regular sterilisation camp for want of anaesthetic.
6	16 - Horticulture	122.77 (17)	Mainly due to non-implementations of scheme.
7	18 - Information & Public Relations	43.56 (11)	Mainly due to non-completion of purchase of books during the year.
8	21 - Judiciary	96.04(23)	Mainly due to (i) non appointment of 2nd judge in the High Court from April 2002 to December 2002 (ii) refusal of Government of India to the utilisation proposal of the High court of Sikkim for construction of High Court building & (iii) surrender of post as austerity measure, non-filling up of post etc. .
9	30 - Planning & Development	979.99 (70)	Reasons not stated
10	35 - Roads & Bridges	847.72 (26)	Mainly due to not carrying necessary book adjustment for the charges of maintenance work done by the Border Road due to non-receipt of expenditure statements from Border Roads Task Force (Ministry of Surface Transport)
11	40 - Sports & Youth Affairs	26.65 (13)	Mainly due to (a) non-receipt of share from Central Government towards National Service Scheme
12	42 - Urban Development & Housing Department	118.82 (13)	Mainly due to (a) non-completion of the survey Report as per the guidelines of the Ministry (b) non-receipt of share from GOI etc.

Sl. No	Grant No and Name of Grant / Appropriation	Amount of Saving (percentage of saving to the provision)	Reasons for saving
1	*2*	*3*	*4*
CAPITAL			
1	2 - Animal Husbandry and Veterinary Services	13.59 (52)	Reasons not intimated
2	7 - Education	526.29(21)	Partly due to (i) delay in execution of civil works as a result of administrative difficulties (ii) slow progress of work under different schemes (iii) less expenditure incurred against what was anticipated earlier under DIET Building complex at Gyalsing. No reasons were intimated for bulk of the savings.
3	10 - Finance	34.75(85)	Reasons not intimated
4	17 - Industries	114.14(27)	Reasons not stated.
	19 - Information Technology	30.00(100)	The entire provision earmarked for Software Technology Park was surrendered in order to facilitate its inclusion in the supplementary budget under revenue sector.
5	23 - Land Revenue	23.58(79)	Saving was due to non-taking up of construction work during the financial year.
6	31 - Police	74.20(23)	Saving was due to late receipt of estimate from SPWD Building.
7	32 - Power	2522.59(32)	Savings was mainly due to non-finalisation of tenders during the year and non-receipt of non-lapsable fund or Central assistance during the year.
8	35 - R&B	2241.47(40)	Savings were mainly due to (i) inability to necessary book adjustment for construction work due to non-receipt of expenditure statement from BRTF(609.08 lakh) (ii) Non-completion of Air Port project as targeted earlier. (iii) Delay in finalisation of scheme of District Roads.
9	36 - Rural Development	452.38(13)	Savings was mainly due to (i) regularising the excess expenditure under the revenue segment, and (ii) utilise the amount under Revenue Head of expenditure.
10	40 - Sports & Youth Affairs	434.86(430	Savings was mainly due to a non-receipt of fund from Central Government and Government of Sikkim.
11	42 - UD&H	788.40(48)	Mainly due to non acquisition of Star Cinema and non-implementation of the schemes etc.

APPENDIX-VII

(Ref: Paragraph No. 2.3.12 Page 22)

(a) Statement showing cases in which funds were injudiciously withdrawn by reappropriation although the account showed an excess over provision (original plus supplementary)

(Rupees in lakh)

Sl. No.	Grant No.& Head of Account	Total Grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of re-appropriation
1	13- Forestry & Wildlife 2406- Forestry & Wildlife 005-Survey & utilisation of Forest Resources 63-Demarcation survey	60.82	62.74	1.92	2.89
2	39-Social Welfare 2236-Nutritions 80-General 001-Directions & Administration 60- Establishment	47.65	76.29	28.64	0.78

(b) Cases where funds were withdrawn by reappropriation in excess of available savings

(Rupees in lakh)

Sl. No	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual xpenditure	Actual Savings	Amount of Appropriation
1	1-Agriculture 1-2401-Crop Husbandry 114-Development of oil seeds	103.80	97.43	6.37	10.00
2	7- Education 2202-General Education 106- Teachers & Other services 62- Primary schools	3881.54	2862.75	1018.79	1176.96
3	7-Education 2202-General Education 107-Teachers Training 67-State Institute of Education	383.60	261.75	121.85	125.50
4	10- Finance 2071-Provision of other retirement benefit 102- Commuted value of pension	350.00	304.30	45.70	51.99
5	14-Health & Family Welfare 2210-Medical & Public Health 110-Hospital & Dispensaries 63-Other Hospital (PMGY)	571.64	549.74	21.90	23.60
6	31-Police 2055-Police 104-Special Police 64-Sikkim Armed Police	1049.95	987.02	62.93	65.24
7	31-Police 2055- State Hqrs. Police 67-Reserve line & Police Band	519.00	487.30	31.70	25.59
8	35-Roads & Bridges 5053- Capital outlay on civil Aviation 04- District & Other Roads 337- Road Works 60-District Roads	3765.85	3102.24	663.61	674.97

(c) Cases in which funds were injudiciously augmented by re-appropriation of fund in excess of what was actually required to cover the excess of expenditure over the provision (Original plus supplementary) which ultimately resulted in savings

(Rupees in lakh)

