













**GOVERNMENT OF SIKKIM**

**REPORT OF THE COMPTROLLER**

**AND**

**AUDITOR GENERAL OF INDIA**

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FOR THE YEAR ENDED  
31 MARCH 1997



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## PREFATORY REMARKS

*This report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts 1996-97 together with other points arising from audit of financial transaction of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1996-97.*

*The cases mentioned in this Report are among those which come to notice in the course of test audit of accounts during the year 1996-97 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 1996-97 have also been included, wherever considered necessary.*



## **OVERVIEW**

*This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 1996-97 and six other Chapters, comprising 6 reviews and 38 paragraphs, based on the audit of certain selected programmes and activities of the Government. A synopsis of the important findings contained in the Report is presented in this Overview.*

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

*The liabilities of State Government was Rs. 198.70 crore at the end of March 1993. It increased to Rs. 341.64 crore by the end of March 1997. The assets increased from Rs. 492.28 crore to Rs. 789.84 crore during the same period.*

*The receipts of the State Government increased to Rs. 1157.59 crore in 1996-97 from Rs. 209.32 crore in 1992-93 i.e. an increase of 453 per cent. The non-tax revenue raised by the State Government increased from Rs. 30.92 crore in 1992-93 to Rs. 829.34 crore in 1996-97, while the State's own tax revenue increased from Rs. 16.27 crore to Rs. 29.91 crore during the same period.*

*The aggregate of the amount received by the State Government on account of State's share of Union Excise Duties and grants-in-aid increased from Rs. 162.13 crore to Rs. 298.34 crore between 1992-93 and 1996-97 - an increase of 84 per cent.*

*While the revenue expenditure increased from Rs. 179.13 crore to Rs. 1118.86 crore over the period 1992-93 to 1996-97, the plan expenditure increased from Rs. 56.68 crore to Rs. 125.17 crore and non-plan expenditure from Rs. 123.05 crore to Rs. 993.69 crore during the same period.*



*Government paid interest totalling Rs. 32.98 crore on debt and other obligation during 1996-97, while the interest received on all accounts was Rs. 1.82 crore, leaving a net interest burden of Rs. 31.16 crore.*

*Fiscal deficit being the excess of Revenue and Capital Expenditure over the Revenue Receipts was Rs. 55.90 crore during 1996-97.*

*The internal borrowings increased from Rs. 16.03 crore in 1995-96 to Rs. 17.83 crore in 1996-97. All the internal borrowings were used for repaying the principal and for payment of interest in 1996-97.*

*(Paragraph 1.1 to 1.7)*

## *2. Appropriation audit and control over expenditure*

*Against the total budget provision of Rs. 1294.11 crore (including supplementary), the actual expenditure was Rs. 1249.27 crore. The overall saving of Rs. 44.84 crore was the net effect of savings of Rs. 45.81 crore in 57 cases of grants and 4 cases of appropriation and excess of Rs. 0.97 crore in 10 cases of grants and 3 cases of appropriations. The excess required regularisation by the Legislature under Article 205 of the Constitution of India. Besides, excess expenditure of Rs. 5.08 crore pertaining to the years 1992-93 to 1995-96 was yet to be regularised.*

*In 27 grants, supplementary provision of Rs. 27.80 crore obtained during the year was unnecessary.*

*In 16 grants, the expenditure during the year in each case fell short by more than Rs. 10 lakh and also by more than 10 per cent of the total provision.*

*Education Department, Sports & Youth Affairs Department, Finance Department, Culture Department, Urban Development & Housing Department, Welfare Department, Police Department, Horticulture Department and Agriculture Department had irregularly drawn funds of Rs. 3.97 crore in anticipation of the*

*expenditure and kept the same in Manager's Cheque for expenditure to be incurred in the subsequent years.*

*(Paragraph 2.1 to 2.3 and 2.8)*

### 3. *Government commercial and trading activities*

*The Companies Act, 1956 is not extended to Sikkim. The Companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory Auditors directly appointed by the Board of Directors of the respective Companies. The audit of these Companies is taken up by the Comptroller and Auditor General of India at the request of the State Government. As on 31 March 1997, the total investment was Rs 28.21 crore in 6 companies. The accounts of 4 Companies were in arrears ranging from 1 year to 3 years. One Company had incurred a loss of Rs. 0.58 crore and 3 Companies earned profit of Rs. 0.69 crore. The remaining Companies run on no profit no loss basis. Out of 3 Statutory Corporations as of 31 March 1997 involving investment of Rs. 5.52 crore, 2 Corporations had finalised their accounts upto 1995-96 and 1 Corporation upto 1994-95. The Sikkim Mining Corporation and the State Bank of Sikkim incurred a loss of Rs. 2.98 crore and the State Trading Corporation of Sikkim had earned a profit of Rs. 0.52 crore. Sikkim Nationalised Transport (SNT) and Sikkim Tea Board both departmentally managed units had finalised their accounts upto 1994-95 and 1995-96 respectively. The SNT suffered a loss of Rs. 6.06 crore and the Sikkim Tea Board earned a profit of Rs. 1.21 crore.*

*(Paragraph 8.1 to 8.3 and 8.6)*



#### 4. *Audit Reviews*

##### (a) *Production and Distribution of Seeds and Development Schemes for Major Crops*

*The main objectives of these schemes were to provide adequate infrastructural facilities for growth of seed industry, to make available certified seeds in not easily accessible areas and to improve the working efficiency of National and State Level Public Sector Seeds Corporations so as to make them economically viable.*

*Out of Rs. 352.59 lakh released by the Central Government during 1992-93 to 1996-97, Central assistance amounting to Rs. 25.50 lakh was retained by the State Government as unspent balance. This was neither surrendered nor adjusted in the subsequent assistance released by the Government of India.*

*Under OPP and NPDP, Rs. 18.55 lakh representing 50 per cent cost to be borne by the beneficiaries was not realised from the beneficiaries from the sale of Plant Protection equipment and Plant Protection Chemicals under the scheme. Similarly, under OPP and NPDP an amount of Rs. 2.91 lakh being the cost of fertilisers, sold to the farmers at subsidised rates, was not realised from them during 1996-97.*

*(Paragraph 3.1)*

##### (b) *Members of Parliament Local Area Development Scheme*

*According to this scheme, each Member of Parliament (MP) would suggest to the concerned Head of Districts, development works involving expenditure upto Rs. 10 lakh in each case and upto the overall ceiling of Rs. 1 crore per year, to be taken up in his/her constituency. The works under the scheme should be developmental in nature, based on local needs and must result in assets of durable*



*nature.*

*As of 31 March 1997, an amount of Rs. 67.58 lakh in case of the Lok Sabha MP and Rs. 93.53 lakh in case of the Rajya Sabha MP was kept unutilised as well as outside the Government Account by the District Collector in a Bank.*

*There was a loss of interest of Rs. 1.68 lakh during 1994-95 due to operation of Current Account instead of Savings Account.*

*Seven works relating to Winter Plantation and Beautification of District Collectorate, East costing Rs. 29.59 lakh and executed by the District Collector were not covered under the Scheme.*

*An amount of Rs. 3.65 lakh was utilised for the construction of approach road and protective works for the office of one political party at Deorali. The office was situated in a private house taken on rent. This resulted in an undue benefit to the house owner. Recommendation of the concerned MP for this work was also not there.*

*Similarly, an amount of Rs. 4.31 lakh was utilised for the plantation of Bamboo, for checking the soil erosion and preventing land slides, on a private holding. This also amounted to undue benefit to a selected individual.*

*During the period 1993-94 to 1996-97, 90 works costing Rs. 211.47 lakh were recommended by the MP Rajya Sabha and executed by the District Collector only in East District of the State, though the State of Sikkim had four districts. Thus, the people of the other three districts were deprived of the intended benefits.*

*(Paragraph 3.10)*

**(c) Natural Calamity Relief Fund**

*According to the Scheme, a Calamity Relief Fund (CRF) should be constituted for each State held outside the Consolidated Fund in a manner*

*prescribed by the Ministry of Finance. The contribution to this fund would be made by the Centre and the State in the course of the year in equal quarterly instalments. The fund should be kept in a Nationalised Bank and administered by a Committee headed by the Chief Secretary.*

*CRF was not separated from the general revenue. On account of this State share amounting to Rs. 79 lakh was not released.*

*Non-investment of unspent balances and quarterly contribution by the Relief Commissioner led to loss of interest of Rs. 121.32 lakh during the period 1990-91 to 1996-97.*

*Protective works in private holdings were executed throughout the State by the Forest Department at a total cost of Rs. 497.80 lakh during 1992-93 to 1996-97 without confirming the extent of damages or entitlement of relief to individual and technical aspect of work undertaken.*

*There was wasteful expenditure of Rs. 23.52 lakh on the works not related to natural calamity and also towards salary of work charged staff, purchase of furniture and contingent expenditure etc.*

*(Paragraph 3.11)*

*(d) Rajiv Gandhi National Drinking Water Mission*

*The Rajiv Gandhi National Drinking Water Mission (RGNDWM) aimed at providing 40 litres of safe drinking water per person per day for the rural population by covering not covered and partially covered habitations under the Accelerated Rural Water Supply Programme (ARWSP) and to solve area-specific problems of drinking water like excess salinity, bacterial contamination, sulphate and chloride content through Mini-Missions and Sub-Missions in the programme.*

*As per the guidelines of the programme, upto 10 per cent of the funds*



*received from Government of India under ARWSP was to be utilised for operation and maintenance of ARWSP. The matching contribution provided by the Department for operation and maintenance under ARWSP during 1995-96 and 1996-97 fell short by Rs. 19 lakh. As a result, 20 water supply schemes remained inoperative under Sub-Division North for want of minor repairs and renovation.*

*Out of 154 schemes checked, 92 schemes in two Divisions were completed by the contractors belatedly. The delay in providing safe drinking water to the beneficiaries during 1992-93 to 1996-97 ranged between 1 month and 29 months.*

*In respect of 31 Schemes, there was cost over run of Rs. 32.88 lakh. Neither was approval of the Government of India obtained nor was excess expenditure met from the State funds as per the norms of the scheme.*

*Purchase of G. I. Pipes of various sizes for the execution of Rural Water Supply Schemes for the year 1994-95 was made without inviting tenders from a Delhi based firm at the highest rates quoted during 1992-93 and 1993-94. This resulted in avoidable expenditure of Rs. 42.61 lakh.*

*Project works (costing Rs. 154.31 lakh) for Rain Water Harvesting under Sub-Mission Programme were split up and awarded to Gram Panchayat nominees without inviting tenders which was irregular.*

*(Paragraph 3.12)*

*(e) Urban Water Supply Programme*

*For providing safe drinking water in the Urban areas, the Eighth Five Year Plan aimed at consolidation of the existing level of water supply services (8 Water Supply Services in major towns and 32 numbers at Rural Marketing Centres) by providing additional facilities in 4 Urban Schemes and 32 Rural Marketing Centre Schemes respectively through intensive augmentation, improvement and extension*

*of the existing facilities.*

*No survey was conducted to identify the towns with specific problems to ensure supply of safe drinking water according to a laid down plan based on priority.*

*Against the target of augmentation of 33 schemes during Eighth Five Year Plan (1992-93 to 1996-97), no year-wise targets were fixed. Time over run in respect of 2 major programmes as of March 1997 was 48 months and 20 months. Expenditure incurred on these schemes as of March 1997 had exceeded the estimated cost by 23 and 21 per cent and the physical progress ranged between 70 and 95 per cent respectively.*

*Works valued at Rs. 95.67 lakh were awarded without calling for tenders.*

*Against 37 water supply schemes, only 5 water treatment plants were in existence in the State. Water testing facilities were available in only one district out of four districts. Thus, due to insufficient number of treatment plants and water testing facilities, the purpose of removing impurities of raw water and providing safe drinking water was defeated.*

*(Paragraph 4.2)*

*(f) Material Management*

*Sikkim Public Works Department (Roads and Bridges) is engaged in construction and maintenance of roads and bridges (other than those that come under the purview of the Border Road Organisation). A review of the management of the Stores covering the period from 1992-93 to 1996-97 revealed that no assessment / planning was made while purchasing stock materials. Under the Stock Suspense head there was huge saving aggregating Rs. 250.65 lakh during the*



period 1992-93 to 1996-97. The saving in 1996-97 alone was Rs. 81.20 lakh which constituted 40 per cent of the budget provision for that year.

Different kinds of road machinery costing Rs. 7.02 lakh were lying idle ranging between one and six years as the same were neither required nor could be put to use.

Against the receipt of 71.312 M.T. of tore-steel at Tadong stores during January 1993 to March 1993, only 17.960 M.T. of tore-steel was accounted for. Balance of 53.352 M.T. of tore-steel valuing Rs. 8.98 lakh remained unaccounted.

(Paragraph 5.1)

#### 5. Other points of interest

##### (a) Civil Departments

Finance Department made excess payment of interest amounting to Rs. 21.96 lakh to the Reserve Bank of India(RBI) on market borrowings for the years 1994-95 and 1995-96 even though the RBI delayed transfer of the loan by 43 days in the case of 1994-95 loan and by 8 days in the case of 1995-96 loan.

(Paragraph 3.4)

Health & Family Welfare Department entrusted (March 1992) the work of construction of Central Referral Hospital (CRH) to PAI Foundation for completion by March 1995 at a cost of Rs. 30 crore. The Department had paid Rs. 30 crore to the PAI Foundation upto February 1997 but the construction of the Hospital has been only partially completed. The work was started without prior permission for the establishment of Medical College as required under the Indian Medical Council (Amendment) Act, 1993 and Dentists (Amendment) Act, 1993. This is still awaited (December 1997).

*Of equipment worth US \$ 1,679,238 (purchased from a firm of United Kingdom) received in 1991, equipment worth US \$ 652,174 had not been installed and was lying idle till February 1997 as the doctors and nurses were not trained in operating the equipment and also because of lack of gas and reagent etc. The procurement of equipment was done without consulting the hospital authorities. No tenders were invited to verify if the rates were reasonable. The equipment worth US \$ 128,588 installed in Sir Thutop Namgyal Memorial Hospital had not been shifted to Central Referral Hospital as per the procurement proposal.*

*(Paragraph 3.5)*

*During the period 1993-94 to 1995-96, Home Department spent an amount of Rs. 105.14 lakh on hospitality and entertainment of guests without any norms.*

*(Paragraph 3.8)*

*Tourism and Health & Family Welfare Department purchased two flats at Siliguri at a cost of Rs. 42.87 lakh. After making payment of Rs. 38.24 lakh (March 1996), the flats were regarded unsuitable by both the departments due to its disadvantageous location. Thus, the expenditure of Rs. 38.24 lakh was unfruitful as of December 1997.*

*(Paragraph 3.14)*

*The claim of the Contractor amounting to Rs. 7.84 lakh towards idle labour charges was paid by the Public Works Department (Building and Housing) even though it was not covered under the agreement.*

*(Paragraph 4.3)*

*Of the 284 utilisation certificates due in respect of grants and loans sanctioned to autonomous bodies and authorities aggregating Rs. 11.51 crore paid during 1996-97, only 88 utilisation certificates for Rs. 146.88 lakh had been*



*furnished by May 1997 and 196 certificates for an aggregate amount of Rs. 1003.76 lakh were in arrears.*

*(Paragraph 7.2)*

*(b) Revenue receipts*

*Income arising out of house property belonging to 11 assessee~~s~~ involving Income Tax amounting to Rs. 5.90 lakh for the period from 1982-83 to 1994-95 was not assessed to Income Tax. Income Tax on house property in respect of 3 assessee~~s~~, for the period from 1985-86 to 1990-91 was under-assessed to the tune of Rs. 1.35 lakh.*

*(Paragraph 6.9)*

*(c) Commercial and Trading Activities*

*Rupees two lakh each towards consultancy fee and detail engineering was to be paid to the Agriculture Finance Corporation. The Administrative Department of Sikkim Livestock Processing and Development Corporation paid Rs. 4 lakh instead of Rs. 2 lakh towards consultancy fee which resulted in undue benefit to the Corporation to the tune of Rs. 2 lakh.*

*(Paragraph 8.8)*

*Sikkim Livestock Processing and Development Corporation Limited continued the services of three employees without any business of the Company. Thus, the expenditure of Rs. 3.15 lakh on the pay and allowances of the officials from November 1994 to June 1997 proved infructuous.*

*(Paragraph 8.9)*





# CHAPTER-I

## Accounts of the State Government

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## **CHAPTER I**

### **ACCOUNTS OF THE STATE GOVERNMENT**

#### **1.1 Introduction**

##### **1.1.1 Structure of the Government Accounts**

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

#### **Part-I Consolidated Fund**

All receipts of the 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 Government is incurred from this fund and no amount can be withdrawn from the fund without authorisation from the State Legislature. It 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 imprest placed at the disposal of the Governor of the State to meet

with the requirement of urgent unforeseen expenditure pending authorisation 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 Legislature during the year was Rs. 0.50 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 Legislature.

#### **1.1.2      Annual Accounts**

The accounts of the State Government are compiled annually by the Deputy Accountant General (Accounts and Entitlement), Sikkim. These are prepared in two volumes viz., the Finance Accounts and 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 on the other hand, present the details of amounts actually spent by 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.

### **1.1.3          Audit Report**

The Finance Accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller and Auditor General of India (CAG) in accordance with CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG certifies the accounts and also submits Separate Audit Reports to the Governor of the State in terms of Article 151 of the Constitution of India.

### **1.2          Summarised Financial Position**

The financial position of the Government of Sikkim as on 31 March 1997, emerging from the Appropriation Accounts and the Finance Accounts for the year is given in the following statements:

**STATEMENT - I**  
**SUMMARISED FINANCIAL POSITION OF THE**

Amount as on 31 March 1996 (Rupees in crore)	Liabilities	Amount as on 31 March 1997 (Rupees in crore)
<b>104.81</b>	<b>Internal Debt</b>	<b>117.43</b>
	Market Loan	80.01
	Loans from Life Insurance Corporation of India	2.52
	Loans from National Co-operative Development Corporation	0.79
	Loans from General Insurance Corporation of India	1.12
	Loans from other Institutions	32.99
	<b>Loans and Advances from the Central</b>	
<b>128.31</b>	<b>Government</b>	<b>144.44</b>
	Pre 1984-85 Loans	9.88
	Non-Plan loans	30.89
	Loans for State Plan scheme	93.91
	Loans for Central and Centrally sponsored Plan schemes	8.61
	Ways and Means Advances	1.15
<b>7.12</b>	<b>Suspense and Miscellaneous Balances</b>	<b>7.34</b>
<b>43.50</b>	<b>Small Savings, Provident Funds etc.</b>	<b>51.02</b>
<b>5.06</b>	<b>Deposits</b>	<b>6.39</b>
<b>3.44</b>	<b>Reserve Funds</b>	<b>3.47</b>
<b>16.83</b>	<b>Remittance Balance</b>	<b>11.05</b>
<b>0.50</b>	<b>Contingency Fund</b>	<b>0.50</b>
<b>409.47</b>	<b>Surplus on Government Account</b>	<b>448.20</b>
	Last Year's balance	409.47
	Add Revenue surplus during the year	38.73
<b><u>719.04</u></b>		<b><u>789.84</u></b>

# **GOVERNMENT OF SIKKIM AS ON 31 MARCH 1997**

Amount as on 31 March 1996 (Rupees in crore)	Assets	Amount as on 31 March 1997 (Rupees in crore)
<b>696.45</b>	<b>Gross Capital Outlay</b>	<b>790.61</b>
	Investment in shares of Companies, Corporations, etc..	34.73
	Other Capital Outlay	755.88
<b>8.17</b>	<b>Loans and Advances</b>	<b>8.65</b>
	Development Loans	4.68
	Loans to Government Servants and Miscellaneous Loans	3.97
<b>0.15</b>	<b>Other Advances</b>	<b>0.15</b>
<b>13.81</b>	<b>Cash</b>	<b>(-) 10.03</b>
	Cash balance deposits with other banks	(-) 11.41
	Departmental Cash Balance including Permanent Advance and Cash Balance Investment	1.38
<b>0.46</b>	<b>Earmarked funds invested</b>	<b>0.46</b>
<b><u>719.04</u></b>		<b><u>789.84</u></b>



**Explanatory Notes:**

- (a) The summarised financial statement is based on the statements of the Finance Accounts and the Appropriation Accounts of the State Government and are subject to the notes and explanations contained therein.
- (b) Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variations in stock, fixture, etc., do not figure in the accounts.
- (c) Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of State Government remained unaffected by the end-use.



(d) There was an unreconciled difference of adverse balance of Rs. 2.83 crore between the figures reflected in the accounts and those reported by the State Bank of Sikkim under cash balance.

(e) Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that the cumulative position of such surplus or deficit is not ascertainable. The balancing figure of Rs. 49.70 crore as on 31 March 1983 was, therefore, treated as surplus for drawing up the first statement of financial position for 1983-84 which took the place of a Balance Sheet.

**STATEMENT**  
**ABSTRACT OF RECEIPTS AND**

**Receipts**  
**Section -A**

(Rupees in crore)

<b>I.</b>	<b>Revenue Receipts</b>	<b>1157.59</b>
(i)	Tax revenue	29.91
(ii)	Non-tax revenue	829.34
(iii)	State's Share of Union Excise Duties	73.34
(iv)	Non-Plan grants	47.76
(v)	Grants for State Plan Schemes	154.26
(vi)	Grants for Central and Centrally Sponsored Plan Schemes	22.98
	<b><u>Total</u></b>	<b><u>1157.59</u></b>

**-II****DISBURSEMENTS FOR THE YEAR 1996-97**

		<b>Disbursements Revenue</b>			<b>(Rupees in crore)</b>
		Non-Plan	Plan	Total	
<b>I.</b>	<b>Revenue Expenditure Sector</b>				<b>1118.86</b>
(i)	General Services	875.03	0.98	876.01	
(ii)	Social Services	56.46	68.45	124.91	
(iii)	Agriculture and Allied Activities	13.56	31.42	44.98	
(iv)	Rural Development	--	9.73	9.73	
(v)	Irrigation and Flood Control	0.59	4.99	5.58	
(vi)	Energy	13.78	1.79	15.57	
(vii)	Industry and Minerals	1.66	3.01	4.67	
(viii)	Transport	26.35	0.59	26.94	
(ix)	Science, Technology and Environment	--	0.81	0.81	
(x)	General Economic Services	6.25	3.41	9.66	
<b>II.</b>	<b>Revenue surplus carried over to Section 'B'</b>				<b>38.73</b>
		993.68	125.18	1118.86	
<b>Total</b>					<b>1157.59</b>

**Section –B****(Rupees. in crore)**

<b>II.</b>	<b>Opening Cash Balance including permanent advance and cash balance investment</b>		<b>13.81</b>
<b>III.</b>	<b>Recoveries of Loans and Advances</b>		<b>0.76</b>
	(i) From Government Servants	0.53	
	(ii) From Others	0.23	
<b>IV.</b>	<b>Revenue Surplus brought down</b>		<b>38.73</b>
<b>V.</b>	<b>Contingency Fund</b>		<b>nil</b>
<b>VI.</b>	<b>Public Debt receipts</b>		<b>55.20</b>
	(i) Internal Debt other than ways and Means Advances	17.83	
	(ii) Loans and Advances from Central Government	37.37	
<b>VII.</b>	<b>Public Account Receipts</b>		<b>543.60</b>
	(i) Small Savings, Provident Funds, etc.	14.64	
	ii) Suspense and Miscellaneous	320.35	
	(iii) Remittances	197.16	
	(iv) Deposits and Advances	6.74	
	(v) Reserve Funds	4.71	

**Total****652.10**

**Others**

(Rupees in crore)

<b>III</b>	<b>Capital Outlay</b>	<b>94.16</b>
	(i) General Services	5.35
	(ii) Social Services	27.29
	(iii) Agriculture and Allied Services	2.02
	(iv) Industry and Minerals	4.09
	(v) Energy	30.69
	(vi) Transport	23.46
	(vii) General Economic Services	0.05
	(viii) Minor Irrigation	0.05
	(ix) Other Rural Development Programme	1.16
<b>IV</b>	<b>Loans and Advances disbursed</b>	<b>1.23</b>
	(i) To Government Servants	1.00
	(ii) To others	0.23
<b>V</b>	<b>Contingency Fund</b>	<b>Nil</b>
<b>VI</b>	<b>Repayment of Public Debt</b>	<b>26.45</b>
	(i) Internal Debt other than Ways and Means Advances	5.21
	(ii) Loans and Advances from Central Government	21.24
<b>VII</b>	<b>Public Account Disbursements</b>	<b>540.29</b>
	(i) Small Savings, Provident Funds, etc.	7.11
	(ii) Suspense and Miscellaneous	320.14
	(iii) Remittances	202.93
	(iv) Deposits and Advances	5.43
	(v) Reserve Funds	4.68
<b>VIII</b>	<b>Cash Balance at end</b>	<b>(-)10.03</b>
	(i) Cash Balance deposits with other banks	(-) 11.41
	(ii) Departmental cash balance including permanent advance & Cash Balance Investment	1.38
	<b>Total</b>	<b>652.10</b>

## STATEMENT -- III

## SOURCES AND APPLICATION

Sources		(Rupees in crores)
1.	Revenue receipts	1157.59
2.	Increase in Public Debt	28.76
3.	Effect on Contingency Fund	--
4.	Recoveries from Loans and Advances	0.76
5.	Net receipts from Public Account	3.30
	Increase in Small Savings	7.52
	Increase in Suspense and Miscellaneous balances	0.21
	Effect on Remittance balances	(-)5.77
	Increase in Deposits and Advances	1.31
	Increase in Reserve Fund	0.03
6.	Decrease in closing cash balance including permanent advance, departmental cash balance and cash balance investment	23.84
	<u>Total</u>	<u>1214.25</u>

**OF FUNDS FOR 1996-97****Application****(Rupees in crore)**

<b>1.</b>	<b>Revenue Expenditure</b>	<b>1118.86</b>
<b>2.</b>	<b>Capital Outlay</b>	<b>94.16</b>
<b>3.</b>	<b>Lending for development and other programmes</b>	<b>1.23</b>

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**Total**

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**1214.25**

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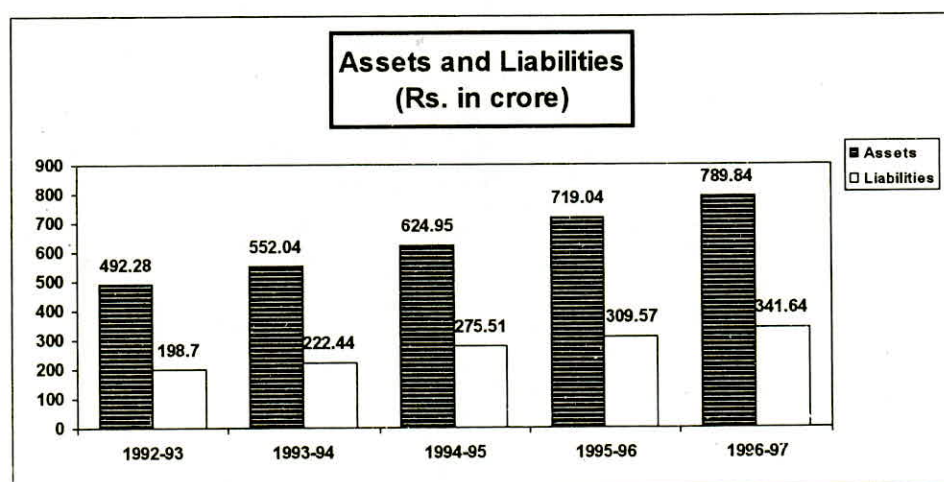


Based on these statements and other supporting data, the following paragraphs in this Chapter present an analysis of the management of the finances of the State Government during 1996-97, relating it to the position obtaining in the preceding four years.

### 1.2.1 Assets and Liabilities of the State Government

The assets, comprising Capital investments and loans and advances and the total liabilities of the State Government during 1992-97 were as under:

Year	Assets	Liabilities
(Rupees in crore)		
1992-93	492.28	198.70
1993-94	552.04	222.44
1994-95	624.95	275.51
1995-96	719.04	309.57
1996-97	789.84	341.64



While the assets have grown by 60 per cent during the five years ending 1996-97, the increase in liabilities during the same period was 72 per cent.



### **1.2.2 Financial Position of the State**

Financial position of the State Government during 1996-97 as seen from the Finance Accounts revealed that revenue receipts of the State Government were Rs. 1157.59 crore against which revenue expenditure was Rs. 1118.86 crore, thus resulting in a Revenue surplus of Rs. 38.73 crore constituting 3 per cent of the revenue receipts.

(ii) The revenue receipts of the State Government comprised tax revenue (Rs. 29.91 crore), non-tax revenue (Rs. 829.34 crore) and State's share of Union taxes and grants (Rs. 298.34 crore). The main sources of tax revenue were taxes on Income other than Corporation taxes (27 per cent), State Excise (35 per cent), Sales Tax (27 per cent) and Non-tax revenue came mainly from General Services (96 per cent) and Economic Services (3 per cent).

(iii) The revenue expenditure of Rs. 1118.86 crore was on General Services (78 per cent), Social Services (11 per cent) and Economic Services (11 per cent).

(iv) The capital expenditure of the State Government was Rs. 94.16 crore which was distributed among General Services (6 per cent), Social Services (29 per cent) and Economic Services (65 per cent).

(v) The Public Debt of the State Government increased by Rs. 28.75 crore during 1996-97 thereby pushing up the burden of interest payment and serving of debt. The interest payments (Rs. 15.49 crore) constituted 1 per cent of the revenue expenditure of the State.