Sl. no	Grant No. & Head of Account	Total grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of Appropriation
1	2	3	4	5	6
1	7- Education 2202- General Education 106-Teacher & Other Services 61- Pre Primary School,	582.04	601.58	19.54	42.43
2	7-Education 2202-General Education 106-Teachers and other service 63- Junior High School	1964.54	2362.44	397.90	426.66
3	7-Education 2202-General Education 02-Secondary 104-Teachers & other services 64-High &Higher Secondary Schools	4039.12	4535.30	496.18	774.77
4	7-Eduation 2202-General Education 03-University & Higher Education 103-Government College & Institutes 65- Government Degree College, Gangtok.	213.05	216.68	3.63	8.20
5	7-Education 2202-General Education 80-General 001-Direction & Administration 60-Establishment	347.50	357.40	9.9	16.03
6	10-Finance 2052-Seretariat General Service 090-Secretariat	124.50	128.53	4.03	8.69
7	14-Health & Family Welfare 03-Rural Health Service-Allopathic 101-Healath Sub-centres	300.01	311.18	11.17	27.03
8	36-Rural Development 2015-Election 109-Charges for conduct of Election to Panchayat/Local Bodies 61-Conduction of Election to Panchayat	90.10	95.19	5.09	10.00

(d) Cases in which funds where injudiciously augmented by reappropriation of fund even though the actual expenditure fell far short of the provision (original plus supplementary)

(Rupees in lakh)

Sl No.	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Amount of Re-appropriation
1	2	3	4	5
1	13- Forestry & wildlife 2406- Forestry & wildlife 112-Public Gardens 60-Public Gardens at Gangtok	34.00	33.75	2.22
2	20-Irrigation & Flood Control 80-General 001-Direction & Administration 20-Irrigation Department	245.85	243.34	2.28
3	23-Land Revenue 2053- District Administration 093-District Establishment	191.48	189.54	0.30
4	23-Land Revenue 2053-District Administration 094-Other establishment 60-Sub-Division Establishment	99.78	95.34	2.66
5	25-Legislative 2011-Parliament/State/Union Territory Legislative 103-Legislative Secretariat 63-Establishment	197.97	195.23	0.80

APPENDIX VIII

(Ref.: Paragraph No. 2.3.13 Page 22.)

Statement showing trend of recoveries and credits

(Rupees in lakh)

Sl. no	Grant No. and Name of the Grant	Budget Estimate	Actuals	Actuals compared with the Budget Estimate More(+)/Less(-_)
1	3-Building & Housing	50.00	49.72	(-) 0.28
2	13-Forestry & Wildlife	100.00	179.55	(+) 79.55
3	20-Irrigation & Flood Control	100.00	16.23	(-) 83.77
4	23-Land Revenue	761.00	847.41	(+) 86.41
5	32-Power	20.00	18.53	(-) 1.47
6	35-Roads & Bridges	250.00	65.29	(-) 184.71
7	36-Rural Development	50.00	61.70	(+) 11.70
	Total	**1331.00**	**1238.43**	**(-) 92.57**

APPENDIX – IX

(Ref: Paragraph No. 3.1.6 Page 27)

Vehicular strength and age profile of SNT buses and trucks/tankers

Particulars	Position as on									
	31.3.1999		31.3.2000		31.3.2001		31.3.2002		31.3.2003	
	Bus	*Truck*	*Bus*	*Truck*	*Bus*	*Truck*	*Bus*	*Truck*	*Bus*	*Truck*
1. **Fleet strength**	145	153	137	140	124	127	109	118	101	114
2. **Age of vehicles**										
a.<4 years	14	13	9	13	21	11	22	19	24	20
b.Percentage to fleet strength	(10)	(9)	(7)	(9)	(17)	(9)	(20)	(16)	(24)	(18)
a. >4<9 years(bus) & <8 years(truck)	21	31	40	23	41	6	38	9	28	9
b. Percentage to fleet strength	(14)	(20)	(29)	(16)	(33)	(5)	(35)	(9)	(28)	(8)
a. >9 years (bus) & >8 years (truck)	110	109	88	94	62	110	49	90	49	85
b. Percentage to fleet strength	(76)	(71)	(64)	(67)	(50)	(87)	(45)	(76)	(49)	(75)
3. **Vehicles on road**	109	107	105	109	110	98	89	92	86	108
Percentage of fleet	(75)	(70)	(77)	(78)	(89)	(77)	(82)	(78)	(85)	(95)
a. < 4 years	14	13	9	13	21	11	22	19	24	20
b. Percentage of fleet	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
a.>4<9 years(bus) &>4<8years (truck)	21	31	40	23	41	6	38	9	28	9
b. Percentage of fleet	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
a. > 9 years (bus) & >8 years (truck)	74	63	56	63	48	81	29	64	34	79
b. Percentage of fleet	(67)	(58)	(64)	(67)	(77)	(74)	(59)	(71)	(69)	(73)

APPENDIX-X

(Ref: Paragraph No. 3.1.6 Page 27)

Operational details of SNT buses

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
1. Total number of routes	67	67	53	53	51
2. Route in kilometres (in lakh)	NA	NA	NA	NA	NA
3. No. of operating depots	13	13	13	13	13
4. No. of buses held at the end of each year	145	137	124	109	101
6. Average no. of buses on road (effective fleet)	109	105	110	89	86
7. Percentage of utilisation	*75*	*77*	*89*	*82*	*85*
8. Kilometres operated (in lakh):					
(a) Gross Kilometres	35.72	32.98	30.70	27.18	24.58
(b) Effective Kilometres	34.07	31.39	29.17	25.83	23.29
(c) Dead Kilometres	1.65	1.59	1.53	1.35	1.29
9. Percentage of dead kilometres to gross kilometres	4.62	4.82	4.98	4.97	5.28
10. Average kilometres covered per bus per day	85.64	81.90	80.72	81.34	75.54
11.Average revenue per kilometre(in Rs.)	3.82	5.03	7.78	8.03	9.61
12. Passenger kilometres operated (in lakh)	597.67	412.60	597.67	358.14	387.32
13 Passengers carried (in lakh)	17.54	13.14	20.48	13.86	16.72
14. Occupancy Ratio (percentage)	50.00	35.00	50.00	45.00	48.75
15. Fuel efficiency (kilometres per litre)	1.82	2.41	2.19	1.88	1.82
16. HSD consumption per year (in kilolitres)	1968	1543	1403	1450	1347