### **1.2.3 Consolidated Fund**

The receipt and expenditure under the Consolidated Fund of the State for 1996-97 along-with previous financial year were as under:

**Table 1.2.3.1: Consolidated Fund of the State**  
(Rupees in crore)

Receipts			Expenditure		
1995-96		1996-97	1995-96		1996-97
<b>Revenue Account</b>					
941.21	Revenue receipts	1157.59	881.18	Revenue Expenditure	1118.86
			60.03	surplus	38.73
941.21	Total	1157.59	941.21	Total	1157.59
<b>Capital Account</b>					
--	Capital Receipts	----	101.17	Capital expenditure	94.16
2.02	Recoveries of loans and advances	0.76	0.96	Loans & advances paid	1.23
36.11	Receipts booked as public debt	55.20	9.19	Repayment of public debt	26.45
73.19	Capital deficit	65.88	---	Capital surplus	----
111.32	Total	121.84	111.32	Total	121.84

Receipts in the Consolidated Fund of the State increased from Rs.238.27 crore in 1992-93 to Rs.979.34 crore which constituted an increase of 311 per cent. The Public Debt Receipts (borrowed funds), constituted 74 per cent of the receipts in the Consolidated Fund. Under Article 293(1) of the Constitution of India, a state may borrow within the territory of India, upon the security of the Consolidated Fund of State within such limits, if any, as may from time to time be fixed by an Act of the Legislature of the State. No law had so far been passed by the State Legislature laying down any such limit.

Net deficit in Consolidated Fund of the State stood at Rs 27.16 crore which constituted an increase of 106 per cent over the previous year.

### 1.3 Revenue Receipts

Trend of revenue receipts during the last five years was as under:

**Table 1.3.1: Trend of Revenue Receipts**

(Rupees in crore)

Year	Budget Estimates	Actual revenue receipts	Increase(+)/ decrease(-) over the previous year	Percentage increase/decrease
1992-93	230.59	209.32	(+)26.88	15
1993-94	229.32	224.93	(+)15.61	7
1994-95	572.38	546.26	(+)321.33	143
1995-96	964.41	941.21	(+)394.95	72
1996-97	1195.68	1157.59	(+)216.38	23

Revenue receipts increased from Rs. 209.32 crore in 1992-93 to Rs.1157.59 crore in 1996-97 which constituted 453 per cent . But it decreased by 42 and 45 per cent in the year 1993-94 and 1996-97 respectively as compared to the previous years 1992-93 and 1995-96.

#### 1.3.2 Tax revenue

The growth/decline of Tax Revenue mobilised by the State Government during the last five years (1992-97) was as under:

**Table 1.3.2.1:Growth of Tax Revenue**

(Rupees in crore)

Year	Budget Estimates	Tax revenue	Percentage growth over the previous year	Percentage increase with reference to revenue receipts
1992-93	15.69	16.27	5	8
1993-94	17.27	20.89	28	9
1994-95	19.56	18.93	(-)9	3
1995-96	25.62	27.28	44	3
1996-97	31.11	29.91	10	3

Tax revenue increased from Rs. 17.27 crore (budget estimates) to Rs.20.89 crore in 1993-94, from Rs. 25.62 crore (budget estimates) to Rs.27.28 crore in 1995-96, from Rs.15.69 crore (budget estimates) to Rs.16.27 crore in 1992-93 and decreased from Rs. 19.56 crore (budget estimates) to Rs.18.93 crore in 1994-95 and from Rs.31.11 crore (budget estimates) to Rs. 29.91 crore in 1996-97.

Tax revenue increased from Rs. 27.28 crore in 1995-96 to Rs. 29.91 crore in 1996-97 registering an increase of 10 per cent. As compared to growth of tax revenue of 38 per cent during the period 1987-92, it was 77 per cent during the period 1992-97. The share of tax revenue to revenue receipt was 8 per cent in 1992-93 which rose to 9 per cent in 1993-94 but declined to 3 per cent in 1994-95, 1995-96 and 1996-97 each year.

### 1.3.3 Non-Tax Revenue

The growth/ decline of non-tax revenue during the last five years was as under:



**Table 1.3.3.1: Growth of Non-tax revenue**

Year	Budget Estimates	Non-Tax revenue	Percentage growth over the previous year	(Rupees in crore)
				Non-tax revenue as a percentage of total Revenue Receipts
1992-93	29.15	30.92	8	15
1993-94	28.53	27.55	(-11	12
1994-95	335.97	332.16	1106	61
1995-96	627.12	626.73	89	67
1996-97	830.44	829.34	32	72

Non-tax revenue increased from budget estimates (Rs. 29.15 crore) by Rs. 1.77 crore, constituting an increase of 6 per cent in the year 1992-93. Non-tax revenue decreased from budget estimates (Rs. 28.53 crore) by Rs. 0.96 crore, from budget estimates (Rs. 335.97 crore) by Rs. 3.81 crore constituting a decrease of 3 and 1 per cent in the year 1993-94 and 1994-95 respectively.

Non-tax revenue increased from Rs. 27.55 crore in 1993-94 to Rs. 332.16 crore in 1994-95, from Rs. 332.16 crore in 1994-95 to Rs. 626.73 crore in 1995-96 and from Rs. 626.73 crore in 1995-96 to Rs.829.34 crore in 1996-97 registering increase of 1106, 89 and 32 per cent in 1994-95, 1995-96 and 1996-97 respectively. Non-tax revenue decreased from Rs.30.92 crore in 1992-93 to Rs.27.55 crore in 1993-94 which constituted 11 per cent.

#### **1.3.4 State's share of Union taxes and duties and grants-in-aid from the Central Government**

Trend of state's share of Union taxes and duties and the Central grants-in-aid for the last five years was as under:

**Table 1.3.4.1: State's share of Union taxes and grants**

(Rupees in crore)

Year	State's Share of				Total	As a percentage of total revenue expenditure
	Net proceeds of taxes on income other than corporations tax	Union Excise Duties	Estate Duty	Grants-in-aid		
1992-93	--	36.06	--	126.07	162.13	90
1993-94	--	36.03	--	140.46	176.49	93
1994-95	--	36.62	--	158.55	195.17	89
1995-96	--	45.10	--	242.10	287.20	99
1996-97	--	73.34	--	225.00	298.34	27

The State's share of Union Excise Duties and grants from Central Government during the year 1996-97 were 27 per cent of the revenue expenditure against 99 per cent during the year 1995-96.

Share of the State as percentage of revenue expenditure increased from 90 per cent in 1992-93 to 93 per cent in 1993-94. However, it decreased to 89 per cent in the year 1994-95.

The transfer of grants, which was a major source of the receipts of the State, increased from Rs.126.07 crore in 1992-93 to Rs.242.10 crore in 1995-96 registering an increase of 92.03 per cent. However, the same decreased marginally in the year 1996-97.

Union Excise Duties found increased of budget estimates (Rs.41.75 crore ) by Rs. 3.35 crore, budget estimates (Rs.64.04 crore) by Rs. 9.30 crore which constituted increase of 8 and 15 per cent in the year 1995-96 and 1996-97 respectively.

#### **1.4 Revenue Expenditure**

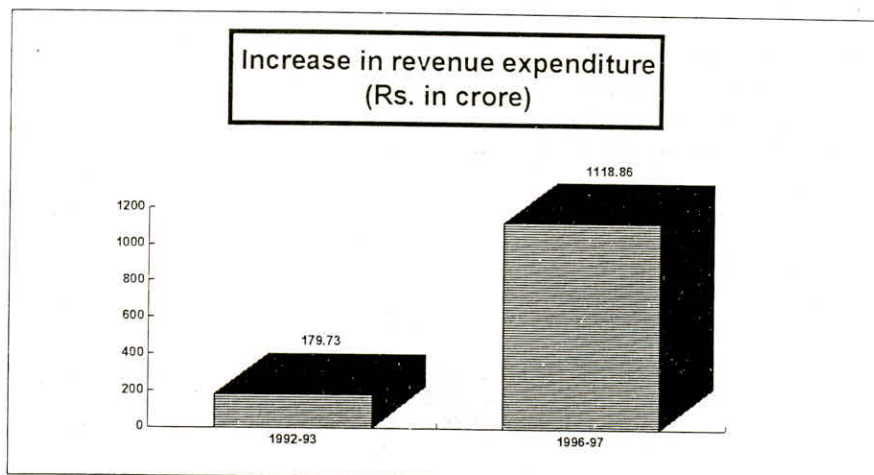
Trend of revenue expenditure of the State during the five year period ending

1996-97 was as under:

**Table 1.4.1: Revenue expenditure**

(Rupees in crore)

Year	Revenue Expenditure						Increase(+)/ decrease(-) over the previous year
	Budget Estimates			Actuals			
	Plan	Non- Plan	Total	Plan	Non- Plan	Total	
1992-93	59.27	126.35	185.62	56.68	123.05	179.73	(+)24.63
1993-94	61.39	132.81	194.20	52.96	135.95	188.91	(+)9.18
1994-95	81.74	464.49	546.23	66.22	460.20	526.42	(+)337.51
1995-96	118.53	769.25	887.78	109.61	771.57	881.18	(+)354.76
1996-97	140.82	997.56	1138.38	125.17	993.69	1118.86	(+)237.68



Revenue expenditure increased from Rs.881.18 crore in 1995-96 to Rs.1118.86 crore in 1996-97 which constituted an increase of 27 per cent. Over the five years span, the revenue expenditure increased from Rs. 179.73 crore in 1992-93 to Rs.1118.86 crore in 1996-97 which constituted an increase of 523 per cent.

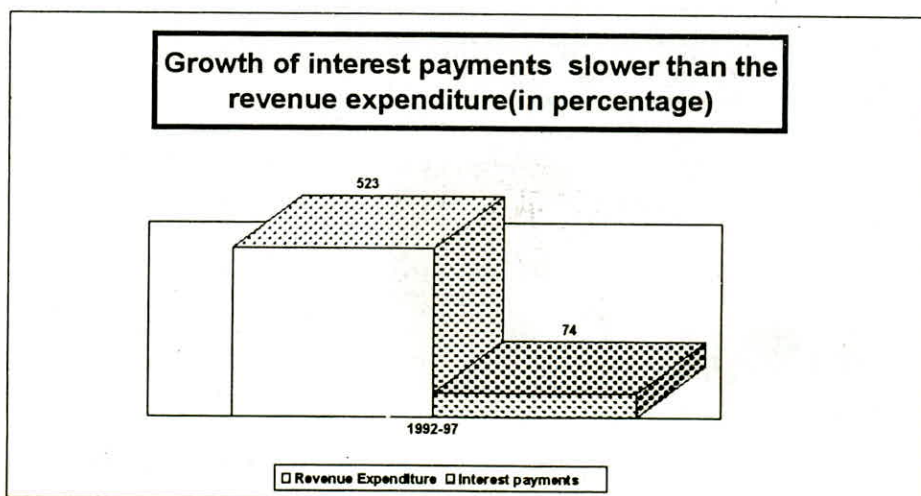
### 1.4.1 Interest payments

Trend of interest payments during the last five years was as under:

**Table 1.4.1.1: Interest payments**

(Rupees in crore)

Year	Interest paid on				Total	Percentage of interest payments with reference to Tax Revenue
	Internal Debt	Loans received from the Central Government .	Small Savings, Provident Funds, etc.	Others		
1992-93	7.60	8.81	2.51	--	18.92	116
1993-94	9.11	9.38	3.23	--	21.72	104
1994-95	11.43	10.71	3.99	--	26.13	138
1995-96	12.05	12.41	4.53	--	28.99	106
1996-97	15.49	12.15	5.34	--	32.98	110



Total interest payments increased from Rs.28.99 crore in 1995-96 to Rs.32.98 crore in 1996-97, which constituted 14 per cent of the revenue expenditure. The percentage growth of revenue expenditure from the year 1992-93 to 1996-97 was 523



per cent. On the other hand there was less growth in interest payment. It grew by 74 per cent over the same period. Total interest payment increased from 116 per cent of tax revenue in 1992-93 to 138 per cent in 1994-95.

Over a period of five years, the payment of interest on Small Savings, Provident Funds, etc. increased from Rs. 2.51 crore in 1992-93 to Rs. 5.34 crore in 1996-97 showing an increase of 113 per cent. Thus, interest payments consumed major part of the tax revenue.

#### 1.4.2 Financial assistance to local bodies and others

The quantum of assistance provided to different local bodies, etc. during the period of five years ended 1996-97 was as under:

**Table 1.4.2.1: Expenditure on financial assistance to local bodies, etc.**

	(Rupees in crore)				
	1992-93	1993-94	1994-95	1995-96	1996-97
Educational Institutions (excluding University)	1.14	0.93	0.92	--	1.24
Development Agencies	0.13	0.25	0.20	--	0.54
Other Institutions	0.73	0.67	1.97	0.39	0.69
Others	0.03	--	0.17	--	--
Total	2.03	1.85	3.26	0.39	2.47

Financial assistance to local bodies, etc., increased from Rs. 2.03 crore in 1992-93 to Rs 2.47 crore in 1996-97 constituting an increase of 22 per cent during the span of last five years.

### 1.4.3 Loans and advances by the State Government

The State Government had been advancing loans to Government Companies, Corporations, Autonomous bodies, co-operatives, Non-Government Institutions, etc. for developmental and non-developmental activities. The position of such loans for the last five years is given below:

**Table 1.4.3.1: Loans and advances by the State Government**  
(Rupees in crore)

Period	1992-93	1993-94	1994-95	1995-96	1996-97
Opening balance	10.97	11.06	10.54	<sup>##</sup> 9.22	8.17
Amount advanced during the year	2.39	0.63	0.92	0.96	1.23
Amount repaid during the year	2.29	1.15	2.16	2.02	0.76
Recoveries in arrears/ (Closing Balance)	11.06	10.54	9.30	8.17	8.64
Net addition	0.10	(-)0.52	(-)1.24	<sup>ss</sup> (-)1.05	0.47
Interest received and credited to revenue	--	--	--	--	--
Net receipts from long- term borrowing	22.27	15.87	23.10	26.92	28.76

The net loans and advances disbursed during 1992-93 to 1996-97 ranged between 0.45 to 1.63 per cent of the net receipts of the long term borrowings by the State Government. However, the recoveries were more than the disbursement of loans and advances during the years 1993-94, 1994-95 and 1995-96.

### 1.5 Capital Expenditure

Assets were created mostly out of Capital Expenditure. In addition, financial

<sup>##</sup> Difference is due to conversion of loan into investment and pro-forma correction.

<sup>ss</sup> Difference of Rs. 1 lakh is due to rounding off.

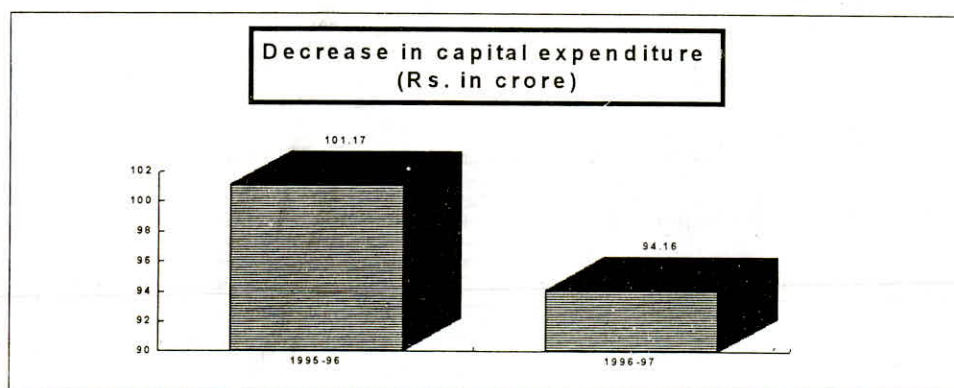
assets arise from moneys invested in institutions or undertakings outside Government (i.e. Public Sector Undertakings (PSUs), Corporations, etc.) and loans and advances.

Trend of Capital Expenditure for the last five years was as under:

**Table 1.5.1.1: Capital expenditure**

(Rupees in crore)

Year	Budget Esti- mates	Capital Expenditure			Percentage increase(+)/ decrease(-) over the previous year	Percentage of capital expenditure with reference to total expenditure
		Plan	Non- plan	Total		
1992-93	86.81	63.64	--	63.64	(-)7	25
1993-94	46.35	66.93	0.35	67.28	(+)6	25
1994-95	76.60	66.28	0.50	66.78	(-)1	11
1995-96	127.86	101.17	--	101.17	(+)51	10
1996-97	112.56	94.16	--	94.16	(-)7	8



Capital Expenditure increased from Rs. 63.64 crore in 1992-93 to Rs. 94.16 crore in 1996-97 and there was increase of 48 per cent over a span of five years.



Capital expenditure, however, decreased from Rs. 67.28 crore in 1993-94 to Rs. 66.78 crore in 1994-95 and from Rs.101.17 crore in 1995-96 to Rs. 94.16 crore in 1996-97 registering a decrease of 0.74 and 7 per cent over the previous year respectively.

Capital expenditure decreased from 25 per cent of total expenditure in 1992-93 to 8 per cent of total expenditure in 1996-97.

The budget estimates of the capital expenditure were unrealistic as the actual capital expenditure persistently receded the budget estimates during 1992-93 and the last three years and exceeded abnormally in the year 1993-94.

### 1.5.2 Investments and return

The details of investment by Government in Statutory Corporations, Government Companies and public sector undertakings along with dividends/ interest received during the five years ending 1996-97 are given as under:

**Table 1.5.2.1: Return on investment**

(Rupees in crore)

	1992-93	1993-94	1994-95	1995-96	1996-97
(i) Total investment of the state	18.16	20.68	23.16	28.90	34.73
(ii) Share of dividend	0.57	0.15	0.67	0.20	1.38
(iii) Percentage of dividend	3	1	3	1	4

Total investment made by the State Government increased from Rs. 18.16 crore in 1992-93 to Rs.34.73 crore in 1996-97 which constituted an increase of 91 per cent. However, the growth of dividend was 142 per cent for the same period. The share of dividend decreased from Rs.0.57 crore in 1992-93 to Rs.0.15 crore in 1993-94 and from Rs. 0.67 crore in 1994-95 to Rs.0.20 crore in 1995-96 which constituted decrease of 74 and 70 per cent respectively. However, in one Government Company accumulated loss was 8 per cent and in another, the accumulated loss was more than

the investment as per details given below:

**Table 1.5.2.2: Accumulated loss of Government Companies**

(Rupees in crore)				
Sl.No.	Name of the Government Company	Investment upto 1996-97	Accumulated	
			Loss	Upto
1	Sikkim Flour Mills Limited	1.70	0.13	1994-95
2	Sikkim Industrial Development and Investment Corporation Limited	12.37	12.73	1996-97

Arrears of accounts of Sikkim Time Corporation for 1996-97, Sikkim Flour Mills Limited for 1995-96 and 1996-97, Sikkim Livestock Processing and Development Corporation for 1994-95 to 1996-97 and Chanmari Workshop and Automobiles Limited for 1994-95 to 1996-97 were not finalised.

## 1.6 Deficit

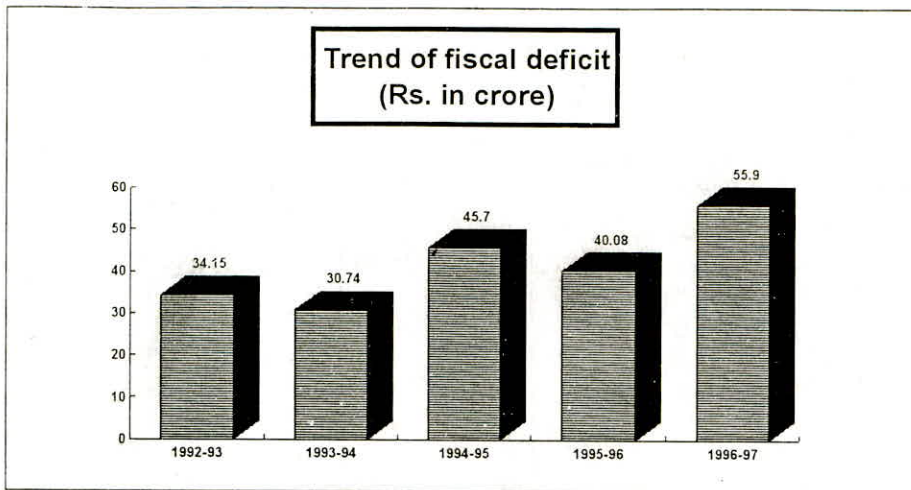
### 1.6.1 Fiscal deficit

The fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received).

Position of fiscal deficit for the last five years was as under:

**Table 1.6.1.1: Fiscal deficit**

(Rupees in crore)	
Year	Fiscal deficit
1992-93	34.15
1993-94	30.74
1994-95	45.70
1995-96	40.08
1996-97	55.90



It would be seen from the above table that there was persistent fiscal deficit during the last five years. The fiscal deficit shows an increasing trend since 1992-93 except for the year 1993-94. It rose from Rs. 34.15 crore in 1992-93 to Rs.55.90 crore in 1996-97 but came down to Rs.30.74 crore in 1993-94.

### 1.7 Public Debt

Public Debt comprises internal and external debt. It has vital links with all aspects of public finance, taxation and expenditure policies, budget surplus and deficit, trade and balance of payments, development expenditure and economic growth.

The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law has been passed by the State Legislature laying down any such limit.

#### 1.7.1 Internal Debt

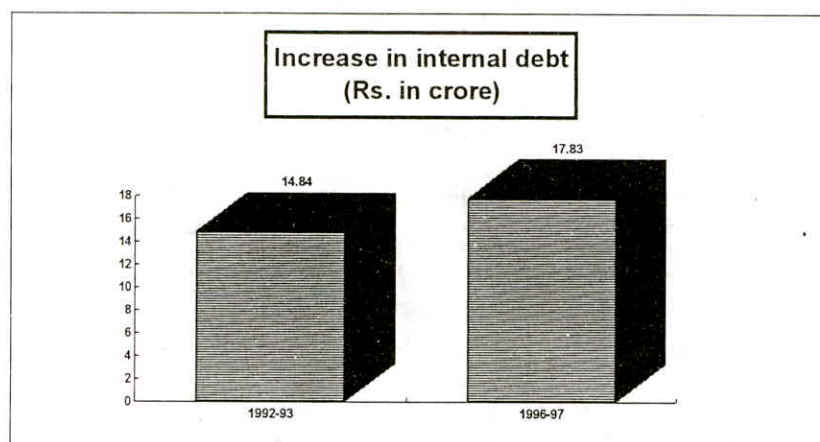
Position of internal debt for the last five years was as under:



**Table 1.7.1.1: Internal debt**

(Rupees in crore)

Year	Addition during the year	Debt servicing + payment of interest			Percentage of Col. 5 to col. 2
		Principal	Interest	Total	
1	2	3	4	5	6
1992-93	14.84	0.86	7.60	8.46	57
1993-94	8.69	1.95	9.11	11.06	127
1994-95	14.27	2.96	11.43	14.39	101
1995-96	16.03	3.81	12.05	15.86	99
1996-97	17.83	5.21	15.49	20.70	116



Internal debt receipt, which increased from Rs. 14.84 crore in 1992-93 to Rs. 17.83 crore in 1996-97, an increase of 20 per cent over the five year period. The net inflow of loan which was 43 per cent during 1992-93 became nil during 1996-97.

### 1.7.2 Other liabilities

Apart from the borrowings accounted for in the Consolidated Fund of the State, there are Small Savings, Provident Funds, Reserve Funds and Deposits which are kept in a separate Public Account. The balances of Public Account are carried forward annually. These amounts add substantially to the liability of the State Government.

Trend of these liabilities for the last five years was as under:

**Table 1.7.2.1: Other internal liabilities**

(Rupees in crore)

Year	Addition during the year	Repayment + interest			Percentage of Col. 5 to col. 2
		Principal	Interest	Total	
1	2	3	4	5	6
1992-93	12.91	6.23	2.51	8.74	68
1993-94	16.58	9.05	3.23	12.28	74
1994-95	21.18	14.88	3.99	18.87	89
1995-96	27.77	29.95	4.53	34.48	92
1996-97	26.09	17.20	5.34	22.54	86

It would be seen from the above table that the additions in Small Savings, Provident Funds, Reserve Funds, Deposits increased from Rs.12.91 crore in 1992-93 to Rs.26.09 crore in 1996-97 constituting increase of 102 per cent. However, the net inflow of these funds which was 32 per cent in 1992-93 decreased to 14 per cent during 1996-97.

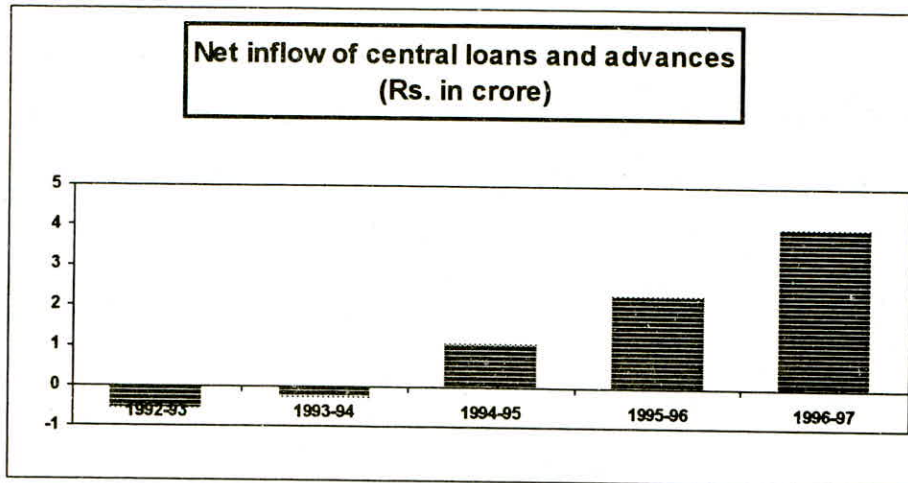
### 1.7.3 Loans and Advances from Central Government

Position of loans and advances from the Government of India for the last five years was as under:

**Table 1.7.3.1: Net inflow of loans and advances from Government of India**

(Rupees in crore)

Year	Addition during the year	Repayment + Interest			Net inflow	Percentage of Col. 5 to Col. 2
		Principal	Interest	Total		
1	2	3	4	5	6	7
1992-93	11.82	3.53	8.81	12.34	(-)0.52	104
1993-94	13.05	3.92	9.38	13.30	(-)0.25	102
1994-95	16.09	4.30	10.71	15.01	1.08	93
1995-96	20.08	5.38	12.41	17.79	2.29	89
1996-97	37.37	21.24	12.15	33.39	3.98	89



Receipts of loans and advances from Central Government increased from Rs. 11.82 crore in 1992-93 to Rs. 37.37 crore in 1996-97 constituting increase of 216 per cent. However, net inflow of these loans and advances which was almost nil in 1992-93 increased to 10 per cent in 1996-97.

Repayment of principal and interest of these loans and advances decreased persistently from 104 per cent during the year 1992-93 to 102, 93 and 89 per cent during the years 1993-94, 1994-95 and 1995-96 respectively. However, it was increased to 89 per cent during the year 1996-97.

#### **1.7.4 Guarantees given by the State Government**

Guarantees upto a maximum of Rs. 0.10 crore each were given by the State Government to the State Bank of Sikkim in August 1975 and July 1976 in respect of advances (Overdraft) made by the Bank to the Sikkim Mining Corporation and Sikkim Consumers' Co-operative Society respectively. Further, guarantees of Rs. 3.63 crore and Rs. 10 crore were also given in favour of Sikkim Vanaspati Limited and Sikkim State SC/ST/OBC Development Corporation Limited respectively. No guarantee was invoked during the year.

**1.8 Ways and Means advances**

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



## CHAPTER II

### Appropriation Audit and Control over Expenditure

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## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 General

The summarised position of actual expenditure during 1996-97 against grants/appropriations @ is given below:-

	Original grant/ appropriation	Supple- mentary grant/app- ropriation (Rupees in crore)	Total	Actual expendi- ture	Saving
<b>I. Revenue</b>					
Voted	1095.79	19.04	1114.83	1092.91	(-)21.92
Charged	33.60	3.27	36.87	34.52	(-) 2.35
<b>II. Capital</b>					
Voted	113.82	1.89	115.71	94.40	(-)21.31
<b>III. Public Debt</b>					
Charged	10.34	15.30	25.64	26.44	(+)0.80
<b>IV. Loans and Advances</b>					
Voted	1.06	---	1.06	1.00	(-)0.06
<b>Total</b>	<b>1254.61</b>	<b>39.50</b>	<b>1294.11</b>	<b>1249.27</b>	<b>(-)44.84</b>

#### 2.2 Results of Appropriation Audit

The overall saving of Rs. 44.84 crore was the net result of saving in 61 cases of grants/appropriations and excess in 13 cases of grants / appropriations as shown below:-

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

	Savings		Excesses		Net Savings(-) Excess(+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
( Rupees in crore )						
<b>Voted</b>	21.97 (in 46 grants)	21.47 (in 11 grants)	0.06 (in 5 grants)	0.09 (in 5 grants)	(-)21.91	(-)21.38
<b>Charged</b>	2.37 (in 4 appro- priations)	NIL	0.02 (in 2 appro- piation)	0.80 (in 1 appropria- tion)	(-) 2.35	0.80
<b>Total Savings</b>						<b>44.84 (approx.)</b>

The supplementary grants/appropriations of Rs. 39.50 crore obtained during 1996-97 constituted 3 per cent of the original grants/appropriations, as against 52 per cent in the preceding year.

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

According to the provisions of the Financial Rules, no expenditure should be incurred which might have the effect of exceeding the total grants or appropriations authorised by the State Legislature by law for a financial year even after obtaining a supplementary grant or an advance from the Contingency Fund. It was, however, observed that in the Revenue section, there was an excess of Rs. 5,67,660 in 5 grants and Rs. 2,16,552 in 2 appropriations while the excess in the Capital Section was Rs. 8,61,735 in 5 grants and Rs. 80,51,571 in 1 appropriation as detailed below:



Number and name of the grant/appro- piation	Amount of grant/appro- piation	Actual expen- diture	Excess
(In rupees)			
<b>Revenue- Voted</b>			
1-State Legislature	1,24,10,000	1,27,13,158	3,03,158
9-Taxes on Vehicles	11,25,000	11,34,941	9,941
16-Stationery & Printing	1,34,70,000	1,34,90,087	20,087
30-Nutrition	2,57,10,000	2,59,09,329	1,99,329
32-Other Social Services (Ecclesiastical)	67,98,000	68,33,145	35,145
<b>Total</b>	<b>5,95,13,000</b>	<b>6,00,80,660</b>	<b>5,67,660</b>
<b>Revenue-Charged</b>			
1-Governor	41,52,000	43,24,632	1,72,632
17-Public Works (Buildings)	5,50,000	5,93,920	43,920
<b>Total</b>	<b>47,02,000</b>	<b>49,18,552</b>	<b>2,16,552</b>
<b>Capital-Voted</b>			
34-Agriculture	47,50,000	47,71,996	21,996
36-Animal Husbandry	40,00,000	40,73,396	73,396
41-Food Storage & Warehousing	26,00,000	27,82,910	1,82,910
45-Power	30,63,00,000	30,68,78,060	5,78,060
49-Road Transport Services	1,82,00,000	1,82,05,373	5,373
<b>Total</b>	<b>33,58,50,000</b>	<b>33,67,11,735</b>	<b>8,61,735</b>
<b>Capital-Charged</b>			
53-Public Debt	25,63,87,000	26,44,38,571	80,51,571
<b>Total</b>	<b>25,63,87,000</b>	<b>26,44,38,571</b>	<b>80,51,571</b>
<b>Grand Total</b>	<b>65,64,52,000</b>	<b>66,61,49,518</b>	<b>96,97,518</b>

Excess of Rs.80.52 lakh under Grant No. 53-Public Debt was attributed to the claim in excess of the projected budget estimate made by the institution at the fag end of the financial year (February 1997) after finalisation of supplementary budget.