APPENDIX – XI

(Ref: Paragraph No. 3.1.6 Page 27)

Operational details of SNT trucks

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
1 No. of operating depots	3	3	3	3	3
2. No. of trucks held at the end of the year	153	140	127	118	114
3. Average no. of vehicles on road (effective fleet)	107	109	98	92	108
4. Percentage of utilisation	*70*	*78*	*77*	*78*	*95*
5. Kilometres operated (in lakh):					
(a) Gross kilometres run	49.10	44.79	43.08	39.58	36.41
(b) Effective kilometres run	46.85	43.13	41.57	38.16	35.06
(c) Dead kilometres run	2.25	1.66	1.51	1.42	1.35
6. Percentage of dead kilometres to gross kilometres	4.58	3.71	3.51	3.59	3.71
7. Average kilometres covered per truck per day	125.72	112.58	120.44	120.49	110.84
8. Load factor (percentage)	67	68	67	66	45.82

APPENDIX – XII

(Ref: Paragraph No. 3.1.21 Page 34)

Statement showing shortage of stock materials

(In Rupees)

Sl. No.	Store	Value of items issued by central store, Jalipool	Value of items received by stores	Difference
1	Gangtok	88,71,687.32	77,98,009.67	10,73,677.65
2	Rangpo	28,25,113.85	23,82,492.18	4,42,621.67
3	Jorethang	30,96,053.22	2,26,804.21	28,69,249.01
	Total	1,47,92,854.39	1,04,07,306.06	43,85,548.33

APPENDIX – XIII

(Ref: Paragraph No. 4.1.10 Page 52)

Statement showing time overrun in execution of works

Sl. No.	Name of the work	Number of work according to number of agencies engaged	Extent of delay			
			< 6 months	> 6 month < 1 year	> 1 year < 3 years	> 3 years
Transmission Lines and its Substation Works						
1	132 KV lines from Rangit to Melli including substation at Melli	3	1	2	-	-
2	66 KV diversion work of Kateng, Kamlet and Gelling.	1	-	1	-	-
3	66 KV line Namchi College.	1	-	1	-	-
4	VIP complex at Gangtok	4	1	3		
5	Remodelling of Namchi Bazar	2	-	-	-	2
6	Overhauling and replacement of substation equipments of Phodong substation.	2	-	-	2	-
7	Providing power infrastructure for industrial units at Setipool & Mamring- construction of 66 KV transmission line, 66/11 7.5 MVA two substations.	4	-	-	1	3
8	Major overhauling of 2 x 6 MW LLHP	6	-	6	-	-
9	Construction of 66KV line from LLHP to Rongli including 2x2.5 MVA substation	4	-	-	1	3
10	Construction of 66KV transmission line from Rothak to Soreng including 2x2.5 MVA sub station at Soreng and 66KV outgoing bay at Rothak	4	-	-	-	4
11	66KV Melli Geyzing transmission line including 66KV sub station at Geyzing	4	-	-	-	4
Distribution Lines and its Substation Works						
12	Development work to meet normal load growth (State Plan)	199	176	23	-	-
13	Improvement works for existing systems (State Plan/Non-Plan)	6	6	-	-	-
14	PMGY and other schemes	2	2	-	-	-
	Total	**242**	**186**	**36**	**4**	**16**

APPENDIX-XIV

(Ref: Paragraph No. 4.1.10 Page 52)

Statement showing cost overrun in execution of works

(Rupees in lakh)

Sl. No	Name of the major work	Number of works according number of agencies engaged	Original estimated value	Revised estimate/ Expenditure incurred	Percentage increase
Transmission Lines and its Sub Stations					
1	132 KV transmission line and sub stations	3	2628.00	3979.00	52
2	Providing power infrastructure for industrial units at Setipool & Mamring –construction of 66 KV transmission line, 66/11 7.5 MVA two sub stations	4	1256.00	1580.00	25.79
3	66 KV diversion Work at Kateng, Kamlet and Geling	1	96.25	128.00	32.98
4	66 KV line Namchi College	1	101.23	140.00	38.29
5	Major overhauling of 2x6 MW LLHP	6	1362.01	1951.00	43.24
6	Power supply to VIP complex	4	73.78	100.00	35.53
7	Referral Hospital 66/11 KV substation	2	126.00	159.21	26.35
8	Remodelling of Namchi Bazar lines	2	49.21	56.71	15.24
9	Overhauling and replacement of substation equipments	2	9.73	13.77	41.52
10	Construction of 66 KV line from LLHP to Rongli including 2x2.5 MVA substation	4	396.00	486.13	22.76
11	Construction of 66 KV transmission line from Rothak to Soreng including 2x2.5 MVA sub station at Soreng and 66 KV outgoing bay at Rothak	4	450.00	477.00	6
12	66 KV Melli Geyzing transmission line including 66 KV sub station at Geyzing	4	973.16	1007.05	3.51
Distribution Lines and its Substations					
13	Development work to meet normal load growth (State Plan)	31	72.18	75.06	4
14	Improvement works for existing systems (State Plan/Non-Plan)	12	16.86	17.85	5.89
15	PMGY and other schemes	3	4.27	4.45	4.21
	Total	**83**	**7614.68**	**10175.23**	**33.62**

APPENDIX-XV

(Ref: Paragraph No. 4.1.10 Page 52)

(a) Procurements without having administrative approval and expenditure sanction

Sl. No.	Voucher No. date	Item purchased for departmental execution of works	Total Amount
1	4/2.8.99	GI Wire	140940
2	447/17.9.99	Red Oxide paint	87480
3	383/16.9.99	-do-	87947
4	147/14.9.99	-do-	106726
5	162/14.9.99	-do-	100427
6	164/14.9.99	-do-	96928
7	165/14.9.99	-do-	120839
8	180/31.3.2000	-do-	103810
9	81/12.4.99	-do-	82814
10	229/21.5.98	-do-	99526
11	164/14.9.99	Aluminium Paints	132827
12	165/14.9.99	-do-	110449
13	180/31.3.2000	-do-	94945
14	229/21.5.98	-do-	97502
15	110/31.3.99	Cement	648000
16	15/11.1.99	-do-	538034
17	144/13.5.98	-do-	117504
18	205/31.7.98	PVC Armoured LT Cable 3 ½ x 35 sq.mm	58320
19	185/14.9.99	11 KV Disc Insulator	154829
20	348/18.2.98	-do-	58061
21	349/18.2.98	-do-	58061
22	50/5.8.98	Disc Insulator	60480
23	67/9.2.98	-do-	154829
24	244/12.2.98	PVC Armoured LT Cable 3 ½ x 95 sq.mm	56884
25	27/27.3.2000	-do-	74196
26	442/23.2.98	PVC Armoured LT Cable 3 ½ x 185 sq.mm	145384
27	159/10.2.98	PVC Armoured LT Cable 3 ½ x 240 sq.mm	145644
28	22/8.9.99	-do-	96949
29	54/12.5.98	PVC Armoured LT Cable 3 ½ x 300 sq.mm	127829
30	22/8.9.99	-do-	92243
31	499/17.9.99	11KV(E) XLPE Cable 3 x 25 sq.mm	152673
32	303/28.7.2000	-do-	187607
33	57/12.5.98	11KV(E) XLPE Cable 3 x 70 sq.mm	93053
34	168/10.2098	11KV(E) XLPE Cable 3 x 50 sq.mm	115752
35	275/15.9.99	-do-	78624
36	243/12.2.98	-do-	122653
37	210/31.7.98	-do-	59754
38	260/12.2.98	11KV(E) XLPE Cable 3 x 95 sq.mm	169646
39	380/21.2.98	-do-	197588
40	308/31.3.98	-do-	189605
41	500/17.9.99	8.5 meter lattice structure	108896
42	50/11.5.98	9 meter lattice structure	80423
43	755/22.9.99	-do-	107231
44	757/22.9.99	-do-	80423
45	154/14.9.99	-do-	89359
46	155/14.9.99	-do-	89359

Sl. No.	Voucher No. date	Item purchased for departmental execution of works	Total Amount
47	156/14.9.99	-do-	89359
48	157/14.9.99	-do-	98295
49	160/14.9.99	-do-	89359
50	13/11.1.99	-do-	71487
51	350/18.2.98	-do-	67019
52	65/12.4.99	-do-	93827
53	68/12.4.99	-do-	80423
54	259/22.5.98	-do-	71487
55	190/22.7.2000	-do-	71487
56	146/14.9.99	11 meter lattice structure	77760
57	352/18.2.98	-do-	77760
58	176/12.8.98	-do-	77760
59	37/25.2.2000	-do-	102600
60	192/22.7.2000	AAC 7/2 GNAT Conductor	77203
61	13/11.1.99	ACSR Weael Conductor	64835
62	48/5.8.98	-do-	96575
63	66/12.4.99	-do-	58061
64	67/12.4.99	-do-	54963
65	70/12.4.99	-do-	60693
66	236/22.5.98	-do-	73544
67	256/22.5.98	ACSR Weael Conductor	67738
68	259/22.5.98	-do-	67738
69	261/22.5.98	-do-	67738
70	176/12.8.98	-do-	87048
71	37/25.2.2000	ACSR Dog Conductor	240408
72	167/10.2.98	-do-	78674
73	182/31.7.98	-do-	88901
74	70/P/23.2.2002	XLPE Cable	225442
75	37 P/12.2.2002	-do-	238457
76	218/19.6.98	-do-	2094707
		Total	**10784401**

(b) Works executed without obtaining technical sanction

Sl. No.	Reference of execution (executing agency)	Name of the Works	Amount
1	Executed departmentally	Electrification of Naveyb Chamkhang busty under 27 Martam constituency, East Sikkim.	205811
2	-do-	Installation of 66 KV Sub station and extension of LT distribution line at Hathi dara, 32 Middle Camp Martam constituency	500850
3	-do-	Electrification of Sumsick busty under Rabdong Tintek constituency, East Sikkim.	709251
4	-do-	Electrification of Samkey village, at Jitlang block under Central Pandam constituency, East Sikkim.	551386
5	295/28.03.2003	Electrification of 4th Mile J.N. Road	641356
6	217/25.3.2003	Extension of LT distribution line at Beyong busty, under 27 Martam constituency, East Sikkim	388555
7	Executed departmentally	Electrification of lower Jogi Dara village in South Sikkim	361250
8	-do-	Extension of OHL T Line at Niz Ganchung village in South Sikkim	612482
9	-do-	Extension of 1 phase 3 wire OHL T. line to left over houses at Ben Shakti village in South Sikkim	495171
10	-do-	Upgradation of existing 25 KV sub station to 63 KV sub station and eletrification of left out houses at Namphok South Sikkim	390099
11	-do-	Conversion of 11 KV 2 phase trans line to 3 phase from Alley to New Sada, upgradation from 10 KV to 25 KV sub station at New Sada	491719
12	-do-	Restoration of SI of 11 KV 3 phase and district net work within Kangri, Karjee, Dhupidara and Mangha	323562
13	-do-	Overhauling of equipments of 66 KV T line by 11KV sub station	1377016
14	-do-	Installation of 25 KV sub station and extension of 11 KV transmission line at Chotang village, North Sikkim	301572
15	-do-	Electrification of left out houses under Bhisinay under Chyakhung constituency, West Sikkim.	513980
16	-do-	Extension LT line a Naya Busty, Labdong ,West and Arithang.	338951
		Total	**8203011**

Total (a) + (b) = Rs. 1.90 crore.