Reason for excess in the remaining cases under grants/appropriations had not been intimated (September 1997) by the concerned departments.

The cases of excess expenditure mentioned above require regularisation under Article 205 of the Constitution.

**(b) Delay in regularisation of excess of earlier years**

The excess incurred in grants/appropriations during the year from 1992-93 to 1995-96 amounting to Rs. 5.08 crore mentioned in the Reports of the Comptroller and Auditor General of India for the respective years had not been regularised as of September 1997. Explanatory notes for such excess had not been received from the Government.

**2.2.2** Supplementary provision of Rs. 27.80 crore obtained in 27 grants as detailed in Appendix I, proved wholly unnecessary since the actual expenditure during the year was less than even the original provision. In 3 appropriations and 16 grants (Appendix II), the supplementary grants of Rs. 15.91 crore obtained proved excessive in view of the final savings of Rs.4.39 crore.

In 3 appropriations and 4 grants (Appendix III), supplementary provisions of Rs. 15.68 crore obtained proved insufficient leaving an aggregate uncovered excess of Rs. 0.87 crore.

**2.3 (a) Unutilised provisions**

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

	Number and name of the grant/appropriation	Amount of saving (Percentage of saving to total provision) (Rupees in Lakh)	Reasons for savings
	<b>Revenue-Voted</b>		
3.	Administration of Justice	12.75 (12)	Not intimated (September 1997)
8.	Excise (Abkari)	119.47 (29)	Not intimated (September 1997)
18.	Other Administrative Services	45.45 (15)	Due to late approval of Civil Defence plan from Ministry of Home Affairs, New Delhi at the fag end of the financial year
22.	Sports and Youth Services	50.74 (31)	Due to non-receipt of central share, postponement of annual training camp and restricting other committed liabilities of the Government
34.	Agriculture	196.87 (13)	Due to matching the expenditure on the basis of sanction made by Govt. of India during the year and due to non release of fund and non-receipt of approval by Govt. of India
37.	Dairy Development	200.62 (84)	Due to non receipt of central share.

42.	Co-operation	40.06 (23)	Due to non-receipt of funds from National Co-operative Development Corporation, New Delhi
48.	Roads and Bridges	403.61 (24)	Due to non-receipt of details of expenditure from Border Road Organisation
50.	Other Scientific Research	10.69 (12)	Not intimated (September 1997)
52.	Tourism	104.48 (32)	Not intimated (September 1997)
	<b>Capital-voted</b>		
17.	Public Works (Buildings)	524.35 (24)	Not intimated (September 1997)
25.	Water Supply and Sanitation	378.92 (21)	Not intimated (September 1997)
26.	Urban Development	45.84 (38)	Not intimated (September 1997)
42.	Co-operation	237.86 (96)	Not intimated (September 1997)
46.	Industries	57.29 (14)	Not intimated (September 1997)
48.	Roads and Bridges	878.19 (29)	Due to non-receipt of explanation from Border Roads Organisation.



### 2.3(b) Persistent savings

Persistent savings of 10 percent and above were noticed in the following cases during last three years.

Serial Number	Grant/appropriation	S a v i n g s		
		1994-95	1995-96	1996-97
		(Rupees in lakh)		
	<b>Revenue-Voted</b>			
1	22-Sports and Youth Services	8.54 (16)	41.15 (27)	50.74 (31)
2	28-Roads and Bridges	476.01 (31)	377.85 (24)	403.61 (24)
3	50-Other Scientific Research	21.07 (22)	17.77 (15)	10.69 (12)
4	52-Tourism	83.77 (34)	71.86 (22)	104.48 (32)
5	53-Aid materials and Equipment	0.05 (100)	0.05 (100)	0.05 (100)
	<b>Capital-Voted</b>			
6	46-Industries	79.62 (20)	11.87 (60)	57.29 (14)
7	48-Road and Bridges	873.47 (39)	872.49 (27)	878.19 (29)
(percentage to the total provision in brackets)				

### 2.4 Trend of recoveries and credits

Under the system of gross budgeting, the demands for grants presented to the legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and

credits are shown separately in the budget estimates during 1996-97. Such receipts and recoveries anticipated were Rs. 9.56 crore (Revenue) and actuals were 8.57 crore as detailed below:-

Number and Name of Grant	Budget estimates	Actuals	Excess(+)/ Shortfall(-)
(Rupees in lakh)			
17-Public works(Building)	325.00	244.28	(-) 80.72
31-Relief on Account of Natural Calamities	471.00	468.37	-) 2.62
44-Irrigation and Flood Control	60.00	52.26	(-) 7.74
45-Power	20.00	3.18	(-) 16.82
48-Roads and Bridges	80.00	88.98	(+) 8.97
<b>Total</b>	<b>956.00</b>	<b>857.07</b>	<b>(-) 98.93</b>

## 2.5 Injudicious / irregular / inadequate re-appropriations

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 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/ inadequate re-appropriations are given in Appendix IV.

## **2.6 Non-receipt of explanations for savings/ excess**

After the close of the accounts for the financial year, the detailed Appropriation Accounts showing the final grants/ appropriation , the actual expenditure and the resultant variations are sent by the Accountant General to the controlling officers requiring them to explain the variations. In regard to the Appropriation Accounts for the year 1996-97 complete explanations were not received (September 1997) for 52 out of 54 grants / appropriations in which excess or savings were reported.

## **2.7 Reconciliation of expenditure**

Sikkim Financial Rules, 1979, provide that the Administrative Department controlling a grant or appropriation should reconcile the departmental figures of accounts with those booked by the Accountant General every month. Stress was also laid by several PACs (latest recommendations are contained in their twenty fifth Report of Fifth Assembly presented to the House on 14 March 1996) on periodical reconciliation. During 1996-97, out of 54 grants, accounts of only 52 grants were fully reconciled by the concerned departments and accounts of 2 grants were partially reconciled.

## **2.8 Irregular retention of money outside Government Account**

Mention was made in the Audit Report 1994-95 (Para 3.4) that the Education Department retained government money outside government account in the form of Manager's (MG) Cheques\* which was in total violation of Sikkim Financial Rules which lay down that no money should be drawn from the Bank unless it is required for immediate disbursement. Further, in its 5th report, the PAC had also observed that the

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



drawal of money not needed for immediate disbursement and its retention out of government account were serious financial irregularities to be viewed with concern.

Test check (August-September 1997) of records of the departments - Education Department, Sports & Youth Affairs Department, Finance Department, Culture Department, Urban Development & Housing Department, Welfare Department, Police Department, Horticulture Department and Agriculture Department revealed that these departments had drawn fund of Rs. 3.97 crore in advance in anticipation of the expenditure normally during the fag end of the financial year and had kept the same in Manager's (MG) Cheques for expenditure to be incurred in the subsequent years as indicated in the Appendix -V. It may be mentioned here that these amounts were withdrawn through the Detailed Contingent Bills instead of Abstract Contingent Bills (which stipulate submission of Detailed Contingent Bills) and were shown in the Cash Books as final expenditure during the year of drawal itself. This was in total violation of financial proprieties. The amount required for expenditure was being drawn by disposal of MG cheques and the balance amount was being further converted in fresh MG cheques and so on. The transactions so carried out by disposal of MG cheques were never reflected in Cash Book. As a result, the actual expenditure by liquidating MG cheques could not be verified in Audit.

Further, while the Government had paid huge interest on Market Loan to the extent of Rs. 10.72 crore during 1996-97 against the outstanding Market Loan of Rs. 117.44 crore, retention of fund in the form of MG cheques outside the Government Account without earning interest against it was highly irregular and against the principle of prudent financial management.

The matter was reported to the concerned departments and the Government (December 1997); reply had not been furnished (December 1997).



## CHAPTER III

### Civil Departments

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**CHAPTER III**  
**CIVIL DEPARTMENTS**  
**AGRICULTURE DEPARTMENT**

**3.1 Production and Distribution of Seeds and Development Schemes for Major Crops**

**3.1.1 Introduction**

During the Eighth Plan Period (1992-97), the Government of India, Ministry of Agriculture implemented various plan schemes for production and distribution of seeds and development of major crops with the following main objectives:-

- to provide adequate infrastructural facilities for growth of seed industry;
- to make available certified seeds in not easily accessible areas in the country;
- to improve the working efficiency of National and State Level Public Sector Seeds Corporations so as to make them economically viable;

Under crop development schemes, the major programmes implemented by the Ministry of Agriculture during the period from 1992-93 to 1996-97 were as follows:

**i) Oil Seeds Production Programme (OPP)**

This programme was implemented in the State from 1983-84 onwards to augment the production of oil seeds. The main objective of the programme was to encourage the farmers to increase the production of oil seeds by increasing productivity.

**ii) National Pulses Development Project (NPDP)**

This programme was also implemented in the State from 1983-84 onwards. The objective was to encourage the farmers to increase the production of pulses by increasing the area as well as the productivity by introduction of improved seeds and technology.

**iii) Integrated Cereals Development Programme for Rice, Wheat and Coarse grains (ICDP)**

This Scheme aims to raise the income of the farmers by increasing the production of cereals through sustainable agriculture system.

**iv) Minikit Demonstration Programme on Coarse Cereals**

This Scheme aims to increase the productivity by popularising the use of newly released hybrid/high yielding varieties of coarse cereals.

**3.1.2 Organisational Set-up**

All the 4 programmes were taken up in the State of Sikkim in all the four districts (East, West, North and South). The programmes of OPP and NPDP were implemented by the Additional Director Plant Protection/Engineering Cell whereas ICDP and Minikit Programmes were implemented by the Joint Director, Field Crop Cell under the supervision of Secretary, Agriculture Department at State level and by Deputy Directors of Agriculture (DDA) at district level.

**3.1.3 Audit Coverage**

A review of the implementation of the OPP, NPDP, ICDP and Minikits Programmes during the period from 1992-93 to 1996-97 was conducted during April-June 1997 on the basis of test check of records of the Agriculture Department, Gangtok and in the Offices of the Deputy Directors of Agriculture (East, West, North and South Districts). Important points noticed during review are incorporated in the succeeding paragraphs.

**3.1.4 Highlights**

**Out of Rs.352.59 lakh released by the Central Government during 1992-93 to 1996-97 under OPP, NPDP, ICDP, an amount of Rs. 25.50 lakh was retained by the State Government as unspent balance. This was neither surrendered nor**



adjusted in the subsequent assistance released by the Government of India.

(Paragraph 3.1.6.(a))

- Under OPP and NPDP there was an excess expenditure of Rs. 6.44 lakh over the approved budget allocation on procurement of plant protection equipment and improved farm implements during 1992-93 to 1996-97. The excess expenditure had not been got regularised from Government of India.

(Paragraph 3.1.6 (c))

- Under Rice Minikit Demonstration Programme, the Department had not utilised the amount of Rs. 1.65 lakh sanctioned by Government of India resulting in non implementation of the programme in the State during 1996-97.

(Paragraph 3.1.7(d)(i))

- Under OPP , the Department purchased 2500 quintals of certified seeds during 1992-93 to 1996-97. Of this, 618.90 quintals of certified seeds were purchased through authorised dealers of National Seeds Corporation during 1992-93,1995-96 and 1996-97 and an avoidable expenditure of Rs. 3.06 lakh was incurred towards payment of handling charges

(Paragraph 3.1.8(i))

- Under OPP and NPDP Rs. 18.55 lakh representing 50 per cent cost to be borne by the beneficiaries was not realised from the beneficiaries on sale of Plant Protection equipment and Plant Protection chemicals.

(Paragraph 3.1.9)

- Similarly under OPP and NPDP an amount of Rs. 2.91 lakh being the cost of fertilisers, sold to the farmers at subsidised rates, was not realised from them during 1996-97.

(Paragraph 3.1.10(i))

### 3.1.5 Funding Pattern

The expenditure relating to OPP, NPDP and ICDP was shared by the Central and State Government on 75:25 basis. Minikits Programme was Centrally Sponsored Scheme, and the entire expenditure was borne by the Central Government.

### 3.1.6 Financial Outlays

The details of Central Assistance received, corresponding grant provided by the State and expenditure incurred for the implementation of the OPP, NPDP, ICDP and Minikits Programmes were as under:

SL. No.	Name of Scheme	Period	Central Assistance received	Matching grant released by State	Total Fund	Total Expenditure	S a v i n g s		
							Central Share	State Share	Total
1.	OPP	1992-93 to 1996-97	254.55	(Rupees in lakh) 83.04	337.59	323.31	9.92	4.36	(-) 14.28
2.	NPDP	1992-93 to 1996-97	46.93	14.55	61.48	52.75	6.54	2.19	(-) 8.73
3.	ICDP	1994-95 to 1996-97	51.11	8.69	59.80	49.57	9.04	1.19	(-) 10.23
Total			352.59	106.28	458.87	425.63	25.50	7.74	(-) 33.24

SL. No.	Name of the Scheme	Period	Central Assistance released (Rupees in lakh)	Total Expenditure	Excess (+) Savings (-)
4. a)	Minikits Demonstration Programme on Coarse Cereals (Maize and Millets) (100 % CSS)	1993-94 to 1996-97	3.75	4.52	(+) 0.77
b)	Minikits Demonstration Programme (Rice) (100 % CSS)	1993-94 to 1995-96	1.80	1.80	NIL
Total			5.55	6.32	(+) 0.77

(a) Against the total fund of Rs.458.87 lakh available under OPP, NPDP and ICDP during the period under review, expenditure of Rs. 425.63 lakh was incurred leaving an unspent balance of Rs. 33.24 lakh. Of this, Rs. 25.50 lakh constituted Central assistance which was neither surrendered nor adjusted in the subsequent assistance released by the Government of India.

The savings were attributed (June 1997) by the Department to non-implementation of sub-components having very stiff norms and difference between estimated cost and actual expenditure incurred on the components actually implemented.

(b) In respect of Minikits Demonstration Programmes, (Maize-Millet) the total expenditure incurred was Rs. 4.52 lakh against the Central assistance of Rs. 3.75 lakh received during 1993-94 to 1996-97. For excess expenditure of Rs. 0.77 lakh, reimbursement was awaited (June 1997) as the initial expenditure was met from the State budget.

**c) Excess expenditure on procurement of Plant Protection (P.P) equipment and Improved Farm implements**

During 1992-93 and 1994-95 the Central Government allocated an amount of Rs. 11 lakh under OPP for extending input support to the farmers at 50 per cent subsidised rates. Similarly during 1992-93 to 1996-97 the Government of India allocated an amount of Rs. 7.11 lakh under NPDP for the same purpose. It was seen in Audit that

**The Department incurred excess expenditure of Rs. 6.44 lakh over the approved budget allocation without the approval of Government of India.**

the Department had incurred expenditure of Rs. 14.01 lakh and Rs. 10.54 lakh under OPP and NPDP respectively on procurement of P.P. equipment and Improved Farm implements. Thus, there was an excess expenditure of Rs. 6.44 lakh (Rs. 3.01 lakh



under OPP and Rs. 3.43 lakh under NPDP) over the approved budget allocation.

The Department stated (June 1997) that approved cost ceiling of Government of India was not applicable since topography and feasibility of using such equipment was not suitable in the context of Sikkim due to involvement of higher cost of transportation, mobility and handling by the extension workers and farmers. The reply is not tenable since the expenditure under these components was required to be limited to budget allocation. Thus, incurring excess expenditure without the approval of Government of India was irregular.

### 3.1.7 Physical targets and achievements

#### (a) Oil Seed Production Programme(OPP)

Under OPP, the targets fixed by the State for areas to be covered (Hectares) with production of oil seeds (Tonnes) and achievement made against these during 1992-93 to 1996-97 were as under:

Sl. Item No.	1992-93			1993-94			1994-95			1995-96			1996-97		
	T	A	S	T	A	S	T	A	S	T	A	S	T	A	S
1. Area Coverage (In Hectares)															
a) Soyabean	317	317	-	389	389	-	389	389	-	489	489	-	449	449	-
b) Rapeseed and Mustard	6000	6000	-	6370	6370	-	6000	6000	-	5000	5000	-	5500	5500	-
Total	6317	6317	-	6759	6759	-	6389	6389	-	5489	5489	-	5949	5949	-
2. Production (In tonnes)															
a) Soyabean	266	266	-	318	315	3	320	320	-	410	408	2	377	377	-(anticipated)
b) Rapeseed and Mustard	5616	6204	-	8015	8010	5	7815	7810	5	6077	6069	8	5813	5813	-(anticipated)
Total	5882	6470	-	8333	8325	8	8135	8130	5	6487	6477	10	6190	6190	

T= Target, A= Achievement, S= Shortfall

Component wise details under OPP are given in Appendix-VI.



(i) From the details given in the Appendix it will be seen that though the quantity of certified seed distributed in respect of Rape-seed and Mustard had remained almost constant the production of the above crops was reported at abnormally higher rates during 1993-94 and 1994-95.

(ii) The reasons for fluctuation in production of oil seeds was not on records, hence, could not be analysed in Audit.

**(b) Physical targets and achievements in Production of Pulses**

The details of targets and achievements were as under:

Sl. Parti- No. culars of Pulses	1992-93			1993-94			1994-95			1995-96			1996-97		
	T	A	S	T	A	S	T	A	S	T	A	S	T	A	S
1. Urd/ Pahelidal	553.50	553.00	0.50	646	646	—	1046.25	1046.25	—	1042.50	1042.00	0.50	1042.50	1042	0.50
2. Pea	77.44	70.00	7.44	80.53	79.65	0.88	80.55	80.00	0.55	80.55	80.00	0.55	80.55	80.55	—
3. Beans	70.40	70.00	0.40	79.65	79.65	—	80.55	80.55	—	80.55	80.00	0.55	80.55	80.00	0.55
Total Target for all varieties - 5122.07 tonnes															
Total achievements for all varieties - 5109.65 tonnes															
Shortfall - 12.42 tonnes															

Thus, against the target of 5122.07 tonnes of all varieties, the achievement was 5109.65 tonnes resulting in shortfall of 12.42 tonnes.

**(c) Integrated Cereals Development Programme for Rice, Wheat and Coarse grains(ICDP)during 1994-95 to 1996-97.**

Under the above programme there was shortfall in achievements of various components during 1994-95 to 1996-97 as detailed below:-

Sl. No.	Particulars of components	1994-95			1995-96			1996-97		
		T	A	S	T	A	S	T	A	S
1.	Training of Farmers (In numbers)	32	31	1	32	32	-	32	32	-
2.	Varietal Replacement and new gramplasm (In quintals)									
a)	Wheat	920	915	5	1000	1000	-	1000	1000	-
b)	Maize	430	428	2	500	500	-	-	-	-
3.	Implements (In numbers)									
a)	Manually operated	112	-	112	21	-	21	100	-	100
b)	Power Operated Sprinkler Sets	8	-	8	48	40	8	48	-	48
4.	Productivity Awards (In numbers)	32	16	16	20	20	-	16	16	-

**(d) Rice Minikit Distribution Programme on Coarse Cereals**

Particulars	1993-94			1994-95			1995-96			1996-97		
	T	A	S	T	A	S	T	A	S	T	A	S
1. Rice Seed Minikit Demonstration Programme (In number)	-	-	-	5000	3500	1500	5000	5000	-	7500	-	7500
2. State Level Training (In number)	1	1	-	-	-	-	-	-	-	-	-	-

Under Rice Minikits Demonstration Programme, the Government of India accorded (July 1996) administrative approval cum financial sanction of Rs. 1.65 lakh to the State Government for carrying out 7,500 Rice Seeds Minikits Demonstrations of Pantha Dhan 10 and 11 varieties for the year 1996-97. The initial expenditure was to be borne by the State Government which was reimbursable by the Government of India.

It was seen in Audit that the programme was not implemented in the State during 1996-97. The Department stated (October 1997) that approval and sanction from Government of India was received very late (July 1996) and by that time sowing/planting of paddy in the State was already over. The reply of the Department is not tenable on the grounds that the Department had framed the programme in April 1996 which could be implemented during sowing season without any hindrance as the initial expenditure on the programme was to be incurred by the Department.

### **3.1.8 Production and distribution of seed**

During 1992-93, an allocation of Rs. 0.50 lakh was made by the Government of India to achieve target of production of one quintal of Foundation Seed under OPP. It was seen in Audit that the scheme was not implemented during 1992-93.

The Department stated (June 1997) that the Government of India could not make available Foundation Seeds of oil seed to the Department during 1992-93 for multiplication. Reply is not acceptable since it was not supported by the indent issued to the Government of India or to the Research Centres and evidence of non-availability of Breeder Seeds with the Government of India.

#### **i) Modus operandi for procurement of seeds**

The Department had procured 2500 quintals of certified seeds of various crops for distribution under the scheme during 1992-93 to 1996-97. Of this, under OPP, the Department procured 618.90 quintals of Certified Seeds (Rape-seed Mustard T-9-502 quintals, Yellow Sarson B-9-50 quintals and Pusa Bold -66.90 quintals) valued at Rs. 43.72 lakh during 1992-93 and 1995-96 to 1996-97 through the authorised dealers of National Seed Corporation, Siliguri. Had the purchase been made directly

**Failure to procure the certified seeds directly from NSC instead of through authorised dealers resulted in avoidable expenditure of Rs. 3.06 lakh towards payment of handling charges.**



from the National Seed Corporation, Siliguri, the extra expenditure of Rs. 3.06 lakh towards payment of handling charges to authorised dealers could have been avoided.

The Department stated (June and October 1997) that the Department failed to procure seeds directly from National Seed Corporation, Siliguri because the Department was required to pay 10 per cent advance at the time of placing the supply orders. Even after making 10 per cent advance payment to National Seed Corporation, Siliguri, the seeds were not reaching the Department in time. Hence, to avoid unnecessary delay and to ensure timely sowing the Department procured the seeds through authorised dealers of National Seed Corporation, Siliguri on payment of 7 per cent handling charges over and above the cost of the seeds. Reply is not tenable because instead of charging extra for handling, the authorised dealers should have delivered the seeds at the departmental store and taken commission from the National Seed Corporation, Siliguri for the supplies.

### **3.1.9 Activities under Crop Development Programme- Non-realisation of 50 per cent cost from the beneficiaries**

As per directives of Government of India for combating the diseases and pests under the schemes of OPP and NPDP in the components of i) P.P. chemicals and ii) P.P. equipment (OPP and NPDP) and Rhizobium Culture (NPDP), 50 per cent cost was to be realised from the concerned beneficiaries/farmers.

**Failure to realise 50 per cent cost of P.P. chemicals and equipment from the beneficiaries resulted in non-realisation of Rs. 18.55 lakh.**

It was seen in Audit that an amount of Rs. 18.55 lakh remained unrealised till June 1997 as shown below:



Sl. No.	Name of Scheme	Period	Expenditure incurred	50 % cost realisable	Amount realised	Amount not realised
(Rupees in lakh)						
1.	OPP	1992-93 to 1996-97	31.59	15.80	0.67	15.13
2.	NPDP	1992-93 to 1996-97	6.84	3.42	Nil	3.42
Total			38.43	19.22	9.67	18.55

The Department stated (June 1997) that the State being of a hilly terrain, sticking to the norms of the component was not feasible in the State. On the basis of approval given by the State Government, the items were distributed to the beneficiaries free of cost. However, pending approval from the Government of India, the action of the Department was irregular.

### 3.1.10 Field Demonstration on cropping system

During 1992-93 to 1996-97, the Department covered 16,570 hectares of Rape-Mustard oil seeds (Rabi Season) and 1,660 hectares of Soybean seeds (Kharif Season) under OPP field demonstration by continuously using three varieties of Rape-Mustard Seed (Torla-9, Yellow Sarson B-9 and Pusa Bold) and one variety of Soybean (PK-347).

Similarly, the Department covered 2,111 hectares under NPDP field demonstration against the target fixed for 2,129 hectares by continuously using three varieties of seeds (Pahelidal/Urd local, Pea Seeds (Dentamey) and F/S Beans).

No efforts were made by the Department to use new improved variety of seeds for demonstration under both the schemes. Thus, the aims and objectives of the demonstration for developing inter cropping technique and high yielding seeds remained unattended.

The Department stated (June and October 1997) that the varieties demonstrated were improved, latest, most popular and widely adopted by the State of Sikkim which were not available from outside sources.

**i) Non realisation of 50 per cent cost of fertilisers from the beneficiaries**

As per circular issued (January 1995) by the Department, free distribution of fertilisers for demonstration on oil seeds and pulses was stopped. The fertilisers on demonstration were to be issued / sold at 50 per cent subsidised rates.

During 1996-97, the Department issued 135000 kgs. of DAP and 23000 kgs of Urea and covered 3040 hectares and 450 hectares under OPP and NPDP field demonstration respectively. The cost of the fertilisers amounted to Rs. 14.55 lakh. Fifty per cent cost amounting to Rs. 7.28 lakh was, however, not realised from the concerned beneficiaries / farmers.

The Department stated (October and December 1997) that an amount of Rs. 4.37 lakh towards 50 per cent cost of the fertilisers was realised between September 1996 and October 1997 from the farmers / beneficiaries of three districts (East, West and North) and deposited to the Government account. The balance amount of Rs. 2.91 lakh (Rs. 7.28 lakh - Rs. 4.37 lakh) however, still remained to be realised (December 1997).

**ii) Delay in distribution of Sintex Tanks and Poly pipes**

Under OPP the activities under field demonstration in the farmers' field for both Rabi and Kharif season for the year 1996-97 were already completed. However, the Department purchased (March 1997) 163 Sintex Tanks (1000 litres capacity) and 163 Poly Pipes (1/2 dia 100 M) worth Rs. 10.71 lakh from the local supplier. The items were not distributed to the beneficiaries till June 1997.

The Department stated (June 1997) that the Government of India released

Central assistance at the fag end of the financial year 1996-97 due to which the purchases had to be made during March 1997. The Department further stated (October 1997) that those items have since been distributed to the beneficiaries. Reply is not tenable since the infrastructural facilities were provided to the farmers after completion of demonstration in 3040 hectares for both Kharif and Rabi seasons of 1996-97.

### **3.1.11 Monitoring and evaluation**

The Additional Director P.P./Engineering Cell of the Department stated (June 1997) that monitoring of the schemes comprised quarterly review meetings under the Chairmanship of Secretary, Agriculture and Additional Director, P.P./Engineering Cell functioning as Nodal Officer.

The monitoring was further supplemented by spot inspection and tour to those areas where the schemes were being implemented. However, the minutes of the quarterly meetings, agenda, tour inspection notes and records indicating follow up action were not produced to Audit. Further, these schemes were not evaluated by any authority during the period covered under review.

The matter was reported to the Government (August 1997); final reply had not been received (January 1998).

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

### **3.2 Loss due to defective service contract**

The Department had entered into an annual maintenance contract (AMC) with a Baroda based firm (an authorised dealer of a foreign firm) for a period of one year commencing from 1 April 1995 for maintenance of two numbers of Liquid Nitrogen



Plants at an annual fee of Rs. 0.80 lakh per plant to be paid in advance. The contract provided 2 services per plant during the period of the service contract at convenient reasonable intervals, with a minimum three months interval and one emergency service for any one of the two plants. The Service Contract provided that the contract shall be deemed to be terminated and/or come to an end in case of non-fulfilment of the obligation by either party. The contract was, however, silent as to whether the firm was liable to refund the fee in case of failure on its part. The contract rather provided that the firm shall not be liable in any manner 'whatsoever to indemnify the customer for any injury, loss or damage of any kind whatsoever or howsoever caused'

Test check (August 1996) of records of the office of the Commissioner-cum-Secretary, Animal Husbandry and Veterinary Services Department revealed that one plant had remained non-functional during the entire period under contract and the second one functioned under stress during

the last three months of the contract for want of spares and maintenance. The firm did not

**Due to defective service contract, there was a loss to the Department to the extent of Rs. 1.60 lakh.**

pay even a single visit despite requests of the Department. The AMC expired on 31 March 1996 without providing any service to be provided during the contract period. Since the firm failed to fulfil its contractual obligations, the Department was required to take back the amount of fee of Rs. 1.60 lakh paid to the firm. But no such claim had been lodged by the Department with the firm due to defective contract.

The Department stated (July 1997) that the firm had rendered five maintenance services between March 1994 and April 1996 on arrival of spare parts as the service was not possible without spares. In a further reply the Department stated (September 1997) that the spares were received on 30 June 1995. Replies of the Department are contradictory and not acceptable since the Commissioner-cum-Secretary had sent a fax



message to the Principal firm abroad on 8 March 1996 in which it was stated that one plant was running continuously under stress for the last two months because of non-availability of spares and the other one was dead for the last two years for want of spares.

Acceptance of defective service contract by the Department thus caused loss of Rs. 1.60 lakh to the Government.