APPENDIX -

(Ref: Para

Statement showing particulars of up-to given out of budget and loans outstanding Government companies and

Sl. No.	Sector and name of the company	Paid-up-Capital* as at the end of the current year				
		State Government	Central Government	Holding Companies	Others	Total
1.	*2.*	*3(a)*	*3(b)*	*3(c)*	*3(d)*	*3(e)*
A.	**Working Government companies**					
	I. Consumer Industries					
1	Sikkim Jewels Limited	543.93	-		78.13	622.06
2	Sikkim Time Corporation Limited (SITCO)	1130.04	-	-	-	1130.04
3	Sikkim Precision Industries Ltd.(SPCIL)	370.00	-	-	-	370.00
	Sector wise Total	**2043.97**	**-**		**78.13**	**2122.10**
4	**II. General Financial and Trading Institutions** Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	1622.50	-	-	636.80	2259.30
	Sector wise Total	**1622.50**			**636.80**	**2259.30**
5	**III. Welfare** Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited.	278.60	32.18	-	-	310.78
	Sector wise Total	**278.60**	**32.18**			**310.78**
6	**IV. Tourism** Sikkim Tourism Dev. Corporation (STDC)	274.40	-	-	-	274.40
	Sector wise Total	**274.40**	**-**	**-**	**-**	**274.40**
7	**V. Power** Sikkim Power Development Corporation	300.00	-	-	-	300.00
	Sector wise Total	**300.00**	**-**	**-**	**-**	**300.00**
8	**VI. Animal Husbandry** **Sikkim Poultry Development Corporation**	-	-	-	-	-
9	**Sikkim Hatcheries Ltd.(SHL)**	-	-	43.83	2.00	45.83
	Sector wise Total	**-**	**-**	**43.83**	**2.00**	**45.83**
	Total A (All sector wise Government Companies)	**4519.47**	**32.18**	**43.83**	**716.93**	**5312.41**
B	**Working Statutory corporations**					
1.	**I. Financing** (i) State Bank of Sikkim	53.38	-	-	5.00	58.38
	Sector wise total	**53.38**	**-**	**-**	**5.00**	**58.38**
	II. Miscellaneous			-	-	
2.	Sikkim Mining Corporation (SMC)	491.50	447.00			938.50
3.	State Trading Corporation of Sikkim (STCS)	111.38	-	-	-	111.38
	Sector wise total	**602.88**	**447.00**	**-**	**-**	**1049.88**
	Total B (All sector wise Statutory Corporations)	**656.26**	**447.00**	**-**	**5.00**	**1108.26**
	GRAND TOTAL (A+B)	**5175.73**	**479.18**	**43.83**	**721.93**	**6420.67**
C	**Non-working Government companies**					
1	**I. Consumer Industries** Sikkim Flour Mills Ltd.	27.90	-	-	-	27.90
	Sector wise total	**27.90**	**-**	**-**	**-**	**27.90**
2	**II. Animal Husbandry** Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00
	Sector wise total	**35.00**	**34.00**	**-**	**-**	**69.00**
3	**III. Transport Department (SNT)** Chanmari Workshop and Auto Mobiles Ltd.	30.00	-	-	-	30.00
	Sector wise total	**30.00**	**-**	**-**	**-**	**30.00**
	Total C (All non working Government companies.)	**92.90**	**34.00**	**-**	**-**	**126.90**
D	**Non-working Statutory corporation**					
	Nil	-	-	-	-	-
	Sector wise total	-	-	-	-	-
	GRAND TOTAL (C+D)	**92.90**	**34.00**	**-**	**-**	**126.90**
	GRAND TOTAL (A+B+C+D)	**5268.63**	**513.18**	**43.83**	**721.93**	**6547.57**

* *The figures are based on Finance Accounts (except those relating to columns 3 (b), 3(c), 3 (d)and 4(d) to 4(f).*

\# *Loans outstanding at the close of 2002-2003 represents long term loans only.*

XVI

graph No.8.2.2, 8.3.1, 8.7.2 Page 94,95,99)

date paid-up capital, budgetary outgo, loans
as on 31 March 2003 in respect of
Statutory corporations

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Equity/loans received out of Budget during the year		Others loans received during the year	Loans # Outstanding at the close of 2002-2003			Debt equity ratio for 2001-2002 (previous year) 4(f) /3(e)
Equity	Loans		Govt.	Others	Total	
4(a)	*4(b)*	*4(c)*	*4(d)*	*4(e)*	*4(f)*	*5.*
31.00	-	74.00	75.00	81.38	156.38	0.25:1 (0.16:1)
25.00	-	-	-	-	-	-
69.00	-	-	-	-	-	-
125.00		**74.00**	**75.00**	**81.38**	**156.38**	**0.07:1 (0.05:1)**
50.00	-	-	232.87	108.96	341.83	0.15:1 (0.15:1)
50.00	-	-	**232.87**	**108.96**	**341.83**	**0.15:1 (0.15:1)**
50.00	-	15.04	-	912.18	912.18	2.94:1 (3.44:1)
50.00	-	**15.04**	-	**912.18**	**912.18**	**2.94:1 (3.44:1)**
60.00	-	-	-	-	-	-
60.00	-	-	-	-	-	-
50.00	-	-	-	5001.00	5001.00	16.67:1 (20:1)
50.00	-	-	-	**5001.00**	**5001.00**	**16.67:1 (20:1)**
	-	25.55	-	25.55	25.55	0.56:1 (-)
	-	-	-	-	-	-
	-	**25.55**	-	**25.55**	**25.55**	**0.56:1 (-)**
335.00		**114.59**	**307.87**	**6129.07**	**6436.94**	**1.21:1 (1.39:1)**
	-	-	-			
						-
50.00	-	-	-	54.00	54.00	0.06:1 (0.06:1)
50.00	-	-	-	**54.00**	**54.00**	**0.05:1 (0.05:1)**
						-
50.00				**54.00**	**54.00**	**0.05:1 (0.05:1)**
385.00		**114.59**	**307.87**	**6183.07**	**6490.94**	**1.01:1 (1.14:1)**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
						-
						-
385.00	-	**114.59**	**307.87**	**6183.07**	**6490.94**	**0.99:1 (1.11:1)**

APPENDIX -

(Ref: Paragraph

Summarised financial results of Government
for the latest year for which

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No	Sector and name of Company/Corporation	Name of Depart-ment	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+) / Loss (-)	Net impact of Audit comments
1	*2.*	*3.*	*4.*	*5.*	*6.*	*7.*	*8.*
A.	**Working Government Companies**						
	I. Consumer Industries						
1	Sikkim Jewels Limited (SJL)	Industries	July 1976	2001-2002	2003	(-) 6.10	
2	Sikkim Time Corporation Limited (SITCO)	Industries	October 1976	2001-2002	2003	(-) 51.28	
3	Sikkim Precision Industries Limited (SPCIL)	Industries	February 1999	2002-03	2003	(+) 1.10	
	Sector wise total					**(-) 56.28**	
4	**II.General Financial and Trading Institutions** Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	Industries	March 1977	2001-2002	2002	(+)15.08	3.06
	Sector wise total					**(+)15.08**	-
5	**III. Welfare** Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited (SABCO)	Welfare	April 1996	2001-2002	2002	(-)35.27	4.73
	Sector wise total					**(-) 35.27**	
6	**IV. Tourism** Sikkim Tourism Development Corporation (STDC)	Tourism	February 1998	2001-2002	2003	(+) 0.67	
	Sector wise total					**(+) 0.67**	
7	**V. Power** SikkimPower Development Corporation(SPDC)	Power	December 1998	2001-2002	2002	(*)	
	Sector wise total					-	
8	**Vi. Animal Husbandry** Sikkim Poultry Development Corporation Ltd.(SPDCL)	AH&VS	March 1991	2001-02	2003	(-) 11.82	7.42
9	Sikkim Hatcheries Limited (SHL)	AH&VS	August 1994	2001-02	2003	(-) 12.29	2.29
	Sector wise Total					**(-) 24.11**	
	Total (A – Working Government Companies)					**(-) 99.91**	
B						**Working Statutory Corporation**	
1	**I. Finance** State Bank of Sikkim (SBS)	Finance	June 1960	2001-2002	2002	(-) 185.30	3340.01
	Sector wise total					**(-)185.30**	
2	**II. Miscellaneous** Sikkim Mining Corporation (SMC)	Mines and Geology	February 1960	2000-2001	2002	(-) 49.34	22.20
3	State Trading Corporation of Sikkim (STCS)	Finance	March 1972	1999-2000	2002	(+) 31.52	16.79
	Sector wise total					**(-) 17.82**	
	Total (B – Working Statutory Corporation)					**(-) 203.12**	
	GRAND TOTAL (A+B)					**(-) 303.03**	
C	**Non-working Government Companies**						
	I. Consumer Industries Sikkim Flour Mills Limited (SFML)	Industries	July 1976	1994-1995	1995	Nil	-
	Sector wise total					**Nil**	-
	II.Animal Husbandry Sikkim Livestock Processing and Development Corporation Limited (SLPDC)	AH&VS	April 1998	2001-2002	2003	(-) 8.49	
	Sector wise total					**(-) 8.49**	
	III. Transport Department (SNT) Chanmari Workshop and Auto Mobiles Ltd.	SNT	April 1988	1994-1995	1997	(-) 14.19	-
	Sector wise total					**(-) 14.19**	-
	Total (C – Non-working Government Companies)					**(-) 22.68**	
D	**Non-working Statutory Corporation**						
	Nil	-	-	-	-	-	-
	Sector wise total					-	-
	GRAND TOTAL (C+D)					**(-) 22.68**	
	GRAND TOTAL (A+B+C+D)					**(-) 325.71**	

* ***Project under implementation***

XVII

Nos. 8.2.4,8.4.1,8.5.1,8.6.6,8.7.4,8.7.5 Page.96,97,98,99

Companies and Statutory Corporations accounts were finalised

Paid-up capital	Accumulated profit (+)/ Loss (-)	Capital employed* (A)	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Total turn over	No. of employees
9.	10.	11.	12.	13.	14	15	16
549.65	(+) 61.54	581.89	-	-	1 year	226.76	105
1097.54	(+) 510.90	899.33	-	-	1 year	435.65	305
370.00	(+)1.10	359.74	(+)1.10	0.30	-	36.87	58
2017.19	**(+) 573.54**	**1840.96**	**(+)1.10**	**0.06**		**699.28**	**468**
1604.30	(-) 1034.01	871.53	(+) 15.08	1.73	1 year	104.37	31
1604.30	**(-) 1034.01**	**871.53**	**(+) 15.08**	**1.73**	-	**104.37**	**31**
649.66	(-) 307.80	1254.04	-	-	1 year	60.41	23
649.66	**(-) 307.80**	**1254.04**	-	-		**60.41**	**23**
350.07	(+)10.87	589.12	(+)0.67	0.11	1 year	134.80	111
350.07	**(+)10.87**	**589.12**	**(+)0.67**	**0.11**		**134.80**	**111**
250.00	-	5249.98	-		1 year	-	10
250.00	-	**5249.98**		-		-	**10**
-	(-)26.04	21.54	-	-	1 year		5
45.83	(-) 49.05	88.41	-	-	1 year		21
45.83	**(-)75.09**	**109.95**	-	-		-	**26**
4917.05	**(-)832.49**	**9915.58**	**(+) 16.85**	**0.17**		**998.86**	**669**
58.38	(-) 2326.60	18090.50	-	-	1 year	795.98	297
58.38	**(-) 2326.60**	**18090.50**	-	-		**795.98**	**297**
838.50	(-) 465.08	158.43	-	-	2 years	206.26	201
111.37	(+) 297.65	409.03	31.52	7.71	3 years	777.61	82
949.87	**(-) 167.43**	**567.46**	**31.52**	**5.55**	-	**983.87**	**283**
1008.25	**(-) 2494.03**	**18657.96**	**31.52**	**0.17**		**1779.85**	**580**
5925.30	**(-) 3326.52**	**28573.54**	**48.37**	**0.17**	-	**2778.71**	**1249**
60.16	(-) 12.76	84.50	--	-	9 years		
60.16	**(-) 12.76**	**84.50**	--	-			
69.00	(-) 53.82	138.71			1 years		
69.00	**(-) 53.82**	**138.71**			-		
0.20	(-) 1.53	69.00	-	-	5 years Closed w.e.f 12.1999		
0.20	**(-) 1.53**	**69.00**	-	-			
129.36	**(-)68.11**	**292.21**			-		
-	-	-	-	-	-		
-	-	-	-	-	-		
129.36	**(-)68.11**	**292.21**					
6054.66	**(-) 3394.63**	**28865.75**	**48.37**	**0.17**		**2778.71**	**1249**