### **3.3. Unfruitful expenditure due to improper implementation of the cross breeding programme on Yaks**

Under cross breeding programme to upgrade genetic blood level of local Yaks by crossing them with Yaks of Bhutan available at Lachen, an amount of Rs. 2.50 lakh was sanctioned (September 1994) by the Government. The Animal Husbandry and Veterinary Services Department drew (December 1994) an advance of Rs. 2.50 lakh and placed (December 1994) a supply order for 50 Yaks on a local supplier (Kupup, East Sikkim) at a cost of Rs. 2.50 lakh inclusive of transportation charges (Rs. 0.30 lakh) from Kupup to Lachen and feeding charges (Rs. 0.20 lakh). No quotations were called for to ascertain the lowest market rates. The supplier raised (March 1995) a bill amounting to Rs. 2.50 lakh which was paid (March 1995) by the Department after excluding transportation and feeding charges amounting to Rs. 0.50 lakh and the amount was kept by the Department in the Bank in the form of Term Deposit Receipt (TDR).

It was seen in Audit that the supplier did not effect the actual supply of Yaks till the date of Audit (August-September 1996). Thus, the payment of Rs. 2 lakh to the supplier without taking actual delivery of the animals was highly objectionable and resulted in undue benefit to the supplier. The amount of Rs. 2 lakh had not been recovered as of December 1997. Retention of Public money (Rs. 0.50 lakh) outside

Government Accounts was also a serious financial irregularity.

Under the above cross breeding programme, the Government further sanctioned (January 1995) an amount of Rs. 2.50 lakh for the purchase of 50 Yaks from Lachung for distribution to the beneficiaries of Lachen. Accordingly, the Department drew an advance of Rs. 2.50 lakh during January 1995 and placed (March 1995) a supply order on a local supplier (Lachung, North Sikkim) for 50 Yaks at a cost of Rs. 2.50 lakh. No quotations were called for

**Improper implementation of the programme resulted in infructuous expenditure of Rs. 4.50 lakh.**

to ascertain the lowest market rates. Payment of Rs.2.50 lakh was made to the supplier during March and December 1995. It was seen in Audit that the Yaks purchased at Lachung were distributed to the beneficiaries of Lachung instead of Lachen for cross breeding. This had defeated the very purpose of the Scheme which was intended to upgrade the genetic blood level of the local Yaks by crossing them with the Yaks of Bhutan in Lachen.

The Department stated (July 1997) that the Yaks were distributed at Lachung because most of the beneficiaries at Lachung were Yak herders without any Yak and were looking after the Yaks of others. The distribution was done with the approval of the Government. The reply is not acceptable as by doing so the objectives of the Scheme were not achieved.

The entire expenditure of Rs. 4.50 lakh thus proved to be infructuous and a sum of Rs. 0.50 lakh unnecessarily retained in T. D. R.



Central Referral Hospital (CRH) along with supply of equipment as per plan and specification already approved by the Government of Sikkim along with other works as reflected in the project report prepared by HEPL within three years at a total cost of Rs. 30 crore irrespective of cost escalation (clause 4 of agreement). The PAI Foundation was also to provide 600 beds in Gangtok area and 120 beds in district hospitals for teaching purposes and was to operate an Institute of Medical Science for medical, dental, pharmacy and nursing training. In consideration of services rendered by the Foundation, the Government shall give an annual grant of Rs. 2.50 crore on quarterly basis for management and maintenance. Further, as per clause 7 (b) of the agreement, in the event of failure on the part of the PAI Foundation to complete the building and equip the same within the stipulated period of three years, the PAI Foundation shall be liable to pay compensation at the rate of one per cent per month for the incomplete portion of work.

The important points noticed in the construction of Central Referral Hospital during the period 1991-92 to 1996-97 during test check of the records of Health & Family Welfare Department are given in the succeeding paragraphs.

**(a) Delay in construction of CRH**

As per the agreement, the Department entrusted (March 1992) the work 'construction of CRH' to PAI foundation for completion by March 1995. The hospital had been partially completed and the Department had paid an amount of Rs. 30 crore to PAI foundation as of February 1997. The work was not completed as scheduled, as the payment of instalments

**Delay in construction and non-recognition of the Medical Institute resulted in the non-fulfilment of the intended objectives. Besides expenditure of Rs. 22.70 crore remained unfruitful upto March 1997.**

(12 equal quarterly instalments) to the PAI Foundation was not made as per agreement.

However, the hospital was commissioned on 4 March 1997 with 150 beds. Thus, delay in construction and non-recognition of Medical Institute resulted in the non-fulfilment of the intended objectives. The expenditure of Rs. 22.70 crore (i.e. Rs. 30 crore - 7.30 crore) incurred thereon upto 31 March 1995 remained unfruitful (March 1997).

Further, prior permission required under Indian Medical Council (Amendment) Act, 1993 and Dentists (Amendment) Act, 1993 for establishment of Medical College was not obtained from the University Grant Commission (U.G.C.). The U.G.C. also did not grant 'Deemed University' status and instead recommended that the State Government should have their own University

**(b) Idle Hospital Equipment.**

The State Government accorded sanction in June 1990 for purchase of medical equipment for CRH, Tadong at a cost of US \$ 16,79,238 to be imported from a firm of United Kingdom on loan repayable in seven yearly instalments at the interest rate of 8 per cent per annum. The Department entered into an agreement with the firm in August 1990 and opened a letter of credit with the State Bank of India (SBI) overseas branch, Calcutta towards repayment of loan for US \$ 22,16,593.40 (equivalent to Rs. 461.49 lakh at the time of first instalment payment). Upto 7th instalment (September 1997) the Department incurred an expenditure of Rs. 713.35 lakh including bank commission of Rs. 14.68 lakh, due to increase in exchange rate. According to the terms and conditions settled with the firm, the equipment were guaranteed for a period of twelve months and installation and training were to be provided at site by the firm.

The equipment were received in 1991. Out of this, equipment worth US \$ 6,52,174 had not been installed and was lying idle till February 1997 as the



doctors and nurses were not trained in operating the equipment and due to lack of Gas and reagent, Gas cylinder etc.

The Estimate Committee also commented inter alia in their report dated 8 March 1994 and 14 March 1996 that (i) the requirement of equipment was neither projected by Hospital authorities nor included in the Annual Plan or budgeted under Non-plan allocation for the year, (ii)

**Purchase of equipment without projecting requirements resulted in unfruitful expenditure of Rs. 713.35 lakh.**

credit offer without any written enquiry/reference from the Department was moved confidentially and reasonableness of the rates offered was not verified either through invitation of tenders or in any other manner, (iii) although equipment were received in 1991-92 these had not been fully installed / commissioned for want of trained technical personnel and some of the equipment were deficient / defective, (iv) while replacement of basic items of constant use and utility was inadequate, costly equipment was procured without sufficient and proper planning.

In the normal course a scheme for upgrading the standards of health care in the State through import of advance technology would have warranted wide publicity. On the contrary, however, the offer of credit in the present case was kept secret and moved in a confidential note .

The equipment had not been shifted to CRH as per procurement proposal and were installed instead in Sir Thutup Namgyal Memorial (STNM) hospital. Equipment worth US \$ 652174 remained idle for want of trained technical personnel and availability of suitable space and equipment worth US \$ 128588 had not been installed/ commissioned being defective.

Thus, equipment purchased without projected requirement, their installation in STNM hospital without ascertaining their adequate utility and improper planning led to

unfruitful expenditure of Rs.713.35 lakh apart from depriving the public of proper health care.

**(c) Extra financial burden due to payment of interest of Rs.12.86 lakh on delayed payment of loan instalment**

As per agreement, the Department was liable to repay the foreign loan in 7 yearly instalments of US \$ 239891 upto 5th instalment and US \$ 239829 on 6th instalment plus 8 per cent interest on 3 September each year. The fourth instalment of US \$ 3,16,656.20 was due on 3 September 1994.

Test check of records revealed that an amount of Rs. 102.80 lakh was paid by the Pay and Accounts Office through State Bank of Sikkim (SBS) cheque on 2 September 1994 but State Bank of India (SBI) demand draft could not be purchased for repayment of foreign loan due to fund constraint. The Department requested the SBI for one month time for meeting the above committed liability. Subsequently, the payment was made on 10 January 1995. It was noticed that the SBI charged interest of Rs. 12.86 lakh with effect from 3 September 1994 to 31 March 1995.

**Delay in repayment of loan led to extra financial burden of Rs. 12.86 lakh towards interest on delayed payment.**

Further, from the records it was noticed that resource position was sufficient to meet the requirement of foreign credit with the Government even though the committed amount on which interest was payable was not paid in time.

Thus, due to delay in repayment of loan the Government had to bear an extra financial burden of Rs. 12.86 lakh towards interest on delayed payment of foreign loan.

The matter was reported to the Department/ Government in October 1992 and August 1997; final reply had not been received ( December 1997).



### 3.6 Loss due to non availing of discount

During the period from September 1995 to December 1996, the Department purchased disposable syringes of various sizes at a cost of Rs. 4.39 lakh from an authorised dealer of a Delhi based manufacturer.

As per the price list of the manufacturer, discount ranging from 20 per cent to 45 per cent was admissible on the above

**Discount was not availed of and led to loss of Rs. 1.93 lakh.**

purchases. No such discount was, however, availed of by the Department. This resulted in undue benefit to the authorised dealer and loss of Rs. 1.93 lakh to the Government.

In reply (August 1997), the Department stated that as far as procurement for the year 1996-97 is concerned, no discount facility was given by the firm. The reply of the Department is not acceptable due to the fact that no rates were quoted by the firm for 1996-97. Rates of the manufacturer effective from 1 August 1995 wherein discount of 20 to 45 per cent provided, was approved by the Purchase Committee were for the year 1996-97.

### 3.7 Excess payment on installation of X-Ray Plant

The Department of Health and Family Welfare had effected (February 1996) local purchase of Siemens 500 MA X-Ray Unit and Klinographs worth Rs. 22.35 lakh from an authorised dealer of a Mumbai based company at company's price list. The company clarified (July 1995) that the installation of X-Ray equipment if procured through the authorised dealer of the company will be done at the site at no extra cost.

Test check of records (January-February 1997) of the Health and Family Welfare Department revealed that though the equipment were procured (March 1996) through authorised dealer of the company, the payment of Rs.22.35 lakh made to him

in March 1996 included an amount of Rs. 1.93 lakh towards packing and forwarding charges which was not admissible as per the offer of the company.

In reply (August 1997), the Department stated that as per the letter of the company the entire responsibility of transportation, installation and other preliminaries required to be observed in connection with installation of machinery would be completed by the authorised dealer. Accordingly, the authorised dealer had charged 10 per cent extra for packing, forwarding and transportation. Reply is not acceptable as the company offer clearly stated that installation of X-Ray equipment, if procured through the authorised dealer of the company, will be carried out at no extra cost.

### HOME DEPARTMENT

#### 3.8 Irregular expenditure on entertainment and hospitality

Although provision for incurring expenditure by the Chief Minister/Ministers was being made in the budget under the sub-head "Entertainment and Hospitality Expenses" from year to year, no norm indicating the ceiling limit and nature of expenditure to be incurred was prescribed by the Government for the entertainment and hospitality expenses of the Chief Minister in the State.

Test check (July 1996) of records of the Office of the Secretary, Home Department revealed that an amount of Rs. 105.14 lakh was spent on hospitality and entertainment (Rs. 87.33 lakh on hospitality, Rs. 6.67 lakh on presentation of Temi Tea and Rs. 11.14 lakh on presentation of traditional handicraft items) of various visitors(status not specified) during 1993-94 to 1995-96.

**Incurring expenditure from public funds without any norm and against the Government directive resulted in irregular expenditure of Rs. 114.16 lakh.**

It was further noticed that though State Government vide their circular issued on 24 December 1994 prohibited use of alcoholic drinks for official functions/parties,



an expenditure of Rs. 9.02 lakh, which formed part of the hospitality expenditure, was incurred on purchase of liquors between 24 December 1994 and March 1996 i.e. after issue of circular.

Incurring expenditure from public funds without any norm and against the Government directive was irregular.

The Department stated (August 1997) that it appears difficult to confine the expenditure incurred by the Chief Minister under this head because he has to entertain many guests which may necessitate expenditure on items like hosting parties, lunch, dinner, making presentation/gifts etc. The Department further stated that the expenditure was not irregular as concurrence of the Finance Department had been obtained before clearing the bills. The Department also stated that the expenditure on purchase of Sikkim Made Foreign Liquor for Hon'ble Chief Minister belongs to the period before the circular dated 24 December 1994 was issued. The reply of the Department is not acceptable as the expenditure on hospitality and entertainment could be limited by prescribing specific norms etc. The Department had also incurred an expenditure of Rs. 9.02 lakh for the purchase of liquor after the circular dated 24 December 1994 was issued.

## **HORTICULTURE DEPARTMENT**

### **3.9 Extra expenditure on procurement of ginger seed**

Under the scheme 'Development of Ginger Cultivation', the Department had procured (upto 15 March, 1995 ) 30450 maunds\* of ginger seed against the target of 30000 maunds from certified seed growers at the prevailing market rate of Rs. 500 per maund.

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\* Maund=40 kgs.

Audit scrutiny ( February 1996 ) of the records of the Secretary, Horticulture Department, Gangtok revealed that in addition to the quantity of ginger seed procured upto 15 March 1995, 702 maunds of ginger seed was purchased (15 and 29 March 1995 ) by the Department at higher rate of Rs. 800 per maund which resulted in an extra expenditure of Rs. 2.11 lakh.

**Improper planning in procurement of ginger seed led to excess procurement of ginger seed at higher rate resulting in excess expenditure of Rs. 2.11 lakh.**

The Department stated (September 1997) that since ginger seed was distributed free of cost, there was heavy demand from all the farmers and the Government directed the Department to cover six additional constituencies under the Scheme. Further, since at the end of the season the available seed was very limited and demand was very high, market rate prevailing earlier had increased and was negotiated at Rs. 800 per maund.

The reply is not tenable as with a proper advance planning and realistic assessment of requirement extra cost of Rs.2.11 lakh on procurement of 702 maunds of ginger seed at higher rate could have been saved.

## **LAND REVENUE DEPARTMENT**

### **3.10 Members of Parliament Local Area Development Scheme (MPLADS)**

#### **3.10.1 Introduction**

In order to enable the Members of Parliament (MPs) to get small developmental works of capital nature executed in their constituencies, the Prime Minister announced the "Member of Parliament Local Area Development Scheme" in the Parliament on 23rd December 1993. The scheme was initially administered by the Ministry of Rural Development (now called Ministry of Rural Areas and Employment). The subject was



later on transferred to the Department of Programme Implementation, Ministry of Planning and Programme Implementation with effect from October, 1994.

The main feature of the scheme was that each MP would have a choice to suggest to the concerned Heads of Districts developmental works involving expenditure upto Rs. 10 lakh in each case and upto the overall ceiling of Rs. 1 crore per year, to be taken up in his/ her constituency. The works under the scheme should be developmental in nature, based on local needs and must lead to creation of durable assets. Creation of asset in a private holding was also permissible provided the land was surrendered by the concerned land owner or 'No Objection Certificate' obtained and the asset created on the land should be available for public use for which they were created.

### **3.10.2 Organisational Set-up**

The District Collector (East), Gangtok was the Nodal Officer at the State level for implementation of the scheme. Most of the works under the scheme were executed by the Rural Development Department, Urban Development and Housing Department, Education Department and Forest Department according to the nature of work permissible under the scheme.

### **3.10.3 Audit Coverage**

The implementation of the scheme during the years 1993-94 to 1996-97 was reviewed in May 1997 on the basis of test check of records maintained at the District Collectorate, East. The State of Sikkim had one constituency each for Lok Sabha and Rajya Sabha and entire works executed under both of the constituencies were covered under review.

### **3.10.4 Financial Outlay and expenditure**

Funds to the extent of rupees one crore per year per MP were to be released to

the District Collector each year by the Department of Programme Implementation (DPI) twice a year on the basis of physical and financial progress of works under implementation and further requirement of funds for works. The idea was that at any given time no money should remain outside the Government treasury more than reasonably expected to be spent within a year. The expenditure on any individual work had to be kept within the ceiling limit of Rs. 10 lakh.

The details of release of funds and expenditure incurred on the scheme relating to the Members of Lok Sabha (LS) and Rajya Sabha (RS) during the years 1993-94 to 1996-97 are given in Appendix VII.

The MP wise and constituency wise Progress Report upto March 1997 (Sikkim, being only one Constituency) is shown in Appendix VIII.

During the period 1993-94 to 1996-97 neither choice was exercised by the MPs in advance regarding the works to be executed under the scheme nor were reports on the physical and financial progress of works under implementation and further requirement of funds for works sent by the District Collector to the DPI. The

**An amount of Rs. 161.11 lakh was kept unutilised as well as outside the Government Account.**

The DPI released the funds to the District Collector on adhoc basis without assessing the requirement of funds. As a result, as of 31 March 1997 an amount of Rs. 67.58 lakh in case of Lok Sabha MP and Rs. 93.53 lakh in case of Rajya Sabha MP was kept unutilised outside the Government Account by the District Collector in a bank.

Scrutiny of records further revealed that no works under the scheme were executed during 1993-94 and even for the year 1994-95 these were executed at the close of the year during March 1995 which meant that for more than 15 months, the benefits of the scheme did not reach the beneficiaries inspite of availability of funds. Further, during February 1995, an amount of Rs. 175 lakh was withdrawn and kept in



fixed deposit for three months with the sole intention of getting interest in violation of the guidelines of the scheme.

Moreover, the funds received from Government of India were kept in a current account with State Bank of Sikkim upto 31 January 1995. The funds were subsequently transferred to saving account by transfer credit. Due to operation of current account instead of savings account, there was a loss of interest of Rs. 1.68 lakh during 1994-95.

**Due to operation of Current Account, there was loss of interest of Rs. 1.68 lakh.**

### **3.10.5 Works executed without proper sanction**

Though the works executed under the scheme were administratively sanctioned by the District Collector, technical sanctions for all the 177 works costing Rs. 448.89 lakh executed during 1994-95 to 1996-97 were not obtained from the competent authorities of the executing departments. In the absence of such necessary technical sanctions, Audit could not verify as to how the executing departments satisfied themselves regarding the quality of works executed and the quantum of materials utilised.

**Works costing Rs. 448.89 lakh were executed without technical sanctions.**

### **3.10.6 Creation of Durable Asset**

As per the guidelines, Asset Register was to be maintained listing the assets created under the scheme. But no such Register was maintained by the District Collector for all the 177 assets costing Rs. 448.89 lakh created under the scheme. However, in reply to the query, a list of schemes implemented was furnished to Audit.

**No asset register was maintained.**

It may be mentioned that the assets like link roads, minor irrigation channels, foot paths, protective works, school buildings, winter plantations, fodder plantations

etc., created under the scheme had not been handed over to the concerned local bodies or authorities for maintenance and upkeep. The District Collector had also not ensured provision of funds for maintenance and upkeep of assets created. Thus, maintenance and upkeep of the assets remained unascertained.

### **3.10.7 Execution of works not covered under the scheme**

Seven works costing Rs. 29.59 lakh and executed by the District Collector were not covered under the scheme. A list of such works are given in Appendix IX. Details are discussed in the subsequent paragraphs.

<p><b>Works costing Rs. 29.59 lakh executed were not covered under the scheme.</b></p>
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#### **a) Winter Plantation**

An amount of Rs. 28.09 lakh was spent on raising winter plantations (Michelia Champaco and Walnut Nepalensis) at six places. As per guidelines, funds were to be utilised to create durable capital assets based on locally felt needs. Since winter plantations were of seasonal nature and did not lead to creation of durable assets, the works were not covered under the scheme.

Further, seeds / seedlings are pre-requisites for winter plantation without which the work can not be executed. However, it was seen that 100 per cent expenditure was incurred only on wage component on payment of muster rolls and there were no bills records to prove that the seeds / seedlings were actually purchased. Besides, details of plantations raised, area covered under such plantations and the survival rate of such plantations were also not maintained. In the absence of such details genuineness of execution of these works stated to have been created at a cost of Rs. 28.09 lakh could not be verified in Audit.

It was stated (September 1997) that seedlings were supplied by the Forest department without payment from their own nurseries. The reply of the Department is



not acceptable as no documentary evidence was available with the Department.

**b) Minor repair and periphery site development and beautification of D.C. office complex**

As per guidelines, repair and maintenance works of any type other than special repairs for restoration / upgradation of any durable asset was not permissible under MPLADS. Only the repair of durable assets other than office buildings, residential or other buildings of Central or State Government could be carried out.

Scrutiny of records revealed that an estimate of Rs. 1.50 lakh for minor repair and periphery site development and beautification of D.C office complex was prepared by the Rural Development Department on the recommendation of the MP, Lok Sabha which was sanctioned by the District Collector in March 1997. Final payment of Rs. 1.50 lakh was made to Assistant Engineer, Rural Development Department in May 1997. Since repair / renovation of office building was not covered under the scheme, the above expenditure was irregular.

Further, the Rural Development Department executed the said work departmentally and submitted bill for Rs. 1.50 lakh including material supply bills worth Rs. 0.77 lakh. In the absence of muster roll(MR) bills for the balance amount of Rs. 0.73 lakh, the genuineness of execution of work could not be verified in Audit.

The Department stated (September 1997) that MRs were available with them. However, records of the Department were again verified but no such MRs were available with the Department.

**3.10.8 Diversion of funds for unauthorised purposes**

i) Scrutiny of records revealed that an amount of Rs. 3.65 lakh was spent out of scheme funds on construction of approach road and protective works to one political party office at Deorali being run in a private house on rent. There being no provision, construction of an approach road and protective works to the said building amounted

to undue benefit extended to private individual which was specifically prohibited under the scheme. Further, specific recommendation for

**There was diversion of funds of Rs. 7.96 lakh for unauthorised purposes.**

construction of approach road to party office and protective work at Deorali was not obtained from the concerned MP.

ii) On the recommendation of MP, Lok Sabha, Forest Department framed estimates for Bamboo plantation work at Shotak for Rs. 5 lakh which was sanctioned by the District Collector and work order issued to a contractor in September 1996. The work was completed and the contractor was paid Rs. 4.31 lakh in January 1997. However, it was observed that the work "Plantation of Bamboo" meant for checking the soil erosion and preventing landslides was executed in an area / land which was purely a private holding. Thus, execution of work in the private holding had unduly benefited the private individual in contravention of the guidelines.

### **3.10.9 Inconsistent implementation**

Under MPLADS, each MP had the choice to suggest to the District Collector individual work upto Rs. 10 lakh and upto the maximum ceiling of Rs. 100 lakh per year to be taken up in his / her constituency. In the case of Rajya Sabha Members coming from the States having the single Rajya Sabha seat, he may opt for the state as a whole so that over a period of 6 years of his tenure, the money could be utilised in all the Districts of the State in a phased and equitable manner to ensure cosmopolitan development of the constituency area.

Scrutiny of records revealed that during the period 1993-94 to 1996-97, '90 works costing Rs. 211.47 lakh were recommended by the MP,

**Execution of works costing Rs. 211.47 lakh only in one district resulted in depriving people of other three districts of the benefits of the Scheme.**

Rajya Sabha and executed by the District Collector only in East District of the State,



though the State of Sikkim had four Districts.

Due to implementation of scheme in only one District of the State, the people of other three Districts were deprived of the intended benefits of the scheme which was in contravention to the spirit of the scheme.

#### **3.10.10 Delay in completion of work**

On the recommendation of MP, Lok Sabha, Education Department prepared an estimate of Rs. 10 lakh for construction of R.C.C. Junior High School Building at Sumin Lingzey. The District Collector sanctioned and awarded the work to a representative of the village Committee of the said area in August 1995 with the stipulation to complete the work within eight months. The committee was paid first running bill for Rs. 6.42 lakh in March 1996 after completion of about 64 per cent work. Thereafter, the work had remained suspended as of September 1997 due to breach of link road to work site during monsoon. As a result, the stock materials could not be transported to worksite. Due to abnormal delay in the completion of work, investment of Rs. 6.42 lakh remained blocked for more than 18 months. No steps had been taken by the Department to get the works completed.

#### **3.10.11 Non-observance of prescribed procedures/norms in execution of works**

- i) As per guidelines, the works under the scheme should be sanctioned and executed by the District Collector only on the recommendation of the concerned MP.

Scrutiny of records revealed that out of 177 works sanctioned and executed by the District Collector during the period 1994-95 to 1996-97, 68 works costing Rs. 168.91 lakh had been executed by the District Collector without the recommendation of the MP concerned. Thus, the expenditure of Rs. 168.91 lakh was irregular.

- ii) The works under MPLADS should be executed by implementing agencies by following the established procedure laid down by the State Government. As per the

established procedure, if the works were executed through contractors, the implementing agencies were to call tenders to execute the works at the lowest cost and an agreement had to be executed with the contractor.

Scrutiny of records revealed that 128 works costing Rs. 315.24 lakh were executed by the implementing agencies through contractors without inviting tenders and without executing agreements with them.

iii) As stipulated in the guidelines, the District Collector was to obtain the completion certificates from the implementing agencies before releasing the final payments. However, it was seen that in 46 cases, final payments of Rs. 116.04 lakh were released without obtaining completion certificates from the concerned implementing agencies.

iv) As per guidelines, the District Collector was required to take the undertaking from the concerned local bodies / relevant agencies for further upkeep of the assets created under the scheme. But no such undertaking was obtained for any of the assets created under the scheme. In such a situation, the maintenance of assets created under the scheme remained unascertained.

v) Although mandatory under the guidelines, no procedure / system was adopted by the District Collector to ensure that the works sanctioned under the scheme were not covered or taken up under any other parallel schemes existing in the Districts. Therefore, the possibilities of double execution / overlapping of the works could not be ruled out.

### **3.10.12 Monitoring, evaluation and reporting**

No work was inspected by the District Collector during 1994-95 and 1995-96 against the prescribed percentage of at least 10 per cent. Similarly, no work was inspected by the Senior Officers of the implementing agencies during 1994-95 to



1996-97. Details are given in Appendix X.

As per guidelines monthly progress reports were to be sent to Ministry of Programme Implementation in the prescribed proforma indicating the details of execution of works under the scheme. But, no such reports were sent by the District Collector during the entire period of execution of the scheme.

The District Collector stated that the reports could not be sent due to heavy work load.

There was no monitoring at the level of State Government.

The matter was reported to the Department and Government (August 1997); their final reply had not been received (December 1997).

### **3.11 Natural Calamity Relief Fund(CRF)**

#### **3.11.1 Introduction**

As per the recommendations of the Ninth Finance Commission, a new scheme was launched with effect from April 1990 with the expectation that the States would follow the path of self-reliance and would not have to look up to the Centre for management of natural disasters.

According to the scheme, a calamity relief fund (CRF) should be constituted for each state held outside the Consolidated Fund in a manner prescribed by the Ministry of Finance. The contributions to this fund would be made by the Centre and the State concerned in the course of the year in equal quarterly instalments. The fund should be kept in a nationalised bank and administered by a Committee headed by the Chief Secretary. After the creation of this fund, it would be the responsibility of the State Government to meet all expenditure arising out of natural calamities. The yearly addition to the fund as well as the accrual of interest thereon should be used to meet

the requirements.

In case of absolute necessity, 25 per cent of the fund due in the following year from the Centre may be drawn in advance.

The Centre should constitute an Expert Group to monitor the relief work done and acknowledged experts in various relevant disciplines should be involved in this work of monitoring.

### **3.11.2 Organisational set-up**

A State Level Relief Committee (SLRC) consisting of 11 members was constituted in April 1990 under the chairmanship of the Chief Secretary for handling natural disasters. The Secretary, Land Revenue Department, who is also the State Relief Commissioner is the Member Secretary of the Committee and co-ordinates the relief activities among different government departments, voluntary organisation etc. in the State besides supervising of relief works and monitoring of the Central assistance. Similarly, District Level Relief Committees under the chairmanship of the respective District Collectors administered (April 1990) the relief activities at the district level.

### **3.11.3 Audit coverage**

A review on the administration of Calamity Relief Fund and relief activities taken up thereunder was conducted during April to June 1997 covering the period from 1992-93 to 1996-97. The results of audit findings have been enumerated in the succeeding paragraphs.

### **3.11.4 Highlights**

**Calamity Relief Fund (CRF) was not separated from the general revenue resulting in non-release of State share amounting to Rs.79 lakh.**

**(Paragraph 3.11.6)**

**Non-investment of unspent balances and quarterly contributions by the**



**Relief Commissioner led to loss of interest of Rs. 121.32 lakh during 1990-91 to 1996-97.**

**(Paragraph 3.11.7)**

**Protective works in private holdings were executed throughout the State by the Forest Department at a total cost of Rs. 497.80 lakh during 1992-93 to 1996-97 without confirming extent of damages, entitlement of relief to individuals and technical aspects of work undertaken.**

**(Paragraph 3.11.8(a) )**

**There was a wasteful expenditure of Rs. 23.52 lakh on the works not related to natural calamity and also towards salary of work charged staff, purchase of furniture and contingent expenditure etc.**

**(Paragraph 3.11.8(b) )**

**An amount of Rs. 7.57 lakh was spent towards relief on ineligible persons in the villages of West District.**

**(Paragraph 3.11.8(d))**

**There was diversion of fund of Rs.7.70 lakh to plants and machinery and plantation for a departmental park.**

**(Paragraph 3.11.8(f))**

### **3.11.5 Release of funds**

The annual contribution to the Fund was fixed by the Finance Commission. As per the norms, the Centre is to contribute 75 per cent of the annual Fund in four equal instalments (April, July, October and January) and the State is to contribute the balance 25 per cent.

The receipt of Central shares and the corresponding shares due from the State and expenditure during the period from 1990-91 to 1996-97 were as under:

Year	Central Share	State Share released	Total Contribution	Expenditure	Closing Balance
			(Rupees in lakh)		
1990-91	225.00	-----	225.00	81.78	143.22
1991-92	225.00	-----	225.00	299.33	68.89
1992-93	225.00	-----	225.00	284.50	9.39
1993-94	225.00	75.00	300.00	153.48	155.91
1994-95	225.00	75.00	300.00	222.01	233.90
1995-96	333.00	257.00	590.00	566.36	257.54
1996-97	353.00	118.00	471.00	468.37	260.17
<b>Total</b>	<b>1811.00</b>	<b>525.00</b>	<b>2336.00</b>	<b>2075.83</b>	

The contributions due from the Central Government were regularly released to the State Government. As per the scheme, the State Government had to release the funds including the State contribution to the Relief Commissioner. Instead, the entire Central contributions were credited to the general revenues of the State. The Tenth Finance Commission specifically recommended that before releasing the amount due in any year, Ministry of Finance should ensure that the Central contribution released in earlier years had been credited to the Calamity Relief Fund. But Government of India continued to release Central shares though no such fund was physically created.

The Annual expenditure during the first five years (1990-91 to 1994-95) was less than the Central contributions alone and thereby the State Government avoided release of its own State shares to the fund. The expenditure upto 1996-97 and the closing balance indicated that the State Government contributed only Rs.525 lakh as against the total contribution of Rs.604 lakh payable by it.

### 3.11.6 Non-creation of separate CRF

The State Government was to transfer the Central and the State shares to the CRF. The entire funds so transferred were to be placed at the disposal of the banker of State Government so that the funds were readily available for investment and relief activities. But retention of the funds in the general revenues defeated the objective of



the scheme. However, the Government created notional CRF in 1993-94 with "Nil" opening balance though there was an unspent balance of Rs. 9.39 lakh at the end of 1992-93. The total expenditure during 1990-91 to 1996-97 was Rs. 2075.83 lakh as against the total contribution of Rs. 2336 lakh. As such the closing balance at the end of 1996-97 stood at Rs. 260.17 lakh against Rs.257.73 lakh shown in the Accounts. Thus, non-creation of separate CRF resulted in non-contribution of Rs. 79 lakh by the State Government.

**Non-creation of separate CRF resulted in non-contribution of Rs. 79 lakh by the State Government.**

The Department stated (November 1997) that steps were being taken to create the CRF.

### **3.11.7 Investment**

The Ninth Finance Commission recommended investment of the amount of contributions together with the interest earned thereon. The Government of India accordingly prescribed that the SLRC would arrange to obtain the contributions from the concerned governments and administer the Fund and invest the accretions to the Fund in the prescribed\* pattern.

The Tenth Finance Commission recommended flexibility in the choice of avenues for investment subject to ensuring security and liquidity.

Since Treasury bills, State Government Securities and State Co-operative bank did not exist in the State, the SLRC had to invest the entire Fund in Public Sector Banks.

- 
- \* i) 15 per cent (10 per cent in April 1995) in Government of India securities;
  - ii) 25 per cent in Treasury Bills;
  - iii) 10 per cent in the State Government Securities;
  - iv) 10 per cent in Public Sector Bonds and Units;
  - v) 25 per cent (30 per cent from April 1995) as deposits with Public Sector Banks;
  - vi) 15 per cent as deposit with State Co-operative Banks.

Test check of records revealed that the SLRC never invested any fund in the specified pattern. Even the unspent balances available at the end of each year were not invested even though such balance was available for investment for the whole of next year. The details of unspent balances available for investment and the interest likely to be earned thereon at the prevailing rate, ranging between 8 and 11 per cent per annum during 1990-91 to 1996-97 were as under:

**Due to inaction on the part of SLRC and State Government, interest of Rs. 84.92 lakh was lost.**

Year	Amount available for investment (Rupees in lakh)	Interest at prevailing rate
1991-92	143.22	11.81
1992-93	68.89	7.89
1993-94	9.39	1.08
1994-95	155.91	12.85
1995-96	233.90	21.77
1996-97	257.54	29.52
Total		84.92

Due to inaction on the part of the SLRC and the State Government, interest of Rs.84.92 lakh was lost by the Government.

Test check of receipt of the quarterly contributions, their allocation and transfer to various executing departments and their actual utilisation revealed that the funds of first quarters were never utilised before July of the respective years. By this they lost the opportunity for short term investment (for 3 months) during all the 7 years from 1990-91 to 1996-97. Similarly, except for 1991-92, 1995-96 and 1996-97, all the fourth quarterly instalment and the balances at the end of third quarter remained unutilised. So, there was easy scope of short term investment of the first and the last quarterly instalments of fund upto 3 months. The loss towards accretion of interest at the rate varying between 7 and 11 per cent per annum is shown below:



Year	Amount available during		Total Amount lakh)	Interest
	First Quarter	Last Quarter (Rupees in		
1990-91	56.25	143.22	199.47	3.99
1991-92	56.25	68.89	125.14	3.02
1992-93	56.25	9.39	65.64	1.81
1993-94	75.00	155.91	230.91	4.60
1994-95	75.00	233.90	308.90	5.41
1995-96	147.50	257.54	405.54	9.39
1996-97	117.75	260.17	377.92	8.18
				<b>Total 36.40</b>

The actual loss due to non-investment of all the quarterly instalments of fund for the period till their actual utilisation could not be ascertained fully in the absence of the date of payment by the executing departments.

**There was a loss of Rs.121.32 lakh on interest due to non-investment of quarterly instalments.**

The loss on non-investment of quarterly instalments of the balances of the Funds on short term investment during the first and the last quarters amounted to Rs. 36.40 lakh. Thus, the total loss on non-investment stood at Rs. 121.32 lakh.

The Department admitted the lapse and stated (November 1997) that it was due to non-creation of CRF separate from general revenue of the Government.

### **3.11.8 Execution of relief works**

#### **(a) Unauthorised expenditure on protective works without authority and survey**

As per the State Relief manual, the District Level Relief Committee (DLRC) was to assess the extent of damage to private properties and take up relief activities under the chairmanship of the District Commissioner. However, during 1992-93 to 1996-97, the Relief Committee allotted Rs. 497.80 lakh to the Forest Department for

undertaking relief works on private holdings for protection of soil damaged by heavy rain which were not recommended by the DLRC. The amount included Rs. 1.51 lakh allocated in 1992-93 to the MLAs of 31 constituencies for implementing the Natural Calamity scheme in the respective constituencies. The entire amount of Rs.497.80 lakh was spent for protective works without confirming the extent of damage and requirement of relief.

Out of the amount of Rs. 149.25 lakh transferred by the Relief Commissioner to the Forest Department during 1992-93, the Department prepared estimates for Rs. 135.60 lakh for protective works on the recommendations of the area MLAs and for the remaining amount of Rs. 13.65 lakh, the Department

**There was an unauthorised expenditure of Rs. 491.35 lakh towards execution of protective works.**

took up protective works of its own. There were no detailed reports indicating the total number of victims, procedure adopted for selection of beneficiaries, the actual extent of damages and the actual date on which such damages occurred. Even the acknowledgements of the individual, in support of benefits provided were not available with the department. Thus, allocation of calamity relief fund to the area MLAs for implementing the scheme without proper determination of the severity of the natural calamity by the Government machinery completely disregarded the basic principles governing the disaster relief measures. In the absence of the survey reports, it could not be verified in Audit whether the benefits had reached the needy people. The same was the case with the protective works undertaken by the Department itself.

It was surprising to note that all the protective works valued at Rs. 491.35 lakh were executed without obtaining technical sanction of the competent authority (not below the rank of Superintending Engineer). In East District, 51 works valued at Rs. 20.70 lakh (against the entitlement of Rs. 2.55 lakh) were taken up in private

holdings where houses were damaged in 1996-97. The cost of individual works varied between Rs. 15000 and Rs. 195000 against the maximum entitlement of Rs. 20000. Similarly, benefit to individuals in the form of protective work costing upto Rs. 2 lakh was provided in West District also.

Thus, the protective works in private holdings were executed throughout the State by the Forest Department at a total cost of Rs. 497.80 lakh during 1992-93 to 1996-97 without considering extent of damages, entitlement of relief to individual and technical aspects of work.

The South Division of Forest Department stated (September 1997) that the works were executed as per the recommendation of MLAs and District Co-ordination Committee (DCC) and estimates were prepared by the Assistant Engineer. They further added that the question of involvement/consent of the District Collector and the DLRC did not arise.

The reply is not tenable as the MLA or the DCC was not competent to select beneficiaries and Assistant Engineer was also not competent to accord technical sanction.

**(b) Wasteful expenditure**

During 1996-97, the State Level Relief Committee sanctioned Rs. 15 lakh to the Urban Development and Housing Department exclusively for providing:

- |       |   |                |
|-------|---|----------------|
| i).   | Retaining wall below SNOD Petrol Pump-              | Rs.5.50 lakh,  |
| ii).  | Jhora training from Nam Nam upto Shiv Mandir etc. - | Rs. 9 lakh and |
| iii). | Protective works at Pañi House -                    | Rs. 0.50 lakh. |

Against Sl.No. (i), the Department debited Rs. 19,318 being the salary of 1 supervisor, 1 draftsman and other labourers engaged on muster roll during June and November 1996, though no work was executed on the ground that it was in the private



holding. The balance amount was utilised for land development of parking place at Ranipool with the approval of the Minister, Land Revenue, Urban Development and Housing Department who was not competent to authorise expenditure out of Calamity Relief Fund. The expenditure of Rs.5.19 lakh spent on development of parking place did not fall within the scope of the scheme.

There was wasteful expenditure of Rs. 23.52 lakh as no purpose of relief was served.

Similarly, Rs. 4.50 lakh of Jhora training at Nam Nam and Rs. 0.50 lakh of protective works at Pani House were utilised on two protective works at Hee Bazar not covered by sanction of the State Level Relief Committee. Diversion was done with the approval of Minister not competent to sanction the work.

Further, the unspent balance of Rs. 1.20 lakh against five works was utilised by the Urban Development and Housing Department for providing protective work in Arithang Roads without the approval of the State Level Relief Committee.

Relief Fund is an assistance and not compensation for the damages and therefore the charge of contingent expenditure on the Fund was not allowed by the Relief Committee. It was seen that the Forest Department spent Rs.7.26 lakh during 1992-93 to 1996-97 towards contingent charges of the works. The Urban Development and Housing Department also incurred an expenditure of Rs.4.68 lakh towards contingency, the pay and allowances of work charged staff and officers and purchase of furniture etc. Therefore, the entire expenditure of Rs.23.52 lakh was wasteful as no purpose of relief was served.

**(c) Expenditure on works not covered by the scheme**

The records of Rural Development Department revealed that one RCC bridge connecting a hot spring over Lachung Chu at Yumthang got damaged by floods during December 1994. Thereafter, one temporary wooden (log) bridge was provided during

the VIPs visit to North which was in use. On the request of the Minister, Power, the Chief Minister approved (April 1995) a permanent bridge over the river on the spot.

During February 1996, the Relief Commissioner transferred (March 1996) Rs. 5 lakh to the Rural Development Department for construction of a Suspension Foot Bridge. The work estimated at Rs. 23.94 lakh (June 1995) was taken up during January 1997 at the tendered cost of Rs. 27.03 lakh without

**Expenditure on works costing Rs. 6.81 lakh was not covered under the scheme.**

obtaining formal approval of the Government. One of the departmental officers observed that the construction of the bridge was not fully justified as the bridge was merely a linkage for a hot spring only. The log bridge was serviceable and the question of providing assistance from CRF for construction of the new additional bridge did not arise. Thus, the relief of Rs.5 lakh provided for the bridge was not covered under the scheme.

Test check of records of the Education Department revealed that there was provision for contingency of Rs. 1.81 lakh incorporated in the works sanctioned for 1995-96. The contingency being miscellaneous departmental expenditure was not finally sanctioned by the Relief Committee. The Department, however, utilised the fund during 1995-96 for the routine repair / additional repair works to the buildings in 6 schools not covered by the scheme.

**(d) Providing relief to ineligible persons**

Test check of records of the District Collector, West, Geyzing revealed that the Economic Policy Committee (EPC), held an emergency meeting on 11 May, 1995, and identified 29 Gram Panchayat units as draught affected areas and directed the District Collector to identify the families requiring relief within the identified blocks considering the small and marginal farmers as the target groups.



However, it was seen that rice valued at Rs. 7.57 lakh was distributed to 2764 families in 12 additional villages (at the rate of 40 kg per family) under the scheme even though these villages were not identified by the EPC.

**Relief of Rs. 7.57 lakh was provided to ineligible persons.**

**(e) Misappropriation of funds**

Scrutiny of pass book of South District and related records for the period from 1992-93 to 1996-97 revealed that the funds lying idle were invested in the bank in short term deposits on 17 occasions during May 1992 to December 1994 earning total interest of Rs. 73,589. On maturity, only the principal amounts were deposited back in the calamity account. The interest though withdrawn from the bank was not accounted for. Thus, the interest of Rs. 73,589 was misappropriated.

**Interest of Rs. 0.95 lakh was misappropriated.**

Similarly, the District Collector, North invested (on 20 July 1994) Rs. 12 lakh in short term deposit but the interest of Rs. 21000 was not brought into Government account.

No action was ever taken by the SLRC to recover the amount of Rs. 0.95 lakh from the defaulting persons.

**(f) Diversion of funds**

While executing emergency restoration work of Rongnichu Hydel Project during 1992-93 and 1993-94, the Power Department spent an amount of Rs. 4.52 lakh on miscellaneous items including purchase of track shoe assembly for bull dozer belonging to the Public Works Department. In addition, Rs. 0.68 lakh was paid to the Public Works Department towards hire charges. Again the Department executed plantation work at Rongnichu at a cost of Rs. 2.50 lakh beyond the

**There was diversion of funds of Rs. 7.70 lakh for unauthorised purposes.**



perview of the Fund. Thus, the entire amount of Rs. 7.70 lakh was diverted from the Calamity Relief Fund for unauthorised purposes.

### **3.11.9 Monitoring**

The SLRC totally failed to separate the CRF from the general revenue and administer it as per the guidelines. The SLRC also miserably failed in augmenting the fund by way of investment. Even actual expenditure was not compiled by the SLRC since inception of the scheme. Appropriate funds were also not obtained from the State during the first 3 years of the commencement of the scheme. The unspent balances at the end of each year also remained unreconciled and unascertained. The funds were allocated to various departments based on estimates without obtaining detailed report from District Collectorates regarding Natural Calamity, extent of damages etc.

The matter was reported to the Department / Government(August 1997 ) ; their reply had not been received (December 1997 ).

## **RURAL DEVELOPMENT DEPARTMENT**

### **3.12 Rajiv Gandhi National Drinking Water Mission (RGNDWM)**

#### **3.12.1 Introduction**

The Eighth Plan envisaged providing safe drinking water in rural areas. These facilities were being provided by the State Government under Minimum Needs Programme (MNP), supplemented by the Centrally Sponsored Accelerated Rural Water Supply Programme (ARWSP) launched in 1977-78. To ensure maximum inflow of scientific and technical inputs into rural water supply sector and to deal with quality problems of drinking water, National Drinking Water Mission (NDWM) was launched in 1986 which was renamed as Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991.

### **3.12.1.1 Objectives of the programme**

- (i) The RGNDWM aims to provide 40 litre of safe drinking water per person per day (LPCD) for rural population by covering Not Covered (NC) and Partially Covered (PC) habitations under ARWSP.
- (ii) To solve area-specific problems of drinking water like excess salinity, bacterial contamination, sulphate and chloride content through Mini-Missions and Sub-Missions in the programme.

### **3.12.2 Organisational Set-up**

The responsibility for implementation of the scheme vested in the Rural Development Department headed by the Secretary and assisted by Chief Engineer and two Superintending Engineers in two circle offices.

### **3.12.3 Audit Coverage**

A review of the scheme covering in its ambit ARWSP and Sub-Missions for the periods from 1992-93 to 1996-97 was conducted during April-June 1997 with reference to records maintained in the Office of the Chief Engineer, the Circle Offices and two divisions (East/North and South/West). The results of review are described in the succeeding paragraphs.

### **3.12.4 Highlights**

**Funds provided for operation and maintenance under ARWSP during 1995-96 and 1996-97 were short by Rs. 19.00 lakh for which 20 schemes at North District were lying inoperative for want of repairs and renovations.**

(Paragraph 3.12.5)

**Inventory and Asset Registers were not maintained by Gram Panchayat Cell of the Department and District Offices to monitor and have effective control over the operation and maintenance of the schemes.**

(Paragraph 3.12.5.1)

Out of 154 schemes checked, 92 schemes in two Divisions were completed by the contractors belatedly . The delay ranged between 1 month and 29 months in providing safe drinking water to the beneficiaries during 1992-93 to 1996-97.

In respect of 31 schemes, there was cost over-run of Rs. 32.88 lakh. Neither approval from the Central Government was obtained nor the excess expenditure was met from the State funds as per norms of the scheme.

(Paragraph 3.12.8)

During 1992-93 to 1996-97, 31 schemes remained under progress though the stipulated date of completion for providing safe drinking water to the beneficiaries had already expired 3 to 29 months back.

(Paragraph 3.12.8.1)

There was avoidable expenditure of Rs 42.61 lakh on purchase of G.I. Pipes during 1994-95 without inviting tenders and by extending contract validity period of the firm who had quoted the highest rates in previous years.

(Paragraph 3.12.9)

The expenditure of Rs. 17.98 lakh incurred for laboratory and mobile van was not fully justifiable since 98 per cent of water samples remained unchecked against the target fixed during 1992-93 to 1996-97.

(Paragraph 3.12.10)

Four Project Works (total cost of Rs. 154.31 lakh) of Rain Water Harvesting under Sub-Mission Programme were split up and awarded to Gram Panchayat nominees irregularly without inviting tenders.

(Paragraph 3.12.11.1)

Four project works of Rain Water Harvesting under Sub-Mission was not completed within scheduled time frame (December 1995) because Central Fund



of Rs. 38.58 lakh was neither released by Govt. of India nor demanded by the State Govt. till December 1997. There was delay of 24 months in providing safe drinking water to 13,757 beneficiaries spread over 18 villages.

(Paragraph 3.12.11.2)

### 3.12.5 Operation and Maintenance

As per guidelines, upto 10 per cent of funds received from Government of India under ARWSP was to be utilised for operation and maintenance of ARWSP. Out of total funds Rs. 21.54 crore received under ARWSP, the Department was required to provide Rs. 2.15 crore towards operation and maintenance of ARWSP against which the Department provided Rs. 1.98 crore and incurred an expenditure of Rs. 1.95 crore during the period from 1992-93 to 1996-97 as detailed below:-

Twenty water supply schemes remained inoperative due to less provision for operation and maintenance.

Year	Central Assistance received under ARWSP	Provision required for ARWSP	Budget provided for O & M	Actual expenditure	Difference in provision
(Rupees in lakh)					
1992-93	377.71	37.77	38.00	38.00	(+) 0.23
1993-94	372.00	37.20	37.20	33.34	--
1994-95	360.00	36.00	37.50	37.21	(+) 1.50
1995-96	572.00	57.20	42.70	42.74	(-) 14.50
1996-97	472.00	47.20	42.70	43.45	(-) 4.50
<b>Total</b>	<b>2153.71</b>	<b>215.37</b> (10 %)	<b>198.10</b> (9 %)	<b>194.74</b> (9%)	<b>(-) 19.00</b> (1 %)

The funds provided for operation and maintenance under ARWSP during 1995-96 and 1996-97 fell short by Rs. 19.00 lakh. As a result, 20 water supply schemes remained inoperative under Sub-Division (North) for want of minor repairs and renovation.

### 3.12.5.1 Non-maintenance of Inventory and Asset Registers

To develop more effective control on operation and maintenance system for different water supply schemes under ARWSP, each village panchayat, block and district was required to maintain Inventory and Asset Registers to reflect the detailed history of each scheme viz. place and district of creation of assets, actual date of completion, date of handing over to the Gram Panchayats, cost of completion, present population covered, designed population to be covered, number of repairs and renovations undertaken for each scheme, expenditure incurred towards repair of each scheme and number of schemes lying defunct for want of repair etc.

**No asset register was maintained.**

However, test check revealed that no such Inventory and Asset Registers were maintained by the Panchayat Office working under Rural Development Department or by the Division Offices of the Department, therefore, Audit could not verify the yearwise number of schemes repaired by the Department at a cost of Rs. 1.95 crore during the 1992-93 to 1996-97.

### 3.12.5.2 Non-levy of taxes/fees on water

Though mention was made in the Audit Report 1986-87 vide Para 5.5 on the Review of Supply of Drinking Water to Problem Villages that Section 27 of the Sikkim Panchayat Act 1982, prescribed assessment and collection of taxes or fees on water from the beneficiaries, for maintenance of the project, no such tax or fee was being realised. No reasons for this were on record.

Further, under the provisions of the Sikkim Panchayat Act, 1993, Section 40 (i) (c), subject to the rates which may be fixed by the State Government, a Gram Panchayat may levy a water rate where arrangements for supply of water for drinking, irrigation or any other purpose are made. However, no tax, fee or water rate had been



levied by the State Government as of June 1997.

The Department stated (September 1997) that the State Government would initiate the proposal for necessary legislation to impose water cess on the users once the new Panchayats take over the Office.

### **3.12.5.3 Incorrect classification of operation and maintenance expenditure**

The repair expenditure was required to be classified under Revenue head of operation and maintenance. However, in respect of three schemes, (two in North District and one in East District) repair expenditure of Rs. 3 lakh was wrongly debited to Capital head during 1994-95.

**There was incorrect classification of operation and maintenance expenditure of Rs. 3 lakh.**

The Department stated (September 1997) that due to limited resources available under operation and maintenance and the cumulative burden of maintaining these assets over the years, urgent / immediate renovation works were required to be undertaken and expenditure was met from Capital head. Reply is not tenable due to the reason that the repair expenditure being met from the Capital head at the cost of covering new schemes and new habitations was irregular.

### **3.12.6 Financial Outlay and expenditure**

The schemes under ARWSP being 100 per cent Centrally Sponsored were entirely funded by the Government of India whereas the funds in respect of Sub-Missions were shared between Central and State Government on 75:25 basis.

The yearwise details of funds released and expenditure incurred for ARWSP and Sub-Missions during the period from 1992-93 to 1996-97 were as under:-



**Accelerated Rural Water Supply Programme**

Year	Budget Provi- sion	Central Assistance Released	Expendi- ture	Shortfall(-) /Excess(+)
(Rupees in lakh)				
1992-93	382.00	377.71	381.75	(+) 4.04
1993-94	375.70	372.00	371.68	(-) 0.32
1994-95	372.00	360.00	371.90	(+)11.90
1995-96	742.00	572.00	574.65	(+) 2.65
1996-97	742.00	472.00	463.91	(-) 8.09
<b>Total</b>	<b>2613.70</b>	<b>2153.71</b>	<b>2163.89</b>	<b>(+)10.18</b>

**Sub-Missions Programme**

Year	Central Assis- tance released	Funds released by State	Total Fund	Expendi- ture	Shortfall(-)/ Excess(+)
(Rupees in lakh)					
1992-93	53.54	NIL	53.54	56.56	(+) 3.02
1993-94	NIL	NIL	NIL	NIL	NIL
1994-95	77.15	38.58	115.73	118.59	(+) 2.86
1995-96	NIL	NIL	NIL	NIL	NIL
1996-97	NIL	NIL	NIL	NIL	NIL
<b>Total</b>	<b>130.69</b>	<b>38.58</b>	<b>169.27</b>	<b>175.15</b>	<b>(+) 5.88</b>

**3.12.7 Physical Targets and Achievements**

The annual physical targets vis-a-vis achievements (habitation-wise) under ARWSP were as follows:-

Year	Target	Achievement	Shortfall
(No. of habitation)			
1992-93	9	9	--
1993-94	36	36	--
1994-95	33	33	--
1995-96	79	79	--
1996-97	70	50	20
<b>Total</b>	<b>227</b>	<b>207</b>	<b>20</b>

(i) While the target of 227 habitations spread over in 172 villages was much less than 313 habitations spread over in 237 villages proposed to be covered in the Action Plan, only 207 habitations spread over in 156 villages had actually been covered during 1992-93 to 1996-97. Thus, 20 habitations spread over in 16 villages were not covered though the total expenditure during the period had exceeded the total funds received by Rs. 10.18 lakh.

The Department stated (September 1997) that due to remoteness of site, cost escalation, etc. only 162 schemes with 207 habitations spread over in 156 villages could be completed during 1992-93 to 1996-97.

(ii) Out of 283 schemes taken up during 1992-93 to 1996-97, only 162 schemes were completed and the remaining 121 schemes spilled over to subsequent years.

### **3.12.8 Time and Cost Overrun**

Out of 154 schemes checked in Audit, 92 schemes were completed with delays ranging between 1 month to 29 months. Thus, the main objective for providing safe drinking water to the rural population in an accelerated manner was not achieved in time. Expenditure on 31 schemes had exceeded the estimated and sanctioned cost due to delay in completion of works ranging from 2 months to 29 months resulting in extra expenditure of Rs. 32.88 lakh. Neither was approval from the Central Government obtained for excess expenditure nor was this met from the State funds as per norms of the scheme.

<p><b>Delay in completion of works resulted in extra expenditure of Rs. 32.88 lakh.</b></p>
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#### **3.12.8.1 Works in progress**

Out of 154 schemes checked in Audit, in respect of 31 schemes, though the stipulated date of completion was already over by 3 to 29 months, the work on the

schemes was still under progress. The progress of work computed with reference to total value of work done as of June 1997 ranged between 20 per cent and 94 per cent only.

The reasons attributed by the Department (September 1997) were (i) award of works to inexperienced nominees with limited resources, (ii) transportation difficulties, (iii) closure of roads due to landslides and (iv) remoteness of work sites.

### **3.12.9      Avoidable expenditure on purchase of G.I. Pipes**

Mention was made in Audit Report 1993-94 vide Paragraph 5.2 on the avoidable expenditure on procurement of G.I. Pipes where the Department purchased 2.50 lakh metres of G.I. Pipes of various sizes during 1992-93 and 1993-94 at the highest rates quoted by a Delhi based firm, which resulted in an extra expenditure of Rs. 28.21 lakh.

Test check of records revealed that procurement of G.I. Pipes of various sizes for the execution of Rural Water Supply Schemes for the year 1994-95 was also made from the same Delhi based firm at the highest rates quoted during 1992-93 and 1993-94 without inviting tenders. The contract validity period for supply of

**Purchase of G. I. Pipes at higher rates resulted in avoidable expenditure of Rs.42. 61 lakh.**

different sizes of G.I. Pipes was extended (March 1995 ) by the Government upto March 1995 and accordingly the Department placed supply order in March 1995.

In response to supply order, the Delhi based firm supplied ( March - April 1995) 4,16,563 Ms of different sizes of G.I. Pipes for the year 1994-95 and the received payment of Rs.249.18 lakh between March to June 1995. Thus, by accepting higher rates without inviting tenders for the year 1994-95, the Department incurred an avoidable expenditure of Rs. 42.61 lakh on purchase of G.I. Pipes during 1994-95 computed with reference to highest quoted rate of previous years 1992-93



and 1993-94.

The Department stated (September 1997) that the supply order for the year 1994-95 was placed to the same firm at rates prevalent during 1992-93, therefore the loss of Rs. 42.61 lakh did not arise. Reply is not tenable since the matter relating to extra expenditure of Rs. 28.21 lakh on purchase of G.I. Pipes was commented upon in the Audit Report 1993-94 and referred to Government in November 1993 and their reply was not received till October 1994. However, the Government extended the contract validity period for supply of G.I. Pipes for the year 1994-95 to the same supplier and supply order was placed during March 1995 despite the irregularity was pointed out by Audit in earlier years.

### **3.12.10 Control of quality and testing of water**

Under the Mini-Mission, one Stationary Laboratory in the Mines and Geology Department was established in February 1989 by the Rural Development Department at a cost of Rs. 0.87 lakh for testing the quality of water. Besides, there existed one Mobile Laboratory Van under Rural Development Department for testing the quality of water.

The Laboratories were to cover service areas of 2 to 3 districts with a target of 6,000 samples of water to be checked per year.

However, only 515 water samples (254 - Stationary Laboratory and 261 - Mobile Laboratory) were checked during 1992-93 to

**Due to inadequate testing of water samples, expenditure of Rs. 17.98 lakh was not fully justifiable.**

1996-97 and only in East District. This was only 1.72 per cent of the annual targets for the State.

Testing of water samples with reference to target fixed was inadequate. Thus, the expenditure of Rs. 17.98 lakh (stationary lab Rs. 0.87 lakh, mobile lab Rs. 8.06

lakh, pay and allowances of staff Rs. 7.48 lakh, repair, maintenance and POL Rs. 1.57 lakh) incurred by the Department during 1992-93 to 1996-97 was not fully justifiable.

### **3.12.11 Sub-Mission Programme**

#### **3.12.11.1 Irregular award of Project Works of Sub-Mission to Panchayat Nominees**

As per Notification issued by the Government (February 1989/ September 1994 and September 1995), all the works with a total estimated cost exceeding Rs. 11 lakh were required to be put to tender as per procedure laid down in Rule 198 to 200 of Sikkim Works Code.

However, test check of records revealed that for execution of 4 project works (total cost Rs. 154.31 lakh) of Rain Water Harvesting Structure under Sub-Mission having the estimated cost exceeding Rs. 11 lakh were split up and arbitrarily awarded to seven Gram Panchayat nominees by issue of ten work orders without invitation of tenders as detailed below:

Sl. No.	Name of Work	Total estimated cost	1st phase work	2nd phase work	No. of nominee deployed	No. of work Order issued
(Rupees in lakh)						
1.	Aritar (East District)	70.67	46.43	24.24	4	4
2.	Tamley (South District)	21.84	9.88	11.96	1	2
3.	Yangyang (South District)	36.26	22.08	14.18	1	2
4.	Nagi Maney Dara (South District)	25.54	16.00	9.54	1	2
<b>Total</b>		<b>154.31</b>	<b>94.39</b>	<b>59.92</b>	<b>7</b>	<b>10</b>

Awarding above works to Gram Panchayat nominees was attributed to the need to complete the project works as quickly as possible and to give early benefit to the villagers. However, none of the works were completed by the Gram Panchayat nominees in time. The delay in completion of works was 24 months as of December

1997. Therefore, the reason for deviation from prescribed norms was not justifiable and the award of works to Panchayat Nominees was irregular.