* *Capital employed represents net fixed assets (including works-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up -capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.*

APPENDIX -

(Ref: Para

Statement showing subsidy received, which moratorium allowed and loans subsidy receivable and guarantees

{Figures in column 3 (a) to 7 are in Rupees in lakh}

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year*				
		Central Govern-ment	State Gover nment	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total
1.	2.	*3(a),*	*3(b)*	*3(c)*	*3(d)*	*4(a)*	*4(b)*	*4(c)*	*4(d)*	*4(e)*
A.	**Working Government Companies**									
	i) SC,ST, OBC Development Corporation Ltd.						1000.00 (2000.00)			1000.00 (2000.00)
	ii) SITCO						(300.00)			(300.00)
	iii) Sikkim Power Development Corporation						(5000.00)			(5000.00)
	Total - A						**1000.00 (7300.00)**			**1000.00 (7300.00)**
B	**Working Statutory Corporation**									
	i)SMC						(7.00)			(7.00)
	Total – B						**(7.00)**			**(7.00)**
	Grand Total (A+B)						**1000.00 (7307.00)**			**1000.00 (7307.00)**

* *Figures in bracket indicate guarantees outstanding at the end of the year.*

XVIII

graph No. 8.3.1, 8.7.2 Page.95,99)

guarantees received, waiver of dues, loans on converted into equity during the year and outstanding at the end of March 2003

Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
Loans repayment written off	Interest waived	Penal interest waived	Total		
5(a)	*5(b)*	*5(c)*	*5(d)*	*6.*	*7.*
-	-	-	-	-	-
					-
-	-	-	-	-	
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

APPENDIX - XIX

(Ref: Paragraph No. 8.2.4, 8.5.1 Page.95,97.)

Statement showing financial position of Statutory Corporations

1. State Bank of Sikkim	*(Rupees in crore)*		
Particulars	**2000-2001**	**2001-2002**	**2002-2003**
A. Liabilities			Provisional figure not furnished
Paid up Capital	0.53	0.53	
Share application money	0.05	0.05	
Reserve funds and other reserves and surplus	9.48	9.48	
Deposits	157.26	221.75	
Borrowings i) others	3.59	3.98	
Other liabilities and provisions	11.46	16.21	
TOTAL – A	**182.37**	**252.00**	
B. Assets			
Cash and Bank Balances	111.70	167.77	
Investments	0.25	3.25	
Loans and Advances	16.88	22.71	
Net fixed assets	0.58	0.58	
Other assets	10.66	13.53	
Accumulated loss	21.41	23.27	
Miscellaneous expenditure	20.89	20.89	
TOTAL - B	**182.37**	**252.00**	
C. Capital Employed*	**142.07**	**180.90**	
2. State Trading Corporation of Sikkim			
A. Liabilities			
Paid up Capital	1.11	Provisional figures not furnished	Provisional figures not furnished
Reserve and surplus	3.58		
Trade dues and current Liabilities and provisions	15.48		
TOTAL:- A	**20.17**		
B. Assets			
Gross Block	0.97	Provisional figures not furnished	Provisional figures not furnished
Less: Depreciation	0.45		
Net fixed assets	0.52		
Current assets, loans and advances	19.65		
TOTAL: - B	**20.17**		
C. Capital employed**	**4.09**		
3. Sikkim Mining Corporation			
A. Liabilities			
Paid up capital	8.38	Provisional figures not furnished	Provisional figures not furnished
Reserve and Surplus	0.03		
Borrowing i) Government	1.54		
Trade dues and Current Liabilities and provisions	1.21		
TOTAL :- A	**11.16**		
B. Assets			
Gross Block	2.44		
Less Depreciation	1.20		
Net fixed Assets	1.24		
Mine Development expenditure	3.72		
Current assets loans and advances	1.55		
Accumulated Losses	4.65		
TOTAL :- B	**11.16**		
Capital Employed **	**1.58**		

\# *Figures are based on Annual Accounts of the Corporations which differ from those in Appendix 2 based on Finance Accounts. The difference is under reconciliation.*

* *Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance)less accumulated losses.*

** *Capital employed represents net fixed assets (including Capital Work-in-Progress) plus working capital.*

APPENDIX - XX

(Ref: Paragraph No.8.2.4, 8.5.1 Page.95,97)