### 3.12.11.2 Non-completion of Rain Water Harvesting Structure Projects due to unclaimed Centre Share of Rs. 38.58 lakh

The 4 Rain Water Harvesting Structure Projects, technically and administratively approved (February 1995) at a total estimated cost of Rs. 154.31 lakh to be shared between Central Government and State Government in

**There was a delay of 24 months in the completion of projects.**

the ratio of 75:25, were awarded by the Department to 7 Gram Panchayat nominees for early completion and to give early benefit to villagers and other departments for agriculture, irrigation and soil conservation purposes as detailed below:

Sl. No.	Name of Work	Total estimated cost	Date of commencement of work	Scheduled date of completion	Total value of work done (December 1997)	Delay in completion in months (December 1997)
(Rupees in lakh)						
1.	Aritar (East District)	70.67	May 1995	December 1995	60.97 (86 %)	24
2.	Tamley (South District)	21.84	February 1996	-do-	9.61 (44 %)	24
3.	Yangyang (South District)	36.26	April 1995	-do-	23.53 (65 %)	24
4.	Nagi Maney Dara (South District)	25.54	March 1996	-do-	24.48 (95 %)	24
<b>Total</b>		<b>154.31</b>			<b>118.59</b>	



None of the projects were completed within the stipulated time (December 1995). The time over-run for completion of the projects was 24 months as of December 1997. The delay in execution of works by the Department was due to non preferment of claim for Central share of Rs. 38.58 lakh from Government of India.

The Department replied (September 1997) that works were lying incomplete but were on the verge of completion. As soon as the works would be completed, the State Government shall approach Central Government for release of central share. However, the reply of the Department is not tenable as due to delay on the part of the State Government for claiming the Central funds 18 villages having 13,757 population were deprived of safe drinking water within the proposed time framed (December 1995) under the programme.

### **3.12.12 Monitoring and evaluation**

A Monitoring Cell headed by the Divisional Engineer was set up in 1981-82 in the office of the Chief Engineer, Rural Development Department for effective monitoring of the schemes. The activity of the cell was merely confined to collecting information from the district level through prescribed reports and returns and furnishing them to the Government of India. No effort was made by the Cell to monitor the progress of field works. Neither was any inspection schedule drawn up nor any authority appointed to carry out regular inspection of the field works. Against the Central Assistance of Rs. 21.87 lakh received for Monitoring and Investigation Cell, the Department incurred an expenditure of Rs. 23.51 lakh for meeting the pay and allowances of officers and staff of the Cell including petty office expenses during the period from 1992-93 to 1996-97. No authority or agency was engaged either by the

Central Government or by the State Government for evaluating the result of implementation of the scheme during the period covered under review.

The matter was reported to the Department and Government (August 1997); their final reply had not been received (December 1997).

## **SPORTS AND YOUTH AFFAIRS DEPARTMENT**

### **3.13 Improper utilisation of Central assistance**

Government of India introduced (November 1994) a new component namely 'Sadbhavana Shivar' under the existing Centrally Sponsored Scheme of National Integration. The main objective of the scheme was to enable the youth in each part of the country to go in large number and work for short period in other parts of the country and mix with the people of different regions and languages. As per the norms of the scheme, 50 per cent participants should be from the host states. On the request of the Department, Government of India sanctioned Rs. 4 lakh and released an advance of Rs. 3 lakh during April 1995 for organising a Sadbhavana Shivar.

**Expenditure of Rs. 3.45 lakh on Sadbhavana Shivar was contrary to the guidelines of the scheme.**

Test-check (July - August 1996) of records of the office of the Secretary, Sports and Youth Affairs, Gangtok, revealed that though the Department organised (from 17 August 1995) a 'Sadbhavana Shivar' at South District, Namchi after incurring an expenditure of Rs. 3.45 lakh, all the participants in the Shivar were from the host State only. This defeated the very purpose of the scheme as the objective for which the scheme was designed was not achieved.

In reply (April 1997), the Department stated that no response was received from other states except the Nehru Yuvak Kendra, Tehri, Garwal. But participants from Garwal Kendra also could not participate since the railway concession did not

reach them in time. The Department took a decision that the aims of the scheme would be achieved by making the youth from within the various parts of the Sikkim get together for which the approval of the Government of India was stated to have been obtained on telephone. Reply of the Department is not tenable as organising the 'Sadbhavana Shivar' only for the youths of Sikkim was contrary to the objectives of the scheme. Further, no documentary evidence to the effect that approval from Government of India had been obtained and why the Railway ticket could not be arranged in time was produced to Audit / intimated.

The matter was reported to the Department and Government (September 1996); final reply had not been furnished (December 1997).

## **TOURISM AND HEALTH AND FAMILY WELFARE DEPARTMENT**

### **3.14 Unfruitful expenditure on purchase of flats**

To shift Tourism Information-cum-Reception Centre, and to provide accommodation to in-transit patients of the state referred for treatment outside the state, the Government approved (June 1991) the proposal for purchase of land and building adjacent to Sikkim Nationalised Transport Complex, Siliguri.

Scrutiny of records (July 1996) of Building and Housing Department revealed that instead of procuring the aforesaid land and building, two flats at 2nd Mile, Siliguri were approved for purchase in a meeting held in August 1991 at a cost of Rs. 42.87 lakh. The cost was to be borne by Health and Family Welfare Department (Rs. 22.74 lakh) and Tourism Department (Rs. 20.13 lakh).

**Expenditure of Rs. 38.24 lakh on purchase of flats remained unfruitful.**

After payment of an amount of Rs. 38.24 lakh (March 1996), the flats were regarded unsuitable by both the above departments due to its locational disadvantages



(being located above the existing showroom and residence of the owner of building). The flats had remained unutilised as none of the Departments have taken possession as of December 1997.

Thus, due to injudicious decision of department to purchase the flats at a place other than the approved site, the expenditure of Rs. 38.24 lakh remained unfruitful (December 1997).

The matter was initially referred to the Building and Housing Department and Government (February 1997). The Building and Housing Department stated (July 1997) that they were only an executing agency and not a party to the process of decision making for other departments. All responsibilities for the purchase of flats lay with the Tourism Department and Health and Family Welfare Department. The matter was reported to the above two departments (September 1997); their replies had not been received (December 1997).

## CHAPTER IV

### Works Expenditure

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**CHAPTER IV**  
**WORKS EXPENDITURE**  
**FOREST DEPARTMENT**

**4.1 Diversion of Plan Funds**

Integrated Wasteland Development Project (IWDP), a Centrally sponsored Scheme, was to be implemented at a total cost of Rs. 333.66 lakh in 8 identified micro-watershed zones of East district in Sikkim. Accordingly, an amount of Rs. 138 lakh was released by the Government of India for the year 1994-95 and 1995-96. Five main items of works (afforestation on community, private and forest land, natural regeneration in forest and community land, Pasture development on community and private land, fruit plantation on private lands, distribution of seedlings and distribution of fuel savings devices) were to be executed as per the approved work programme and no deviation was allowed without the prior concurrence of the National Wasteland Development Board (NWDB).

Test check of records (February 1997) of the Office of the Divisional Forest Officer, East, of the Land Use and Environment Wing of the Forest Department revealed that during the implementation of

the scheme, a sum of Rs. 1.19 lakh was

**There was diversion of plan funds of Rs. 1.19 lakh for unauthorised purpose.**

diverted for purchase of furnishing items and furniture for the residence of the Chairman, Land Use. This was neither covered under the scheme nor included in the approved work programme and hence irregular.

The Department stated (September 1997) that the furniture was used for the official residence of the Hon'ble Chairman, Land Use as approved by the Minister of Forest. Expenditure for the same was met out of overhead budget expenses. Reply is not tenable as such type of expenditure was not covered under the overhead expenditure included in the programme.

### **PUBLIC HEALTH ENGINEERING DEPARTMENT**

#### **4.2 Urban Water Supply Programme (UWSP)**

##### **4.2.1 Introduction**

Provision of safe and adequate supply of drinking water to the urban population are essential pre-requisites for maintaining the health of the people in general and elimination of diseases, epidemics in particular and improvement of the quality of life. For providing potable drinking water in the Urban areas, the Eighth Five Year Plan aimed at consolidation of the existing level of water supply services ( 8 numbers at major towns and 32 numbers at Rural Marketing Centres) by providing additional facilities in 4 urban schemes and 32 rural marketing centres schemes through intensive augmentation, improvement and extension of the existing facilities.

##### **4.2.2 Organisational set-up**

The responsibility for the implementation of the programme is vested with the Public Health Engineering Department headed by the Principal Chief Engineer-cum-Secretary, who is assisted by one Chief Engineer and one Superintending Engineer at the Headquarter and three Divisional Engineers.

### **4.2.3. Audit Coverage**

Implementation of the Urban Water Supply Programme during the period from 1992-93 to 1996-97 was reviewed in Audit during April - May 1997 with reference to test check of records maintained in the offices of the Chief Engineer, Gangtok, two divisions located at Gangtok and one Division located at Ravangla including one sub-division located at Gyalshing. The results of review are contained in the succeeding paragraphs.

### **4.2.4 Highlights**

**No survey was conducted to identify the towns with specific problems to ensure supply of potable water according to priority of problems.**

**(Paragraph 4.2.5)**

**Against the target of augmentation of 33 schemes during Eighth five year plan for the year 1992-93 to 1996-97, no year-wise targets were fixed. Time overrun in respect of 2 major programmes as of March 1997 was 48 months to 20 months. Expenditure incurred on these schemes as of March 1997 had exceeded the estimated cost by 23 and 21 per cent and the physical progress ranged between 70 and 95 per cent respectively.**

**(Paragraph 4.2.7(a))**

**Works valued at Rs. 95.67 lakh were awarded without calling for tenders while neither the general rule nor circular / notification provided for such exemptions**

**(Paragraph 4.2.9(a))**



**Execution of work without proper survey and without obtaining approval resulted in extra expenditure of Rs. 27.33 lakh .**

**(Paragraph 4.2.9(b)(i))**

**Against 37 Water Supply Schemes, only 5 treatment plants were in existence. Water testing facilities were available in only one out of 4 districts . Thus due to insufficient treatment plants and inadequate testing of water the purpose of removing impurities of raw water and providing safe drinking water was defeated.**

**(Paragraph 4.2.11)**

**The programmes executed by the Department were not economically viable and there was arrears of revenue collection of Rs. 22.69 lakh. No legal action was taken to realise the arrears.**

**(Paragraph 4.2.12(i)and(ii))**

#### **4.2.5 Survey and Planning**

Test check of records revealed that the Department had not conducted any survey to identify towns with specific problems like (i) low per capita supply, (ii) distant water sources, (iii) excess salinity fluoride, iron contents in the water source and (iv) high incidence of water borne diseases etc. for selection of schemes. As a result, provision of potable drinking water according to the actual requirement of selected towns could not be verified. Further, the Department had not adopted any basis and systematic procedure in selection of schemes. The schemes so selected by the Department on the basis of information obtained about the towns which had water scarcity alongwith estimates were submitted for approval to the Government. In many cases, schemes so selected were revised and

**Improper survey and selection of schemes led to delay in completion of schemes and additional financial burden to the State.**

further sanction was obtained during execution of works which led to delay in completion of schemes and additional financial burden to the State.

The Department stated ( May and September 1997) that prior to implementing water supply schemes, the Department had been conducting survey of various parameters. Revised estimates were framed due to site conditions which had remained unnoticed during actual survey/investigation such as underground formation of area, sudden land slides and natural calamity etc.

The reply is not tenable in view of the fact that no records indicating detailed surveys conducted to ensure regular discharge of water from sources especially in lean period were maintained by the Department. In regard to revised estimates to ensure unnoticed underground formation of area, no detailed geological investigation was conducted before carrying out the works.

#### 4.2.6 Budget provision and expenditure

The year-wise budget provisions and actual expenditure during the period from 1992-93 to 1996-97 were as under :-

Year	Budget provision		Expenditure		Excess(+)/Savings(-)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	(Rupees in lakh)					
1992-93	130.00	144.00	129.80	144.30	(-) 0.20	(+)0.30
1993-94	110.00	157.50	109.98	157.49	(-) 0.02	(-)0.01
1994-95	162.00	77.50	161.07	77.17	(-) 0.93	(-)0.33
1995-96	186.60	164.50	185.25	164.48	(-) 1.35	(-)0.02
1996-97	229.00	225.00	229.18	225.25	(+) 0.18	(+)0.25
<b>Total</b>	<b>817.60</b>	<b>768.50</b>	<b>815.28</b>	<b>768.69</b>	<b>(-) 2.32</b>	<b>(+)0.19</b>

#### 4.2.7 Physical targets and achievements

No Master Plan or long term plan for the augmentation of water supply had been formulated. Targets fixed by the Department for the Eighth Five Year Plan were to cover 33 schemes (including 4 schemes partially covered under earlier five year plan). Against the five year target as envisaged in the plan for the year 1992-93 to

1996-97, year-wise targets were not fixed for which achievements could not be analysed.

The table below indicates the number of schemes/ programmes (except minor schemes/ programmes) taken up, completed and in progress at the end of March 1997:

	Schemes (in nos.)
(i) Spill over schemes as on March 1992	4
(ii) Schemes (except minor schemes) taken up during 1992-93 to 1996-97	26
(iii) Schemes completed upto March 1997	17
(iv) Schemes not completed upto March 1997 out of (i) and (ii) above	13

Further details are given in the Appendix XI.

(a) Of the 13 schemes remaining incomplete as of March 1997, the stipulated period of completion of 2 major schemes i.e.

(1) Augmentation of Gangtok Water Supply Scheme (revised cost Rs. 549.56 lakh) and (2) Augmentation of Mangan Water Supply Schemes (revised cost Rs. 91.99 lakh) had

**Due to delay in completion of two major schemes expenditure exceeded estimated cost by 22 and 23 percent and physical progress ranged between 70 and 90 per cent.**

already expired in March 1993 and July 1995 indicating time overrun of 48 months and 20 months respectively.

While the expenditure incurred on these schemes as of March 1997 had exceeded the estimated cost by 23 and 21 per cent the physical progress ranged between 70 and 95 per cent respectively.

Audit scrutiny of the records revealed that delay in completion of these works



was due to blockage of roads, non-availability of suitable site for treatment plant and paucity of funds.

The Department stated (May and September 1997 ) that a master plan was prepared in 1982 for completing the schemes by 2001 A. D. and presently most of the schemes were being guided by the master plan and due to less allocation of funds the target falls to that extent. Reply is not tenable in view of the fact that master plan was meant for water distribution network for Gangtok only.

(b) Against the envisaged coverage of 1.20 lakh population of the State under water supply facilities, during 1992-93 to 1996-97, actual coverage was only 1.05 lakh population (88 per cent).

The Department stated (May 1997) that shortfall in achieving the target was due to paucity of funds.

(c) Progress report of schemes did not indicate the date of commencement, due date of completion and actual date of completion alongwith physical and financial progress of the schemes in most of the cases. As a result, upto-date physical progress vis-à-vis the expenditure could not be analysed in Audit.

#### **4.2.8 Detailed estimates**

A test check of records revealed that following aspects were not incorporated in the detailed estimates of the schemes:

- (i) Detailed engineering designs of all the components;
- (ii) Per capita unit cost;
- (iii) Detailed action plan for proper operation and maintenance indicating the plan of action for quality control and cost recovery of project and annual maintenance by introduction of realistic tariff structure of various categories of beneficiaries based on supply of water.

The Department stated (May and September 1997) that in all estimates major detailed engineering designs were always incorporated except minor works and repair of existing installation and per capita cost of water supply in hills was very high due to distance of water sources and topography of terrain. Reply is not satisfactory in view of the fact that the major item viz. quantity of materials required to be used were not indicated in the plan design of the schemes, which constituted the major component of the scheme. Further, the Department had not levied water tax on the consumers other than Gangtok to meet annual operation and maintenance expenditure of the schemes.

**4.2.9 Execution of Schemes - other irregularities noticed in execution of schemes are discussed in the following paragraphs**

**(a) Award of works without call of tenders**

As per rules, works costing more than Rs. 5 lakh should be awarded only after inviting competitive tenders. Test check of records revealed that during the period from 1992-93 to 1996-97, two works valued at Rs. 95.67 lakh were awarded to contractors without inviting tenders in contravention of the above provisions.

The Department stated (May and September 1997) that the work i.e. water supply to Central Referral Hospital was awarded on emergency basis and the other work was awarded to one contractor on the ground that the same contractor was carrying out a scheme at the site and due to entrustment of work to another contractor in the same site, there would have been possibility of rivalry and legal problems. Reply is not acceptable as (i) the executing authority of construction work of Central Referral Hospital requested for provision of water supply in September 1992 but the work was actually awarded only in August 1993 and

**Two works costing Rs. 95.67 lakh awarded to contractors without inviting tenders.**

completed in August 1995, (ii) it was the responsibility of the contractors to maintain working atmosphere at the site to avoid any possible problems.

**(b) Unrealistic estimation and execution of works without obtaining approval**

(i) The work 'Improvement of Main Water Conductors and approach track of Gangtok Water Supply from Selep to Ratechu' was sanctioned in March 1996 for Rs. 83.34 lakh. The work was awarded at par without calling of tenders to a contractor in May 1996 with the stipulation to complete the work within 12 months.

Test check of records revealed that the contractor was allowed extra payment of Rs 27.33 lakh due to wide variation in the quantity of 3 items executed without any written instructions as required under clause 12 of the agreement and without obtaining approval of the competent authority as indicated below:

Item of works	Rate (In Rs.)	Estimated quantity (in cum)	Executed		Difference	
			quantity (in cum)	amount (in lakh)	quantity (in cum)	amount (in lakh)
1 P/L 1:4:8 mix coarsed rubble stone machinery works i/c curring all complete	377	2,222.07	5,260	19.83	3037.93	11.45
2 Carriage of stone (head load)	23	2157.36	Not available	11.85	Not available	11.35
3 Carriage of stone (mechanical)	90	1990.44	7025.98	7.13	5035.54	4.53
<b>Total</b>				<b>38.81</b>		<b>27.33</b>

The Department stated (May and September 1997) that while visiting the site, the Principal Chief Engineer-cum-Secretary and Chief Engineer allowed, such variations in items and quantities due to site conditions. However, facts remained that excess quantity of work was executed without giving proper justification for increase in



the quantity executed /change in scope of works with the approval of the competent authority.

(ii) The work 'Augmentation of Rabdentse Water Supply Scheme' was sanctioned in March 1993 at an estimated cost of Rs.81.99 lakh. The civil works costing Rs.17.62 lakh were awarded at par to a contractor in May 1993 with the stipulation to complete the works within November, 1994.

Test check of records revealed that while executing the work, the estimate was revised on the ground that after making the track, slips occurred in a number of places. In some jhoras, to negotiate deep gorges, bridges were to be constructed as the alignment passed through very steep and difficult terrain. But it was noticed from the revised estimates that there was no change in the scope of works except that the quantities of 8 items of work were estimated in excess of those in the original estimate. The excess ranged from 406 to 1121 per cent. The work was completed at a cost of Rs. 29.20 lakh in March 1996 without obtaining administrative sanction for the additional cost of Rs. 11.58 lakh (66 percent) as required under the codal provision.

**Additional work of Rs. 11.58 lakh  
(66 per cent) was executed without  
obtaining administrative sanction.**

The Department stated (May 1997) that the scheme was sanctioned at a cost of Rs. 81.99 lakh and revision was considered on the whole sanctioned amount of Rs. 81.99 lakh which comes to 14.12 percent of the total cost.

Reply is not tenable in view of the fact that supply orders for materials were placed with two different firms and the civil works portion was awarded to a different contractor which was automatically categorised it as a separate item of works (sub-scheme).

Such wide variations indicated that proper survey was not conducted before

taking up these schemes and the estimates so prepared were unrealistic and excess quantity of items were executed without obtaining approval of the competent authority.

**(c). Execution of work without obtaining approval resulting in excess payment**

The work 'Restoration of Jeepable road (Selep-Rateychu Street)' costing Rs. 4.88 lakh was commenced in January 1993 and completed in March 1993 without obtaining administrative and financial sanction to the estimates in contravention of the codal provisions. The work was undertaken on the ground that for laying 350 mm C.I. Pipes from Selep to Rateychu (4Km) the jeepable road was to be dug to the required formation level as per alignment of the pipe size. However, ex-post facto approval was obtained and work order was issued to the contractor in July 1993.

From the approved estimates of the work it was noticed that 10 cm thick road metal was to be laid in double layer. However, in the calculation of the volume, the thickness of the road metal was wrongly taken as 15 cm instead of 10 cm. This resulted in excess volume of road metal by 480 cum. Thus, due to a calculation mistake, the Department made excess payment of Rs.1.29 lakh to the contractor.

**(d) Doubtful execution of work**

The work of 'Augmentation of Rabdentse water supply scheme' was sanctioned in March 1993 at an estimated cost of Rs. 81.99 lakh. The civil works estimated to cost Rs. 17.62 lakh were awarded at par to a contractor in May 1993 with the stipulation to complete the works by November 1994. The estimates interalia, provided for execution of 10,788.60 cum. of rock blasting. The work was completed in March 1996.

It was seen that against the actual requirement of 1691.93 kg of gelatine, 1120.64 numbers of safety fuse and 11206.40 ordinary detonators for use as explosive materials for blasting of 10,572.08 cum. rock, only 671 kg of gelatine, 254.50 numbers of safety fuse and 2741 numbers of ordinary detonator were used, indicating less consumption of the blasting materials by 60.77 and 76 percent respectively. As the blasting work was not executed by casual unskilled labour manually, it was impossible to execute the work by less consumption of explosives. Thus, the expenditure of Rs.2.13 lakh incurred on blasting work appeared to be doubtful.

**There was doubtful execution of blasting work amounting to Rs. 2.13 lakh.**

The Department stated (May and September 1997) that though the explosives were issued for execution of the work, due to misplacement of records details of issue of explosives by STCS could not be examined. Reply is not tenable due to the fact that all details of receipts and issues from Power Department and STCS were taken into account by Audit for working out the reduced consumption of blasting materials.

**(e) Non-recovery of establishment and tools and plant charges**

Test check of records revealed that the work 'Providing water supply to Referral Hospital, Tadong' was undertaken by the Department on behalf of M/s. Larsen and Toubro Ltd., Madras at an estimated cost of Rs. 14.95 lakh and awarded to a contractor in August 1993 without calling tenders and stipulating that work be completed within 12

**Establishment and tools and plant charges of Rs. 1.97 lakh was not recovered for the work undertaken on behalf of other agency.**

months. The work was completed at a cost of Rs. 14.34 lakh. It was noticed that establishment and tools and plants charges amounting to Rs. 1.97 lakh (i.e. 13.75% of Rs. 14,34,117) were not recovered under the provisions of public works code.



While accepting the fact the Department stated (September 1997) that correspondence with the firm was being made to realise the tools and plant charges. Further developments are awaited (November 1997).

#### **4.2.10 Distribution of water**

Zoning in the distribution system ensures the equitable supply of water throughout the area. Zoning depends upon (a) density of population, (b) type of locality, (c) topography etc.

The Department had not conducted any survey to provide equitable supply of water to the consumers from the service station. Further, the Department had not ascertained the quantity of water required to be supplied in a particular zone against the actual requirement and moreover, in the absence of records relating to quantity of water supplied from the distribution centres, the benefit derived in each zone could not be assessed.

The Department stated (May and September 1997) that water supply was being made as per water demand in each zone and there was no measuring device for maintaining record of quantities of water being supplied. For equitable distribution of water, the Department stated that the proposal for laying of grid would be framed.

#### **4.2.11 Treatment plant and quality control in supply of water**

Treatment plant is required to treat impurities in the water. Analysis of water is again essential to ensure that water has been purified. Accordingly, laboratory with adequate testing facility and sophisticated instruments run by qualified personnel was essential for examination and evaluation of the potability of the water supply.

**i) Treatment plant**

It was seen that against 16 water supply schemes under North-East districts and 21 schemes under South-West districts, only three treatment plants at Gangtok, Singtam and Rangpo and two at Namchi and Jorethang were in existence covering only 14 per cent of the total water supply schemes. Thus, due to insufficient treatment plants, the objective of removing impurities of raw water and bringing the quality of water to the required standard before supplying it for drinking purposes was defeated and untreated water was being supplied through 32 water supply schemes (86 per cent).

**ii) Inadequate testing facility**

For testing of water, well-equipped laboratories were required to be established in each district.

It was seen that water testing facilities were not available in the districts and other areas under the control of the Department except one at Gangtok. As the quality of source water varied frequently and in every season, it was necessary to collect water samples during each week for analysis. As per records, the Selep laboratory at Gangtok conducted only 14 weekly water testing during 1992-93 to 1996-97. Testing of water was not conducted in any other district during the period covered by this review. Thus, in the absence of proper water testing facility, the objective of providing safe and potable drinking water could not be achieved.

**In the absence of proper water testing facility, the objective of providing safe and potable drinking water was not achieved.**

#### 4.2.12 Operation and maintenance

##### i) Financial viability

A water supply scheme should be self-supporting having the capacity to generate sufficient revenue to meet the annual expenditure on its maintenance and operation. During test check of records, it was observed that the annual revenue from water tax etc. fell substantially short of the expenditure incurred on its running and maintenance as indicated below:

Year	Annual Revenue assessed	Expenditure on running & maintenance	Shortfall	Percentage of Revenue assessed to expenditure
(Rupees in lakh)				
1992-93	8.77	69.90	61.13	12.55
1993-94	8.75	74.99	66.24	11.67
1994-95	10.06	79.07	69.02	12.71
1995-96	10.20	92.12	81.93	11.07
1996-97	10.22	94.99	84.77	10.76

The Department assessed and collected revenue only from Gangtok water supply scheme and water charges from the consumers were being recovered at the flat rate according to the number of taps as no meters were installed.

The Department stated (May and September 1997) that due to high maintenance cost, it would not be possible to meet the maintenance and operation expenditure from the collected revenue as the number of consumers was very limited and the charges at flat rates were also very meagre. However, once the new tax rate comes the gap would be reduced. Reply is not tenable in view of the fact that the Department had not prescribed realistic tariff structure for various categories of beneficiaries based on supply, non-recovery of water tax from consumers other than Gangtok and failure to identify unauthorised connections.



## ii) Trend of recovery of revenue

Test check of records revealed that the progress of recovery of revenue during 1992-93 to 1996-97 was very poor. The position of assessment, collection of revenue and the outstanding balance at the end of each year during the period from 1992-93 to 1996-97 was as under:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in lakh)				
Balance outstanding at the beginning of the year	7.74	11.52	15.29	19.60	20.84
Revenue assessed during the year	8.77	8.75	10.05	10.20	10.22
Total due for collection	16.52	20.27	25.35	29.79	31.06
Amount collected during the year	4.99	4.98	5.75	8.96	8.37
Balance outstanding	11.52	15.29	19.60	20.84	22.69
Percentage of collection to total dues	30	25	23	30	27

Thus, the percentage of recovery during 1992-93 to 1996-97 ranged between 23 and 30 of total dues which resulted in huge accumulation of outstanding revenue amounting to Rs. 22.69 lakh at the end of March 1997. No legal action was initiated by the Department for the realisation of the long pending dues from the defaulters as required under the Sikkim Water Supply and Water Tax Act 1986.

The Department stated (September 1997) that every effort would be made to realise the outstanding dues from the defaulters.

### iii) **Connection charges for water supply**

Under the provision of rule 17 of the Sikkim Water Supply Rules 1990, fee for fresh connection of water supply shall be calculated as per the method given there under\* or any other value as may be determined by the competent authority, depending on the type, condition, location and utility of the premises. Sub-rule 3 of Rule 17 further provides that minimum connection fee shall be not less than one hundred rupees and maximum fee shall not be more than five thousand rupees for 1/2" dia connection.

Test check of records revealed that 1978 new connections were allowed during 1992-93 to 1996-97 without applying the method as per rules. In the absence of details, actual fee required to be collected from the consumers could not be quantified.

The Department stated (May and September 1997) that the consumers applied for new connection at the time of construction of their houses. Connection fee was not based on the market-value as the construction was under progress and market-value of the premises could not be assessed. The connection fee had been levied at the rate of Rs. 100 per connection apart from labour charges aggregating to Rs. 455 and Rs. 565 in respect of G. I. pipe connection and C.I. pipe connections respectively.

Reply is not tenable in view of the fact that for the premises which were under construction, the connection fee had to be calculated on the basis of the construction plan of the premises approved by the authority. In the absence of approved plan, the competent authority should satisfy itself about the authenticity of such plan so produced and charge water supply connection fee accordingly.

#### **4.2.13 Other topics of interest**

##### **(a) Avoidable expenditure on procurement of G. I. Pipes**

For procurement of G. I. Pipes required for implementation of different water supply

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\* Fee =  $\frac{\text{Market Value of the premises} \times 3}{12 \times 100}$

schemes, the Department invited tenders (March 1995) from the manufacturers through STCS. Out of 9 offers received from the manufacturers, the offer of a Uttar Pradesh based firm was found to be lowest.

Test check of records revealed that the Department purchased 25272.90 M of G. I. Pipes of various sizes at a total cost of Rs. 65.63 lakh from the firm during the year 1995-96. It was however, noticed that as compared to the approved rates of the Department for the year 1995-96 the rates offered by the firm were higher in respect of all sizes of pipes except 6" dia (heavy)

**Purchase of G.I. pipes at higher rates led to avoidable expenditure of Rs. 10.45 lakh.**

pipe. Further, it was noticed that during the same period, the Department had purchased G.I. Pipes from different local suppliers for Rs. 41.20 lakh at its approved rates for execution of water supply schemes.

Thus, due to purchase of materials from the firm at a rate higher than the rates approved by the Department, an avoidable expenditure of Rs. 10.45 lakh was incurred by the Department.

The Department stated (May and September 1997) that all large purchases were made through the STCS and some purchases were made through the local agency in view of immediate and emergency need. Reply is not tenable as the bulk purchases were also made from the local suppliers and the rates for emergent purchases are normally higher.

**(b) Undue financial benefit to the supplier**

Order for supply of materials for the work 'Augmentation of Gangtok water Supply scheme' was placed with firm 'X' of Gangtok with the stipulated period of delivery of materials within 90 days.

Test check of records revealed that supply order placed with firm 'X' was



cancelled on 29 March 1995 and a fresh supply water was placed with another firm "Y" of Gangtok at the same rates and terms and conditions to encourage local unemployed youths towards some self supporting activity. Subsequently after receipt of the supply order, the firm requested for price enhancement of at least 20 percent on fittings materials and the Department allowed 10 per cent price escalation (Rs. 0.73 lakh) and paid Rs. 8 lakh including price escalation on this account.

Thus, due to cancellation of supply order of firm 'X' and allowing price escalation to firm 'Y', the Department had extended undue financial benefit of Rs.0.73 lakh to the later firm. However, no price escalation clause was indicated in the supply order.

**(c) Non-deduction of sales tax at source**

As per clarification issued by IT & ST Department dated 23 November 1995 under the Sikkim Sales Tax (Amendment) Rules, 1994, rate of sales tax to be deducted at source from bills of works contractors shall be 2 percent on the gross amount of bills.

Test check of final bills of the contractors revealed that the Department had not deducted 2 percent sales tax at source on the gross amount Rs. 122.04 lakh paid to the contractors during April 1996 to March 1997. This resulted in non-realisation of the sales tax amounting to Rs. 2.44 lakh.

**(d) Non-maintenance of assets register**

An inventory of all assets created out of funds of the water supply scheme was to be maintained at district /State level. It was noticed that no such inventory was maintained at any of these levels.

While accepting the fact, the Department stated (September 1997) that proper maintenance of assets register including pipelines and other infrastructure would be

maintained in future.

#### **4.2.14 Monitoring and evaluation**

No monitoring cell was established by the Department to watch the physical and financial achievements of the programmes to detect any short comings in execution of works or to give any suggestions for rectificatory measures to avoid delay in completion of programmes. Further, no norm prescribing the periodicity of inspection of programme by the Chief Engineer and Superintending Engineer to ensure the quality of works, adherence to specifications and schedules etc. was prescribed. No evaluation of achievements was ever made. Thus, the benefit that was actually derived from the implementation of the programmes remained unassessed.

The Department stated (May, September and December 1997) that though there was no monitoring cell, all the schemes were inspected and surveyed by the higher authority including Principal Chief Engineer-cum-Secretary, Chief Engineer as well as Superintending Engineer and observations of higher authority were conveyed to the field officers. Reply is not tenable because the Department could produce only three instances of such communications conveying the observations of the higher authorities against so many schemes undertaken by them.

The matter was reported to Department and the Government (July 1997 ); final reply had not been received (December 1997).

### **PUBLIC WORKS DEPARTMENT (BUILDING AND HOUSING)**

#### **4.3 Avoidable extra expenditure on payment of idle labour charges**

Construction work of Nirman Bhavan (North Block) at Gangtok was awarded (January 1992) by the Chief Engineer-cum-Secretary, Building and Housing Department to a contractor at an estimated cost of Rs. 107.79 lakh (Schedule of Rates-



1991) with the stipulation to complete the work by 4 August 1994. The work was completed during May 1995 at a total cost of Rs. 123.04 lakh.

Scrutiny of records (July 1996) of the Building and Housing Department revealed that land earmarked for construction of Nirman Bhavan (North Block) comprised one structure belonging to Central Public Works Department (CPWD), Gangtok. The contractor, after execution of some portion of the work apprised (April 1992) the Department that work could not progress further due to non-availability of clear work site and because he had been sustaining loss day by day due to idle labour. Meantime, the Department instructed (September 1992) the contractor to divert the labour for other items of work.

The Department made several communications between July 1992 and January 1993 with CPWD and Bank authorities for removal of the structure. Ultimately the structure was removed by the bank

**An amount of Rs. 7.84 lakh towards idle labour charges was paid to the contractor without any justification.**

authorities during February 1993. The contractor claimed (July 1995) an amount of Rs. 7.84 lakh towards idle labour charges for the period from April 1992 to January 1993, which was paid by the Department (February 1996). The payment of idle labour charges in spite of clear instruction to the contractor by the Department to divert the labour to other items of works was beyond the scope of the agreement.

The Department stated (June 1997) that in anticipation of delay in removal of the structure, the contractor was asked to divert the labour to some other works instead of keeping the labour idle. Further, payment of idle labour charges was made after consultation with the Advocate General who suggested that the Department could not stand in a court of law. Reply of the Department is not acceptable in view of the fact that the Department instructed (September 1992) the contractor to divert the



labour for the other items of works namely, frame work, brick work partition, windows, chowkhats and protective work not obstructed by the Bank structure.

The matter was reported to the Department and Government (February 1997 ); their final reply had not been received (December 1997).

#### **4.4 Non-recovery of establishment and Tools and Plant charges from Deposit works**

Rule 2 and 3 of Appendix 2 of Sikkim Public Works Code, provide that in cases where works are executed by the Department on behalf of other departments / bodies, recovery of the cost of establishment, tools and plants charges should be effected at the rate ranging from 13.15 per cent to 18.5 per cent.

Test check (August 1996) of records of the Superintending Engineer, Building and Housing Department (South and West), Jorethang revealed that the Department had executed works amounting to Rs. 5.38 lakh on behalf of other departments and institutions but the establishment, tools and plant charges etc., amounting to Rs. 0.80 lakh were not recovered.

**Establishment and tools and plant charges of Rs.0.80 lakh were not recovered for the works undertaken on behalf of other departments.**

This resulted in loss of revenue amounting to Rs. 0.80 lakh to the Government.

The Department accepted the lapse (September 1997 ); final action regarding recovery of the charges had not been furnished (December 1997).

### **PUBLIC WORKS DEPARTMENT (ROADS AND BRIDGES)**

#### **4.5 Extra Expenditure on purchase of G.I. wire**

As per Rule 105 of Sikkim Public Works Code, purchases should be made in the most economical manner in accordance with assessed requirement for works-in-progress and sanctioned works. All purchases exceeding Rs. 10,000 should normally be made through State Trading Corporation of Sikkim.

Test check of records (November 1996) of the Principal Chief Engineer-cum-Secretary, Sikkim Public Works Department (Roads and Bridges) revealed that expenditure of Rs.10.47 lakh was incurred towards purchase of 45.106 M.T of G. I. wire at different rates between September 1995 and February 1996. It was seen in Audit that the G.I. wire was purchased by a Division at Gangtok at lower rate of Rs. 19994 per MT and its sister Division purchased the G.I. wire at higher rate of Rs. 24225 per MT on the same day at Namchi. Similarly, higher rates were allowed during very short period ranging between one to twenty nine days. Further, no quotation was called for to ascertain the reasonability of rates.

**Purchase of G.I. wire at higher rate resulted in extra expenditure of Rs. 1.38 lakh.**

Action of the Department to make purchases at higher rates inspite of availability of materials at lower rate resulted in extra expenditure to the tune of Rs. 1.38 lakh.

The Department stated (September 1997) that purchase of G. I. Wire was made by different Divisions located at different Districts for emergency requirements at different sites. The Department regretted that uniformity of the rates had not been maintained and instructions to this effect were being issued to all the Divisional Engineers to avoid such lapses in future.

#### **4.6 Non-deduction of Income Tax at source**

In accordance with the Government notification no. 1243/500/IT dated 17th June, 1969 and Circular No. 1525/IT & ST dated 17th June, 1985, State Income Tax was to be deducted at source at the rate of 3 per cent from all the carriage bills.

Scrutiny of carriage bills (December 1996) relating to the period from July 1995 to September 1996 revealed that while making payment of Rs. 69.93 lakh towards carriage charges of non-stock materials, State Income Tax

**Income tax of Rs. 2.10 lakh was not deducted at source from carriage bills.**

amounting to Rs. 2.10 lakh had not been deducted by the Office of the Principal Chief Engineer-cum-Secretary, Sikkim Public Works Department, Gangtok. This resulted in short realisation of Government revenue of Rs. 2.10 lakh.

While accepting the lapse, the Department stated (September 1997) that the recovery of income tax at source escaped the notice of the officials at different levels due to frequent transfer and postings.



## CHAPTER V

### Stores and Stock

<i>Paragraph</i>	<i>Particulars</i>	<i>Page(s)</i>
	<i>Sikkim Public Works Department(P. W. D)</i>	
5.1	<i>Material Management in P. W. D.</i>	139-151



## **CHAPTER V**

### **STORES AND STOCK**

#### **SIKKIM PUBLIC WORKS DEPARTMENT(PWD)**

##### **5.1 Material management in PWD**

###### **5.1.1 Introduction**

Sikkim Public Works Department is engaged in construction and maintenance of Roads and Bridges (other than those coming under the purview of Border Road Organisation). Independent Stores Division and Mechanical Division for this purpose were established in the Department during August 1990. The Civil and Mechanical Stores are under the control of the Principal Chief Engineer - cum- Secretary who is assisted by one Chief Engineer, one Additional Chief Engineer, two Superintending Engineer, two Divisional Engineers and six Assistant Engineers.

The Stores Division procures different materials used for construction and maintenance of roads and bridges e.g., cement, bitumen, G.I . Wire, explosives, tore-steel and other bridge materials whereas Mechanical Division procures different road machinery and equipment and their spare parts for use in construction and maintenance of the roads and bridges.

The materials, machines and equipment are issued against indents from appropriate authorities for departmental works and hired out to contractors for use in various works.

Management of the stores and stock accounts by the Public Works Department during the period 1992-93 to 1996-97 was reviewed (April and May 1997) by Audit through test check of records maintained in the head office of the Department at Gangtok and those of the seven stores offices at Gangtok, Singtam, Jorethang and Gyalshing. The results of the test check are brought out in the succeeding paragraphs.



### 5.1.2 Financial Management

The year wise expenditure vis-à-vis budget provisions under stock suspense (Major Head 2059-799 Suspense (1) Stock.2 Roads & Bridges) being operated by the Department during 1992-93 to 1996-97 was as under:-

Year	Budget Provision	Expenditure	Savings(-)/ Excess(+)
(Rupees in Lakh)			
1992-93	225.00	190.38	(-) 34.62
1993-94	200.00	131.80	(-) 68.20
1994-95	200.00	137.33	(-) 62.67
1995-96	200.00	196.04	(-) 3.96
1996-97	200.00	118.80	(-) 81.20
<b>Total</b>	<b>1025.00</b>	<b>774.35</b>	<b>(-) 250.65</b>

It would be seen that there were huge savings aggregating Rs. 250.65 lakh upto 1996-97. On the other hand, the Department was having a debit balance of Rs. 131.88 lakh upto December 1996 with State Trading Corporation of Sikkim (STCS) for supply of cement only against stock suspense which could not be cleared for want of reconciliation. The Department had not so far attempted any reconciliation. Had the reconciliation been done with STCS, the above debit could have been met from the huge savings.

While accepting the facts, the Department stated (September 1997) that any expenditure on stock suspense was related to the recovery and credit figures under the head to justify the debit. Release of any payment was always restricted to the allotment

of resources by the Finance Department and no resource was being allotted against the budget provision under the stock suspense. The claim of STCS from 1994 onwards had been reconciled against the supply of stock materials and the accounts had been cleared. Claim of the STCS prior to 1994 was under dispute as the departmental records relating to the period 1989-91 had been destroyed/damaged in the fire accident.

### **5.1.3 Planning of Stores**

As per the Public Works Code, purchases should be made in the most economical manner in accordance with assessed requirements.

The indents for annual or periodical requirements of stores/ machinery received from the Divisions are required to be scrutinised by the Civil and Mechanical Divisions at head office and arrangements made for bulk purchases either through Director General of Supply and Disposals or STCS or directly from the manufacturers.

Scrutiny of records revealed that no yearly assessment for procurement of store materials, machine and equipment and their spare parts was done on the basis of indents / requirements received from various divisions. The Department at the beginning of each year had taken en-block sanctions for procurement of stores items and machinery and equipment and transferred the fund to STCS without assessing the actual requirements. The absence of proper planning in procurement led to shortage and delay in issue of materials leading to belated completion of works and allowing the machinery and equipment at stores to remain idle for long periods. For instance construction of 30 M span steel bridge over Raney Khola which was due for

completion during September 1995 was completed during July 1997 for want of cement.

#### 5.1.4 Position of Stock

The closing balance under stock suspense at the end of each of the years 1992-93 to 1996-97 was as under:-

Year	Opening Balance	Receipts (Dr)	Issues (Cr.)	Closing Balance
(Rupees in Lakh)				
1992-93	(+) 74.47	190.38	217.98	(+) 46.87
1993-94	(+) 46.87	131.80	122.19	(+) 56.48
1994-95	(+) 56.48	137.33	89.64	(+)104.17
1995-96	(+)104.17	196.04	103.90	(+)196.31
1996-97	(+)196.31	118.80	141.62	(+)173.49

The above debit balance included value of materials held in various stores, advance payments made to the STCS and value of materials issued to various works but awaiting adjustment.

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

#### 5.1.5 Hiring of machinery

Road machinery of the Department are being used in construction and maintenance works of roads and bridges undertaken departmentally as well as through



the contractors and hire charges at specified rates have to be recovered from them either in cash through bank by the concerned sub-divisions or adjusted through departmental / contractor's bill at head office at Gangtok. The irregularities noticed in realisation of hire charges are enumerated in the succeeding paragraphs.

**i) Wanting details of realisation**

Scrutiny of records of Mechanical Stores revealed that during the period 1992-93 to 1996-97, an amount of Rs. 237.16 lakh was found to be due from various contractors engaged in departmental works as well as various sub-divisions of the Department on account of hire charges, out of which Rs. 60.53 lakh was realised on spot through bank receipts. The balance amount of Rs.176.63 lakh was to be realised by the head office through departmental / contractor's bills. Due to non-maintenance of proper records and lack of co-ordination between Mechanical Division and Accounts Section of the Department, it could not be ascertained as to how much amount was realised and how much was lying outstanding during a particular year.

**(ii) Short fall in the realisation of revenue**

The Department had been fixing yearly targets for realising the outstanding revenue. The table below indicates the targets, achievements and shortfall in realisation of revenue during the period from 1992-93 to 1996-97:-

<u>Year</u>	<u>Target</u>	<u>Realisation</u>	<u>Shortfall</u>
(Rupees in lakh)			
1992-93	46.00	42.57	(-)3.43
1993-94	47.50	47.33	(-) 0.17
1994-95	49.50	46.40	(-) 3.10
1995-96	49.50	46.95	(-) 2.55
1996-97	50.00	20.77	(-)29.23
Total	242.50	204.02	(-)38.48

Note:- The figures of realisation are as per Finance Accounts

Reasons for shortfalls were not stated by the Department.

#### 5.1.6 Idle Machinery

Scrutiny of records revealed that different kinds of road machinery costing Rs. 7.02 lakh were lying idle at various Mechanical Sub-divisions for period ranging between one and six years as the same were neither required nor could be put to use as the machinery was originally procured for big projects. Due to heavy weight of the machinery and narrow roads of the area, no utilisation was possible.

**Improper planning of the Department in procurement of road machinery and spare parts led to idle stores of Rs. 7.50 lakh.**

Similarly, spare parts worth Rs. 0.48 lakh procured for other machinery were also lying idle without any use.

Thus, improper planning of the Department in procurement of road machinery and spare parts led to idle stores of Rs. 7.50 lakh.

### 5.1.7 Material Management

#### i) Procurement of Stores

##### Avoidable expenditure on procurement of Steel

According to rules, all purchases (whether directly or through the STCS) costing more than Rs. 1 lakh, are to be made through open tenders in the most economical manner in accordance with the definite requirements of the public service.

In contravention of the rules, the Department procured (1992-93) 134.383 MT of tore-steel of different sizes from a local supplier through STCS at prices between Rs. 16300 and Rs. 16400 per tonne. However, during the same period, the Department had procured 145 MT of tore-steel of similar specifications directly from TISCO at much lower prices ranging between Rs. 11550 and Rs. 11750 per tonne. The purchase of tore-steel from the local supplier at higher rates instead of from the manufacturer resulted in an avoidable excess expenditure of Rs. 6.45 lakh.

**Purchase of tore-steel from local supplier at higher rates resulted in avoidable excess expenditure of Rs. 6.45 lakh.**

#### ii (a) Materials not accounted for

Scrutiny of records revealed that during January 1993 to March 1993, 71.312 MT of tore-steel of different sizes was procured by the Department for their Tadong stores from a local supplier through STCS. Payment of Rs. 22.72 lakh was made (March - April 1993) by the Department to the supplier after the concerned Store Keeper and Divisional Engineer had certified that the material was received in good condition and taken on stock, without placing any proof of physical verification of procured material on record. However, scrutiny of records of Tadong stores revealed that only 17.960 MT of tore-

**53.352 MT of tore-steel worth Rs.8.98 lakh in Tadong store were not accounted for.**



steel was accounted for in their books leaving a balance of 53.352 MT of tore-steel worth Rs. 8.98 lakh unaccounted for.

Thus, the Department had failed to exercise proper checks regarding receipt of materials before finalising the claims of suppliers. This has resulted in of stores worth Rs. 8.98 lakh remaining unaccounted.

The Department assured (September 1997) that this would be investigated and action taken accordingly.

**b) Shortage of materials**

Scrutiny of records maintained at the divisional stores at Tadong revealed that due to sudden death of the Store keeper on 8 August 1995, a new Store keeper took over the charge on 10 August 1995. It was seen that closing balance of Cement, Bitumen, Tore-steel, G. P. Sheets and G. C. I. sheets as per Bin Cards maintained by old Store keeper were not taken as opening balances by the new Store keeper. This resulted in shortage of materials worth Rs. 2.05 lakh. The above facts were not brought to the notice of higher authorities by the Store authorities.

The Department stated (September 1997) that the facts would be verified.

**c) Loss due to receipt of clodded cement**

Scrutiny of records of Jorethang Stores revealed that during 1988-89, the Department had received 2249 bags of cement in clodded form. From the survey report, it was seen that the above cement was procured from the manufacturer directly and while transporting from New Jalpaiguri to

**There was a loss of Rs.2.01 lakh due to receipt of clodded cement at Jorethang Store.**

Jorethang, cement was found clodded due to rains. Instead of asking for replacement of the clodded cement, the Department received the same which was lying in the store as of May 1997. The value of the clodded cement worked out to Rs. 2.01 lakh.

The Department stated (September 1997) that the cost of clodded cement was adjusted from the transporter's bills. The Department had not produced any evidence in support of its reply.

**d) Loss due to improper storage of material**

Adequacy of storage facilities is to be ensured and inadequacies, if any, have to be examined for taking remedial measure. In particular, it should be seen whether adequate precautionary measures have been taken to keep the stores in good condition by protecting them from damages or deterioration due to rusting, dampness etc.

Scrutiny of records revealed that 71 bags of cement at Gangtok Store and 908 bags of cement at Singtam Store had got clodded in October 1993 due to seeping of surface water into the stores. The cost of cement that got clodded worked out to Rs. 1.29 lakh.

**Due to inadequate precautionary measures and improper storage facilities for stock materials, the Department sustained a loss of Rs. 2.97 lakh.**

Further, 311 drums of 80 /100 bitumen were leaking and lying at Singtam Stores since 1993 . In the survey report, it was stated (September 1995) that bitumen was procured long back and due to damage of drums and spoiling of contents gradually due to high temperature, only empty drums were available. The cost of the above lost bitumen worked out to Rs. 1.68 lakh.

Thus, due to inadequate precautionary measures and improper storage facilities for stock materials, the Department sustained a loss of Rs. 2.97 lakh.

**e) Non-reconciliation with STCS on account of procurement of cement**

Scrutiny of statements furnished by the STCS on account of supply of cement to the Department with reference to the records maintained in the departmental stores

at Tadong, Singtam and Jorethang revealed that during 1992-93 to 1995-96, the STCS had claimed to have supplied 2,59,105 bags of cement to the above stores whereas during the above period only 2,33,509 bags of cement were

**Non-reconciliation with STCS resulted in short receipt of 25596 bags of cement worth Rs. 41.47 lakh.**

received in the stores which resulted in short receipt of 25,596 bags of cement. Since the Department stated that no cement was procured for any specific scheme during the period, it was obvious that the cement supplied by the STCS should have been received in the stores. It was seen that claims of STCS were being settled without reconciling the receipt figures with STCS. Thus, non-reconciliation with STCS resulted in short receipt of 25,596 bags of cement worth Rs. 41.47 lakh.

The Department stated (September 1997) that accounts with STCS on procurement of cement from 1994-95 to 1996-97 had been reconciled and settled. Since the claim of the STCS for the prior period did not conform to the actual receipt of materials in the stores, the claim made by STCS was pending for want of final reconciliation. Results of final reconciliation are awaited (November 1997) from the Department.

**iv) Physical verification**

As per the Public Works Code and also the Sikkim Financial Rules, physical verification of stores balances was to be conducted every year by the Department. However, during the period 1992-93 to 1996-97, physical verification was conducted only once in 1996-97 in respect of Mechanical Stores and twice in 1994-95 and 1996-97 in respect of civil stores.

**v) Security deposits not furnished**

According to Sikkim Financial Rules, every Government Servant who is entrusted with the custody of cash or stores, shall be required to furnish security for



such amount as may be prescribed according to circumstances and local conditions in each case and to execute a security bond setting forth the conditions under which the Government will hold the security and may ultimately refund or appropriate it. However, it was seen that the Department neither collected security deposits nor executed bonds from any of their seven store keepers.

**vi) Bin cards**

The Bin cards were not machine numbered and columns specified in Bin Cards were also not properly filled in. Used Bin Cards were also not submitted to Store Division for preservation in safe custody. As a result, the possibility of misuse of Bin cards can not be ruled out.

**vii) Accounting Procedure**

a) As per Public Works Code, when advance payments are made to suppliers, it should be debited to the Suspense Head " Miscellaneous Public Works Advances" (MPWA) first. When the materials are received against this advance, the above suspense head needs to be cleared by debiting the amount to either stock suspense or the concerned work.

Scrutiny of records revealed that the Department had paid advances of Rs. 261.09 lakh during 1995-96 and 1996-97 to STCS to procure cement, G. I. Wire, explosive etc. The entire amount was booked under Stock Suspense directly without routing through MPWA as a result of which adjustment of advances could not be carried out.

b) As per rules, materials supplied to other divisions / departments without realisation of cost are to be kept under MPWA and on receipt of the cost thereof, the item is to be cleared.

It was noticed that store materials worth Rs. 4.87 lakh were issued to other

departments on loan basis which were not accounted for under the head MPWA. Neither the materials were received back nor the cost had been realised from the concerned departments as of May 1997. There was no provision under the Rules permitting issue of materials on loan basis.

The Department stated (September 1997) that the facts would be verified and action taken accordingly.

c) As the head " Stock Suspense" is a transitory head, only the cost of materials for which value can be recouped can be debited to the head.

Scrutiny of records revealed that although, during 1994-95 and 1996-97 an amount of Rs. 1.59 lakh was expended for construction of chowkidar shed, verification of stores, purchase of stationery, holding of seminar etc., expenditure on which was not recoverable / recoupable, the amount was irregularly debited to the head " Stock Suspense".

#### **5.1.8 Other topics of interest**

##### **i) Loss due to non-realisation of cost of material**

Scrutiny of records revealed that 500 numbers of G.C.I. Sheets of 8 feet length were issued to flood victims of Singtam on 5 June 1993 from Singtam stores on the directions of the area MLA. Since the relief to the flood victims was to be given from the 'Natural Calamity Fund' by the District Collector, East, the cost of the above G.C.I. Sheets worth Rs. 1.27 lakh was to be realised / adjusted from the 'Natural Calamity Fund'. But till date (May 1997), the above amount remained unrealised / unadjusted. Thus, the Department sustained a loss of Rs. 1.27 lakh.

The Department stated (September 1997) that the Stores Division had been instructed to raise the bill for Rs. 1.27 lakh to the Relief Commissioner.

**ii) Non-realisation of cost of store materials issued on cash sale**

Scrutiny of records of departmental stores at Tadong revealed that store materials worth Rs. 0.97 lakh were issued to various departments and private individuals on cash sale basis but the amount was not recovered / realised from the concerned departments / persons as of May 1997.

The Department stated (September 1997) that the matter would be investigated.

**iii) Non-adoption of prescribed norms**

**a) Non-fixation of Reserve Stock Limit**

According to the Public Works Code, the Department had to fix optimum stock limit to ensure smooth issue and timely procurement of materials without disrupting progress of works under execution. It was, however, seen that the Department had never fixed the " Reserve Stock Limit" to ensure availability of stores and have control over expenditure.

**b) Non-adjustment of profit and loss on stores**

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

The matter was reported to the Department and Government (June 1997 ); their final reply had not been received (December 1997).





## CHAPTER VI

### Revenue Receipts

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## CHAPTER VI

### REVENUE RECEIPTS

#### 6.1 Trend of Revenue Receipts

The total receipts of the Government of Sikkim for the year 1996-97 were Rs 1157.59 crore against anticipated receipts of Rs. 1195.68 crore (a shortfall of Rs. 38.09 crore). Receipts during 1996-97 registered an increase of 23 per cent over those of 1995-96 (Rs. 941.21 crore). The net total receipts of the State after adjustment of expenditure towards the State Lotteries stood at Rs. 367.59 crore indicating 5.29 per cent increase over those of 1995-96. Out of the total receipts, Rs. 859.25 crore represented revenue raised by the State, Rs. 29.91 crore were from tax revenue and the balance of Rs. 829.34 crore from non-tax revenue. Receipts from the Government of India amounted to Rs. 298.34 crore of which Rs. 73.34 crore represented the State's share of divisible Union taxes and the balance of Rs. 225 crore represented grants-in-aid.

#### 6.2 Analysis of Revenue Receipts

##### (a) General analysis

An analysis of the receipts during the year 1996-97 alongwith the corresponding figures for the preceding two years is given below:

		1994-95	1995-96	1996-97
		(Rupees in lakh)		
<b>I</b>	<b>Revenue raised by the State Government</b>			
(a)	<b>Tax Revenue</b>	1893.04	2727.67	2991.17
(b)	<b>Non-Tax Revenue</b>	33215.96	62673.14	82934.02
	<b>Total</b>	35109.00	65400.81	85925.19
<b>II</b>	<b>Receipts from the Government of India</b>			
(a)	<b>State's share of divisible Union taxes</b>	3662.00	4510.00	7334.03
(b)	<b>Grants-in-aid</b>	15855.30	24209.90	22499.76
	<b>Total</b>	19517.30	28719.90	29833.79
<b>III</b>	<b>Total receipts of the State (I+II)</b>	54626.30	94120.71	115758.98
<b>IV</b>	<b>Percentage of I to III</b>	64	69	74

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

Receipts from tax revenue constituted 3 per cent of the total revenue raised by the State during 1996-97. An analysis of the tax revenue for the year 1996-97 and the preceding two years is given below:

	1994-95	1995-96	1996-97	Increase(+)/ Decrease(-) In 1996-97 with refer- ence to 1995-96	Percentage of variation
	(Rupees in lakh)				
1.State Excise	688.81	1063.99	1054.38	(-) 9.61	1
2.Taxes on Income other than Corporation tax	517.55	655.31	820.64	(+)165.33	25
3 Sales Tax	511.61	739.33	822.53	(+) 83.20	11
4.Taxes on vehicles	62.11	125.07	121.72	(-) 3.35	3
5.Stamps and Regi stra- tion Fees	23.32	33.52	1.94	(+) 8.42	25
6.Land Revenue	10.73	14.76	16.41	(+) 1.65	11
7.Other Taxes and Duties on Commodities and Services	78.91	95.69	113.55	(+) 17.86	19
<b>Total</b>	<b>1893.04</b>	<b>2727.67</b>	<b>2991.17</b>		

Reasons for increase / decrease under the tax revenue heads though called for had not been furnished (December 1997).

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

Road Transport Service, Power, Forest, Interest, Plantations, Police, Dividends and Profits were the principal sources of non-tax revenue of the State. Receipts from the non-tax revenue during the year 1996-97 constituted 97 per cent of the revenue

raised by the State. An analysis of non-tax revenue under the principal heads for the years 1994-95 to 1996-97 is given below:

	1994-95	1995-96	1996-97	Increase(+)/ Decrease(-) in 1996-97 with refer rence to 1995-96	Percentage of variation
<b>(Rupees in lakh)</b>					
<b>1.Road Transport</b>	819.44	847.10	1379.10	(+)532.00	63
<b>2.Power</b>	384.89	608.35	585.89	(-) 22.46	4
<b>3.Forest</b>	128.74	193.73	121.61	(-) 72.12	37
<b>4.Interest</b>	34.59	112.91	181.56	(+) 68.65	61
<b>5.Plantations</b>	149.69	171.95	200.00	(+) 28.05	16
<b>6.Dividends &amp; Profits</b>	67.02	20.02	138.23	(+)118.21	590
<b>7.Police</b>	3.27	82.84	121.46	(+) 38.62	47
<b>8.Public works</b>	41.39	59.31	28.25	(-) 31.06	52
<b>9.Tourism</b>	19.49	31.95	18.03	(-) 13.92	44
<b>10.Crop Husbandary</b>	39.49	44.41	62.69	(+) 18.28	41
<b>11.Stationery &amp; Printing</b>	59.11	43.57	51.90	(+)8.33	19
<b>12.Village &amp; Small Industries</b>	32.51	54.40	46.33	(-) 8.07	15
<b>13.Animal Husbandry</b>	13.70	16.69	20.30	(+) 3.61	22
<b>14 Industries</b>	7.65	4.16	11.70	(+) 7.54	181
<b>15.Medical &amp; Public Health</b>	8.51	21.18	11.01	(-) 10.17	48
<b>16.Others</b>	31406.47	60360.57	79955.96		
<b>Total</b>	33215.96	62673.14	82934.02		

During 1996-97 the non-tax revenue increased by Rs 20260.88 lakh (32 per cent). The non-tax revenue after adjustment of expenditure towards Lottery stood at Rs. 3934.02 lakh indicating 13 per cent increase over the previous year net collection



of Rs. 3480.73. The increase was mainly under Road Transport (Rs. 532 lakh), Interest (Rs. 68.65 lakh), Dividends and Profits (Rs.118.21 lakh), Police (Rs. 38.62 lakh), Crop Husbandry (18.28 lakh) and Stationery and Printing (8.33 lakh).

There was decrease in non-tax revenue mainly under Power (Rs. 22.46 lakh), Forest (Rs. 72.12 lakh), Public Works (Rs. 31.06 lakh), Tourism (Rs.13.92 lakh), Village and Small Industries (Rs.8.07 lakh) and Medical and Public Health (Rs.10.17 lakh).

The increase of Rs. 532 lakh under "Road Transport" was due to increase in public bus fare/freight and enhancement of selling price of POL etc.