Statement showing working results of Statutory Corporations

1.	**State Bank of Sikkim (SBS)**			
	Particulars	**2000-2001**	**2001-2002**	**2002-2003**
1.	Income			Provisional figure not furnished
a)	Interest on loans	7.47	7.96	
b)	Other income	1.14	1.58	
	Total-1	**8.61**	**9.54**	
2.	Expenses			
a)	Interest on long-term and short-term loans	6.57	7.15	
b)	Provision for non-performing assets	-	-	
c)	Other expenses	4.04	4.24	
	Total-2	**10.61**	**11.39**	
3.	Profit (+)/Loss (-) before tax (1-2)	(-) 2.00	(-) 1.85	
4.	Prior period adjustments	-	-	
5.	Provision for tax	-	-	
6.	Profit (+)/Loss (-) after tax	(-) 2.00	(-) 1.85	
7.	Other appropriation	-	-	
8.	Amount available for dividend	-	-	
9.	Dividend paid/payable	-	-	
10.	Total return on Capital employed	-	-	
11.	Percentage of return on Capital employed	-	-	
2.	**Sikkim Mining Corporation (SMC)**			
	Particulars	**2000-2001**	**2001-2002**	**2002-2003**
1.	Income		Provisional figure not furnished	Provisional figure not furnished
	a) Sales of concentrates	2.06		
	b) Other income	0.23		
	c) Increase (+)/Decrease (-) in stock of concentrates	(-) 0.10		
	Total-1	**1.99**		
2.	Expenses			
	a) Establishment charges	1.45		
	b) Manufacturing expenses	0.82		
	c) Other expenses	0.21		
	Total-2	**2.48**		
3.	Profit (+)/Loss (-) before tax	(-) 0.49		
4.	Provision before tax	-		
5.	Prior period adjustment	-		
6.	Other appropriation	-		
7.	Amount available for dividend	-		
8.	Dividend for the year	-		
9.	Total return on Capital employed	-		
10.	Percentage of return on Capital employed	-		
3.	**State Trading Corporation of Sikkim (STCS)**			
	Particulars	**2000-2001**	**2001-2002**	**2002-2003**
a)	Income		Provisional figure not furnished	Provisional figure not furnished
	i) Sale of trading goods	14.00		
	ii) Other income	0.87		
	iii) Increase (+)/Decrease (-) in stock	(+) 0.13		
	Total-a	**15.00**		
b)	Expenses			
	i) Establishment charges	1.83		
	ii) Purchase of trading goods	12.38		
	iii) Other expenses	0.04		
	Total-b	**14.25**		
	Profit (+)/Loss (-) before tax	(+) 0.75		
4.	Provision for tax	0.15		
5.	Prior period adjustment	-		
6.	Other appropriation	-		
7.	Amount available for dividend	0.60		
8.	Dividend for the year	-		
9.	Total return on Capital employed	0.75		
10.	Percentage of return on Capital employed	18.34		

APPENDIX – XXI

(Ref: Paragraph No. 8.6.5 Page 98)

Statement showing operational performance of Statutory Corporations

Sl. No.	Particulars	2000-2001	2001-2002	2002-2003
	State Bank of Sikkim			
1	Earning per share *(Rs.)*	Not furnished by the Bank		
2	Number of Branches	22	22	22
3	Number of Employees	298	298	297
4	Profit per Employee *(Rs. in lakh)*	(-) 0.67	(-)0.62	(-) 0.16
5	Deposits *(Rs. in crore)* Government Others	 73.35 83.91	 112.57 109.17	 174.85 131.64
	TOTAL	**157.26**	**221.74**	**306.49**
6	Advances (including bills) Government Other	 - 16.88	 - 22.71	 - 25.62
	TOTAL	**16.88**	**22.71**	**25.62**
7	Debts written off	Nil	Nil	Nil
	Sikkim Mining Corporation			
1	Total mining area in possession	34(Hec.)	34.8(Hec)	34.8(Hec)
2	Mining area excavated	9.8 (Hec)	9.8 (Hec)	9.8 (Hec)
3	Number of Employees	241	253	201
1	Installed capacity (a) Ore (b) Waste Rock (c) Others	 100TPD	 100TPD	 100TPD
	TOTAL	**100 TPD**	**100TPD**	**100TPD**
2	Targets (a) Ore (b) Waste Rock (c) Others	 23040 MT NIL NIL	 23341 NIL NIL	 24700 NIL Nil
	TOTAL	**23040 MT**	**23341 MT**	**24700**
3	Actual Production of Waste Rock			
	(a) Own (b) Contractual	1871MT -	827MT -	135 MT -
	TOTAL	**1871MT**	**827MT**	**135 NT**
4	Actual production	22018MT	16759MT	6503 MT
5	Percentage of capacity utilisation	73	56	22
6	Production of by products if any (i) Targets (MT) (ii) Production (MT) (iii) Capacity utilisation in per cent	 NIL NIL NIL	 NIL NIL NIL	 NIL NIL NIL

APPENDIX – XXII

(Referred to in paragraph No. 8.11.1 Page 101)

Statement showing Department wise outstanding Inspection Reports (IRs)

Sl. No.	Name of Department *(Administrative Department)*	No. of PSUs	No. of outstanding I.R	No. of outstanding paragraphs	Years from which paragraphs outstanding
1	Industries	04	13	23	1982-83
2	AH andVS	01	02	10	1994-95
3	SNT	01	03	16	1993-94
4	Welfare	01	03	06	1999-00
5	Finance	02	14	58	1987-88
6	Mines and Geology	01	02	04	2001-02
7	Tourism	01	02	05	2001-02
8	Power	01	01	06	2002-03
	Total		**40**	**128**	

ERRATA

Para	Page	For	Read
6.15	X – Over view – 3rd para from bottom, last line	Rs. 80.51 lakh	Rs. 89.41 lakh
6.12	74 – divider –Sl no. 12	Rs. 46.94 lakh	Rs. 46.49 lakh
6.1 and 6.12	74 – divider Sl. No. 11 and 84 -Heading	Rs. 19 lakh	Rs. 6.19 lakh
8.13	102 heading, 92 divider, X-overview and iv table of contents	Hatchery	Hatcheries