The increase of Rs. 38.62 lakh under "Police" was due to increase in reimbursement of expenditure relating to check post from the Government of India. The increase of Rs. 18.28 lakh under "Crop Husbandry" was due to increase in sale of farm implements and auction of departmental vehicles. The increase of Rs. 8.33 lakh under "Stationery & Printing" was due to prompt payment by the user departments. The decrease of Rs. 31.06 lakh under "Public Works" was due to non-receipt of payments relating to hire charge of machinery. The increase of Rs. 3.61 lakh under "Animal Husbandry" was due to increase in sale of bulls , piglets and eggs from farms.

The reasons for variation in respect of the remaining departments had not been received(December 1997).

### **6.3 Variation between the Budget Estimates and Actuals**

The variation between the Budget Estimates and Actuals of tax and non-tax revenue during the year 1996-97 is given below:

	Budget (revised)	Actuals	Variation increase (+) decrease (-)	Percentage of variation with reference to budget estimates
(Rupees in lakh)				
Tax-Revenue	3111.00	2991.17	(-) 119.83	3.85
Non-Tax Revenue	83044.35	82934.02	(-) 110.33	0.13
	86155.35	85925.19	(-) 230.16	0.26

The total variation was Rs. 230.16 lakh which worked out 0.26 per cent of the budget estimates.

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 1996-97 were more than 10 per cent.

Sl.No.	Head of Revenue	Budget estimates	Actuals	Variation Increase (+)/ Decrease (-)	Reasons for variation
1.	2.	3.	4.	5.	6.
(Rupees in lakh)					
A.	Tax Revenue				
1.	Stamps and Registration	25.00	41.94	(+) 16.94 (68)	Not intimated
2.	Taxes on Motor Vehicles	70.20	121.72	(+) 51.52 (73)	Due to enhance- ment of taxes on vehicles and grant of contract carriage permits.
3.	Land Revenue	7.00	16.41	(+) 9.41 (134)	Not intimated
B.	Non-Tax Revenue				
4.	Interest Receipt	75.00	181.56	(+) 106.56 (142)	Not intimated

\* Percentage of variation in brackets

1.	2.	3.	4.	5.	6.
5.	Divident and Profit	75.00	138.23	(+) 63.23 (84)	Not intimated
6.	Police	146.04	121.46	(-) 24.58 (17)	Due to less reimbursement (of expenditure relating to check post) by the Government of India
7.	Education, Sports, Art & Culture	12.35	8.64	(-) 3.71 (30)	Not intimated
8.	Medical and Public Health	9.00	11.01	(+) 2.01 (22)	Due to increase in number of patients
9.	Road Transport	1240.00	1379.10	(+) 139.10 (11)	Not intimated
10.	Village and Small Industries	35.00	46.33	(+) 11.33 (32)	Not intimated
11.	Tourism	38.00	18.03	(-) 19.97 (53)	Not intimated
12.	Stationery & Printing	75.00	51.90	(-) 23.10 (31)	Due to non payment of bills by the user Departments.
13.	Public Works	54.00	28.25	(-) 25.75 (48)	Due to non receipt of payments relating to the hire charges of machine-ries.
14.	Animal Husbandry	18.10	20.30	(+) 2.20 (12)	Not intimated
15.	Food Storage and Warehousing	1.40	1.90	(+) 0.50 (36)	Not intimated
16.	Information and Publicity	3.00	6.17	(+) 3.17 (106)	Not intimated
17.	Crop Husbandry	50.00	62.69	(+) 12.69 (25)	Not intimated
18.	Other Rural Development Programme	0.50	0.58	(+) 0.08 (16)	Not intimated
19.	Industries	7.65	11.70	(+) 4.05 (53)	Not intimated
20.	Non Ferrous, Mining & Metallurgical Industries	20.00	4.22	(-) 15.78 (79)	Not intimated



#### 6.4 Cost of Collection

Expenditure incurred on collection of revenue under the principal heads during the years 1994-95 to 1996-97 is given below:-

Sl. No.	Head of Revenue	Year	Gross Collection	Expenditure on gross Collection	Percentage of expenditure to gross collection	All India average percentage for 1995-96
(Rupees in lakh)						
1.	State Excise	1994-95	688.81	109.17	16	3.20
		1995-96	1063.99	301.77	28	
		1996-97	1054.38	289.53	27	
2.	Sales Tax	1994-95	511.61	18.88	4	1.29
		1995-96	739.33	24.60	3	
		1996-97	822.53	29.05	4	
3.	Taxes on vehi- cles.	1994-95	62.11	9.93	16	2.57
		1995-96	125.07	10.77	9	
		1996-97	121.72	11.35	9	

It would be seen from the table given above that the percentage of expenditure to gross collection during 1995-96 in respect of State Excise, Sales Tax and Taxes on Vehicles was 28, 3 and 9 respectively, which was on a very high side compared to the All India Average Percentage for 1995-96 of 3.20, 1.29 and 2.57 in respect of the above heads of revenue respectively.

#### 6.5 Outstanding Inspection Reports

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

The position of inspection reports in respect of revenue receipts issued to the end of December 1996 but remaining outstanding as at the end of June 1997 was as under:-

		At the end of		
		June 1995	June 1996	June 1997
1.	Number of Outstanding Inspection Reports	119	128	136
2.	Number of Outstanding Audit Objections	502	497	390
3.	Money Value of the Objections (Rupees in crore)	23.73	22.83	27.09

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

Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Amount (Rupees in crore)
1	Sales Tax	10	66	3.66
2	Income Tax	13	68	3.81
3	Forest	41	104	2.33
4	Land Revenue	27	65	1.37
5	Motor Vehicles	6	7	0.05
6	State Excise	7	25	8.15
7	Urban Development and Housing Department	9	16	0.33
8	State Lotteries	4	5	0.99
9	Power	14	34	6.43
10	Mines and Geology	5	Nil	---
	Total	136	390	

Out of 136 inspection reports pending settlement, even first replies had not been received (June 1997) in respect of 52 reports containing 269 audit objections. Receipt-wise break-up of such reports is furnished below:-

Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Earliest year to which the reports relate
1	Motor Vehicle	1	4	1996-97
2	State Excise	1	6	1996-97
3	Sales Tax	8	78	1987-88
4	Income Tax	1	13	1996-97
5	Forest	19	89	1986-87
6	Land Revenue	18	51	1986-87
7	State Lottery	1	9	1996-97
8	Urban Development & Housing Department	1	8	1996-97
9	Power	1	10	1995-96
10	Mines & Geology	1	1	1996-97
	Total	52	269	

The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State Government (February 1997).

#### 6.6 Results of Audit

Test check of the records of Motor Vehicle, State Lottery, Forest, Mines and Geology, Land Revenue, Urban Development & Housing Department, State-Excise, Income Tax and Sales Tax conducted during the year 1996-97 revealed under assessment/short levy/loss of revenue amounting to Rs. 147 lakh in 724 cases. During the course of the year 1996-97, the concerned departments accepted all the cases of under assessment etc



## INCOME TAX DEPARTMENT

### 6.7 Non levy of Income Tax on supply of Text Books

According to the notification issued by the Income and Sales Tax Department in March 1986, suppliers of books were exempted from the requirement of deduction of Income Tax at source but were liable to pay Income Tax on final assessment.

The scrutiny of the records (February 1996) in Income Tax Department, Gangtok revealed that a supplier who supplied text books valuing Rs. 45.70 lakh to the Education Department during the year 1991-92 to 1993-94 was neither assessed by the Income Tax Department nor tax was deducted at source by the Education Department which resulted in non-realisation of Government revenue to the tune of Rs. 1.17 lakh.

Income Tax of Rs. 1.17 lakh was neither realised at source nor assessed by the Department.

On this being pointed out (May 1997), the Department while accepting the observations stated (September 1997) that the firm had submitted the statements of accounts in August 1997. The assessment is under process and the final outcome would be intimated to Audit. Final reply has not been received (December 1997).

### 6.8 Non Assessment of Tax on Principal Loans

The Sikkim Income Tax Manual envisages that tax shall be levied at 3 per thousand on principal loans in cash or kind above Rs. 2,000 irrespective of the particular exemptions.

A test check of records of the Income Tax Department revealed (February 1996) that in 4 cases principal loans amounting to Rs. 174.58 lakh given by assesses to other parties/ individuals during the assessment years 1986-87 to 1992-93, were not assessed to tax. The tax due but not levied amounted to Rs. 0.53

Income Tax of Rs. 0.53 lakh was not assessed on Principal loans.

lakh.

On this being pointed out in Audit (May 1997), the Department stated (September 1997) that 3 companies had closed down their business in the year 1992-93. The Department was, however, trying to locate their present address within or outside Sikkim. One firm was served notice (September 1997). The final reply was not received (December 1997).

#### **6.9 Non-realisation of Government revenue on income from house property**

As per notification issued by the Income and Sales Tax Department in April 1970, income arising or accruing directly or indirectly from the properties situated in the Bazaar areas will be assessed to income tax at the prescribed rate after allowing a standard deduction of 20 per cent on account of maintenance.

Test check of records of Income Tax Department relating to the assessee~~s~~ of Gangtok, which is a Bazaar area<sup>\*</sup> revealed (February 1996) that income arising out of house property belonging to 11 assessee~~s~~s involving income tax amounting to Rs. 5.90 lakh for the period from 1982-83 to 1994-95 were not assessed to income tax resulting in non - realisation of government revenue. Further, income tax on house property in respect of 3 assessee~~s~~s for the period from 1985-86 to 1990-91 was underassessed to the tune of Rs. 1.35 lakh. Thus, non-assessment of tax on house property led to loss of Rs. 7.25 lakh to the Government.

**Non assessment of income from house property led to non-realisation of Income Tax of Rs. 5.90 lakh.**

The matter was reported to the Department and the Government (June 1996); their reply has not been received (December 1997).

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Bazaar Area = Township





## CHAPTER VII

### Financial assistance to Local Bodies and Others

<i>Paragraph</i>	<i>Particulars</i>	<i>Page(s)</i>
7.1	<i>Introduction</i>	169
7.2	<i>Delay in furnishing utilisation certificates</i>	169-170
7.3	<i>Delay in submission of accounts</i>	170-171
7.4	<i>Audit arrangements</i>	171
7.5	<i>Irregularities in the sanction of grants</i>	171-172



## CHAPTER VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 7.1 Introduction

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies / authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956 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 1996-97, financial assistance of Rs. 11.51 crore was paid to various autonomous bodies and others broadly grouped as under:-

Name of Institutions		Amount of assistance paid
		(Rupees in lakh)
1.	Universities and Educational Institutions	144.90
2.	Zilla Parishads and Panchayati Raj Institutions	79.05
3.	Development Agencies	766.84
4.	Hospitals and other Charitable Institutions	83.76
5.	Other Institutions	76.09
Total		1150.64

#### 7.2 Delay in furnishing utilisation certificates

The financial rules of 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 Accountant General within one year from the date of sanction unless specified otherwise.

Of the 284 utilisation certificates due in respect of grants and loans aggregating Rs. 11.51 crore paid during 1996-97, only 88 utilisation certificates for Rs. 146.88 lakh had been furnished by May 1997 and 196 certificates for an aggregate amount of Rs. 1003.76 lakh were in arrears. Department-wise break-up of outstanding utilisation certificates was as under:-

Department	Number of certificates	Amount
		(Rupees in lakh)
Education	5	110.20
Animal Husbandry	1	21.00
Agriculture	1	1.50
Horticulture	1	0.33
Irrigation	3	4.50
Social Welfare	4	6.34
Women & Child Welfare	3	7.98
Urban Development & Housing	1	40.00
Industries	1	46.64
Sports and Youth Affairs	19	6.90
Tourism	8	1.70
Co-operation	77	12.95
Rural Development	5	688.05
Welfare	7	7.20
Culture	50	41.90
Ecclesiastical	<u>10</u>	<u>6.57</u>
<b>Total</b>	<b>196</b>	<b>1003.76</b>

### 7.3 Delay in submission of accounts

In order to identify the institutions which attract Audit under Section 14/15 of the Comptroller and Auditor General (DPC) Act, 1971, Government / Head of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance

was sanctioned and the total expenditure of the institutions. No such information was furnished by the Departments.

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:

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	1995-96 to 1999-2000	04-07-1995
2.	Sikkim Co-operative Milk Producers' Union Limited	1993-94 to 1997-98	19-05-1994

#### 7.4 Audit arrangement

The primary audit of local bodies (Zilla Parishad, Panchayat Raj Institutions), education institutions and others is conducted by State Government. The audit of Co-operative Societies is also conducted by the State Government.

Only 2 bodies / authorities attracted Audit under Section 20 (1) of the Comptroller and Auditor General (DPC) Act, 1971. One institution furnished accounts for the year 1991-92 during September 1997 and could not be taken up for Audit during 1996-97. The second institution furnished the accounts for the year 1994-95 and was audited during 1996-97.

Against 6 institutions which attracted Audit under Section 14/20 (i) of the Comptroller and Auditor General (DPC) Act, 1971, Audit of 3 institutions was taken up during 1996-97.

#### 7.5 Irregularities in the sanction of Grants

Scrutiny of records of 2 grants / loan sanctioning authorities i.e. Education Department and Rural Development Department conducted during 1996-97 in terms of Sikkim Financial Rules had revealed the following common irregularities:

- (i) The grant sanctioning authorities did not indicate in the sanction orders the objective for which the grants were given and whether it was recurring or non-recurring. The sanction orders also did not indicate the time limit within which the grant was to be spent.
- (ii) While sanctioning the grants-in-aid to the same institutions for the same purpose, certificate to the effect that the unspent balance of the previous grant has either been surrendered or has been taken into account while sanctioning the subsequent grant was not incorporated in the sanction orders.
- (iii) A sum of Rs. 19.50 lakh was released by the Rural Development Department to Zilla Panchayat on 30 March 1996 to avoid lapse of grant, which was contrary to the rules.
- (iv) Copy of the audited statement of accounts alongwith copy of the constitution, in respect of the institutions or bodies receiving grants exceeding Rs. 1 lakh per annum recurring or Rs. 5 lakh non-recurring, was required to be furnished to the Accountant General by the grant sanctioning authority. But this was not done by both the departments.
- (v) Cases in which conditions were attached to the utilisation of a grant or the time limit within which the money must be spent, the sanctioning authority was required to certify to the Accountant General regarding fulfilment of the conditions attached. But this was not done.
- (vi) Any portion of the grant remaining unutilised for the specified purpose was required to be surrendered to the Government. No such conditions were laid down in the sanction orders as a result, no portion of the grant was ever surrendered by any grantee institution.



## CHAPTER VIII

### Government Commercial and Trading activities

<i>Paragraph</i>	<i>Particulars</i>	<i>Page(s)</i>
8.1	<i>Introduction</i>	175-176
8.2	<i>Government Companies-general view</i>	176-180
8.3	<i>Statutory Corporations</i>	181-182
8.4	<i>Disinvestment</i>	182-183
8.5	<i>Guarantee</i>	183
8.6	<i>Departmentally managed Government Commercial/Quasi Commercial Undertakings</i>	183
	<b><i>Chanmari Workshop and Automobiles Limited</i></b>	
8.7	<i>Inflation on cost of repairs</i>	183-184
	<b><i>Sikkim Livestock Processing and Development Corporation</i></b>	
8.8	<i>Undue financial benefit to the Consultant</i>	184-185
8.9	<i>Infructuous expenditure of Rs. 3.15 lakh</i>	185-186



## CHAPTER VIII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### 8.1 Introduction

**8.1.1** The Companies Act, 1956 is not extended to the State of Sikkim. The Companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory Auditors who are directly appointed by the Board of Directors of the respective companies. The audit of these companies had been taken up by the Comptroller and Auditor General of India at the request of the State Government under Section 20 (I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

The accounts of these corporations are audited by the Chartered Accountants who are directly appointed by the Board of Directors of the respective Corporations. Audit of three Corporations was entrusted to the Comptroller and Auditor General under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971 at the request of the State Government. Audit Reports on the accounts of all the Statutory Corporations are issued by the Comptroller and



Auditor General to the respective Organisations/State Government.

**8.1.3** There were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport (SNT) under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

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

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

**8.2.1** As on 31 March 1997, there were 6 Government Companies with total investment of Rs. 2821.15 lakh (Equity Rs. 2582.78 lakh; long term loan Rs. 238.37 lakh).(Appendix XII)

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

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

**(a)** The outgo from the State Government to 6 Companies during the years 1994-95 to 1996-97 in the form of equity capital, loans and subsidy is as detailed below:-

	1994-95	1995-96	1996-97
(Rupees in crore)			
1. Equity Capital outgo from Budget	2.00	4.46	3.08
2. Loans given out from Budget	Nil	Nil	Nil
3. Subsidy	Nil	Nil	Nil
Total outgo	2.00	4.46	3.08

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

### 8.2.3 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of 6 Government Companies, the accounts of 4 companies were in arrears for a periods ranging from 1 year to 3 years as indicated in Appendix XIII (as on 30 September 1997).

According to the latest finalised accounts of these Companies, 1(one) Company had incurred loss of Rs. 0.58 crore and 3(three) companies earned profit of Rs. 0.69 crore and remaining companies run their business with no loss no profit basis.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Companies in the annual general meeting within the prescribed time schedule. Though the concerned administrative departments and

officials of the Government were apprised by the Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time-schedule the investment made in these companies remained outside the purview of Audit and their accountability could not be ensured.

#### **8.2.4 Working Results**

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

During the year, 3 companies viz. Sikkim Jewels Limited (SJL) Sikkim Time Corporation Limited (SITCO) and Chanmari Workshop and Automobiles Limited (CWAL) which finalised accounts for 1996-97, 1995-96 and 1993-94 respectively, earned profit of Rs. 0.69 Crore. These three companies earned profit for two successive years or more. Free reserves and surpluses amounting to Rs. 6.77 crore were built up in these companies.

**(b)** Out of 2 companies which finalised their accounts for 1996-97 by September 1997, only one company earned profit of Rs. 0.14 crore on total share capital of Rs. 2.97 crore but did not declare any dividend during 1996-97.

The SITCO, which finalised accounts for 1995-96 by September 1997, declared dividend amounting to Rs. 0.10 crore on the gross profit of Rs. 0.55 crore earned by them in 1995-96. The dividend as percentage of share capital worked out to 1.32.

##### **(c) Loss making Companies**

According to the latest available accounts, 1 company suffered loss for 3



consecutive years as shown below:-

Name of Company	Accumulated Loss	Suffering loss due to	Capital eroded
(Rupees in crore)			
Sikkim Industrial Development and Investment Corporation Ltd.	12.73	Extension of loan to the non-viable units	--

In spite of the poor performance, the State Government continued to provide financial support to this company in the form of contribution towards equity. The total financial support provided during 1996-97, to this company amounted to Rs.3.00 crore mainly for payment of salaries to the staff and other recurring expenses and for revival of the company.

(d) The Audit of the companies had been taken up by the Comptroller and Auditor General of India at the request of the State Government under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971. During the period from October 1996 to September 1997, accounts of 2 companies were reviewed. The net effect of the important comments as a result of such review was as follows:-

Details	Number of Accounts	Monetary effect
(Rupees in Crore)		
1. Increase in profits	--	--
2. Non-disclosure of material facts	--	--
3. Others	1	1.00

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

### 8.2.5 Capacity Utilisation

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

Name of Company	Installed/rated	Actual utilisation	Percentage of utilisation
<b>Consumer Industries</b>			
1. Sikkim Time Corp. Ltd			
i. Watches	17.50 lakh (17.50 lakh)	15.48 lakh (16.49 lakh)	88 (94)
ii. Semi Conductor	35.00 million (35.00million)	22.83 million (23.09 million)	65 (66)
2. Sikkim Jewels Ltd.			
i. Cup Jewels	-- (36 lakh)	-- (40.96 lakh)	-- (52)
ii. Watch Jewels	-- (84 lakh)	-- (84.00 lakh)	-- (100)

(Previous year's figures shown in brackets)

### 8.2.6 Other investments

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

Sl.No.	Name of the company	Amount invested upto 31 March 1997 (Rupees in lakh)
1.	Sikkim Distilleries Limited	152.65
2.	Dikchu Copper Zinc Project	10.10
	Total	162.75

## 8.3 Statutory Corporations

### 8.3.1 General aspects

There were 3 Statutory Corporations in the State as on 31 March 1997. Audit



arrangement of these corporations is shown below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year upto which accounts finalised	SAR placed in legislature upto the year	Authority for Audit by C&AG
1 Sikkim Mining Corporation (SMC)	Proclamations of the erstwhile Chogyal of Sikkim	February 1960	Super-imposed audit	1995-96	1992-93	Under Section 19 (3) of CAG's (DPC) Act, 1971
2. State Bank of Sikkim (SBS)	-do-	June 1968	-do-	1994-95	1990-91	-do-
3. State Trading Corporation of Sikkim (STCS)	-do-	March 1972	-do-	1995-96	1990-91	-do-

### 8.3.2 Investment

The total investment in these Corporations as on 31 March 1997 was Rs. 5.52 crore in the forms of equity.

### 8.3.3 Profit/Loss of the Corporations

According to latest available accounts the SMC and SBS incurred a loss of Rs. 0.55 crore and Rs. 2.43 crore respectively, whereas STCS earned profit of Rs. 0.52 crore. The position is given in the table below:-

Name of Corporation	Year upto which accounts were finalised	Profit		Loss	
		No. of Corporation	Amount	No. of Corporation	Amount
			(Rs. in crore)		(Rs. in crore)
1 (SMC)	1995-96}	—	—	1	0.55
2 (SBS)	1994-95}			1	2.43
3 (STCS)	1995-96	1	0.52		
Total		1	0.52	2	2.98



The STCS, which finalised accounts for 1995-96 by September 1997, declared dividend Rs. 0.22 crore on the gross profit of Rs. 0.74 crore earned by them in 1995-96. The dividend as percentage of share capital worked out to 19.75.

#### **8.3.4 Finalisation of Accounts**

The Sikkim Mining Corporation, State Bank of Sikkim and State Trading Corporation of Sikkim have finalised their accounts upto the years 1995-96, 1994-95 and 1995-96 respectively.

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

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

#### **8.4 Disinvestment**

During the year 1996-97, there has been no privatisation (partial or complete) of any activity of these companies or corporations, and the Government has also not gone for Disinvestment of shares in any company/corporation.

#### **8.5 Guarantee**

Guarantee upto a maximum of Rs. 10 lakh was given by the State Government to the State Bank of Sikkim in August 1975 in respect of advances (overdraft) made by the Bank to the Sikkim Mining Corporation. No guarantee was invoked to the above mentioned companies/corporations during the years 1993-94 to 1996-97.

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

### **8.6.1 General aspects**

As on 31 March 1997, there were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

### **8.6.2 Finalisation of Accounts**

The Sikkim Nationalised Transport and Sikkim Tea Board finalised their accounts upto the years 1994-95 and 1995-96 respectively.

### **8.6.3 Working Results**

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

## **CHANMARI WORKSHOP AND AUTOMOBILES LIMITED**

### **8.7 Inflation on cost of repair**

As per the provision contained in the Sikkim Financial Rules, the Government vehicles are required to be repaired from Chanmari Workshop and Automobiles Limited (CWAL) and not in private garages.

Scrutiny of records revealed (July 1996) that the repairing of Government vehicles was entrusted to private garages by the various departments. The CWAL regularised these repairs by inflating the original bills submitted by the private garages and retained the balance amount after settlement of the original bills.

**Inflation in bills of the private garages led to extra payment of Rs. 1.18 lakh by the departments.**



During the period April 1993 to April 1996 the CWAL charged Rs 1.18 lakh extra without any justification.

The management stated (July 1997) that the departmental officers were in the practice of obtaining pro-forma invoice from CWAL and get repairs of the vehicles from private garages on their own and get payment regularised from CWAL. In this process, CWAL used to deduct 10-15 per cent of the bill amounts from the bills of the private firms to cover the office overheads. The fact, however, remained that the management charged extra from the Government departments which was not due to the private garages. This was irregular as this arrangement was not approved by the Government.

## **SIKKIM LIVESTOCK PROCESSING & DEVELOPMENT CORPORATION**

### **8.8 Undue financial benefit to the Consultant**

For preparation of Techno-economic Feasibility Report relating to construction of one Modern Abattoir in Sikkim, M/S Agriculture Finance Corporation (AFC) was engaged in August 1987.

As per the terms of reference executed between the Agriculture Finance Corporation and the Animal Husbandry Department i.e. the Administrative Department in August 1987 and Techno- economic Feasibility Report submitted by AFC in February 1988, Rupees 2 lakh each towards consultancy fee and detail engineering was to be paid to the Agriculture Finance Corporation. During July 1988, the revised proposal of the AFC for detailed drawing of both Civil and Mechanical works at a cost of Rs. 2 lakh was

<p><b>Undue financial benefit of Rs. 2 lakh was extended to the consultant.</b></p>
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accepted by the Administrative Department without taking into account the initial terms of reference executed in August 1987. A total amount of Rs. 6 lakh was paid to AFC during 1987 -88 to 1994-95. This resulted in extending an undue financial benefit to the AFC to the tune of Rs. 2 lakh.

In reply (May 1995), it was stated that due to lack of expertise in the State, AFC was entrusted with the job. It has further been stated by the Management (July 1997) that the payment was made to the AFC on mutual discussion as agreed by both the parties. Though the Managing Director stated (September 1997) that the excess amount would be recovered from the AFC, he further stated (January 1998) that it was not possible for the Department to request for the refund of the amount.

#### **8.9 Infertuous expenditure- Rs 3.15 lakh**

The company was established (1989) to set up a modern slaughter house in the State. The slaughter house after its construction was leased out (March 1994) to a private party. The Board in its seventh meeting (October 1994) decided to dispense with the service of existing staff as no business was to be conducted by the company after leasing out the slaughter house.


Scrutiny of records (August 1996) revealed that in partial compliance of the Board decision, the management paid arrears claims and terminal benefits to the employees upto October 1994 but the services of three employees continued to be on the roll without any business of the company. Thus, expenditure

<p>There was infertuous expenditure of Rs. 3.15 lakh towards pay and allowances of staff of dissolved Corporation.</p>
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amounting to Rs 3.15 lakh towards pay and allowances of the three employees during the period from November 1994 to June 1997 proved to be infructuous.

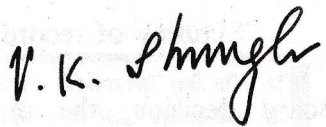
The management stated (July 1997) that it was resolved in the 7th meeting of the Board that the services of the employees of the company would be diverted towards that of the Sikkim Poultry Development Corporation. However, the absorption could not take place because of some delay in the construction of the project. The reply of the management is not tenable as the payment of salary to the staff without any work was not justified.

Gangtok  
The 25<sup>th</sup> March, 98.

  
(Rochila Saiawi)  
Accountant General

Countersigned

New Delhi  
The 3 APR 1998

  
(V. K. Shunglu)  
Comptroller and Auditor General of India



## APPENDIX I

(Ref: Paragraph 2.2.2; Page No.40)

Statement showing the grants/appropriations in which supplementary provisions proved unnecessary

Serial Number.	Number and name of the grant/appropriation	Original grant/appropriation	Supplementary provision	Actual expenditure	Savings
(In Rupees)					
<b>Revenue Voted</b>					
1.	6-Land Revenue	2,41,41,000	10,60,000	2,24,25,659	27,75,341
2.	8-Excise (ABKARI)	4,06,05,000	2,95,000	2,89,53,007	1,19,46,993
3.	13-Treasury & Accounts Administration	1,75,80,000	3,50,000	1,71,43,484	7,86,516
4.	17-Public Works (Buildings)	27,22,55,000	38,30,000	26,93,14,939	67,70,061
5.	18-Other Administrative Services	2,73,56,000	36,56,000	2,64,67,157	45,44,843
6.	21-Education	55,36,45,000	1,30,95,000	54,97,12,239	1,70,27,761
7.	22-Sports and Youth Services	1,58,70,000	2,50,000	1,10,46,156	50,73,844
8.	25-Water Supply sanitation	7,16,15,000	29,40,000	7,01,42,139	44,12,861
9.	27-Information & Publicity	1,60,68,000	1,70,000	1,47,15,964	15,22,036
10.	28-Social Security and Welfare	4,78,35,000	29,36,000	4,77,58,081	30,12,919
11.	29-Labour & Labours Welfare.	44,30,000	4,85,000	41,13,849	8,01,151
12.	31-Relief on Accounts of National Calamities	9,51,35,000	97,07,000	9,48,57,697	99,84,303
13.	33-Secretariat Social Services.	20,95,000	20,000	20,45,237	69,763
14.	34-Agriculture	14,68,29,000	66,79,000	13,38,21,125	1,96,86,875
15.	35-Soil and Water Conservation.	4,97,30,000	19,40,000	4,92,66,128	24,03,872
16.	36-Animal Husbandry	6,41,91,000	27,19,000	6,19,07,943	50,02,057
17.	37-Dairy Development	2,39,00,000	20,000	38,58,000	2,00,61,728
18.	38- Fisheries	71,80,000	1,95,000	65,63,737	8,11,263
19.	39-Forestry and Wild life.	14,09,48,000	11,47,000	13,26,04,385	94,90,615
20.	41-Food Storage and Ware housing	6,49,65,000	2,50,000	6,38,70,447	13,44,553
21.	42-Co-operation	1,70,14,000	7,20,000	1,37,28,448	40,05,552
22.	43-Rural Development Department	9,04,00,000	14,15,000	8,63,48,123	54,66,877
23.	48-Roads and Bridges	16,18,55,000	67,50,000	12,82,44,406	4,03,60,594
<b>Capital Voted</b>					
1.	17-Public Works (Buildings)	21,57,87,000	1,00,73,000	17,34,23,006	5,24,34,994
2.	25-Water Supply sanitation	17,54,10,000	60,00,000	14,35,18,459	3,78,91,541
3.	26-Urban Development	1,20,30,000	1,00,000	75,45,980	45,84,020
4.	46-Industries	3,83,00,000	23,65,000	3,49,36,450	57,28,550
<b>Total</b>		<b>2,39,71,67,000</b>	<b>7,91,67,000</b>	<b>2,19,83,32,247</b>	<b>27,80,01,433</b>



## APPENDIX II

(Ref: Paragraph 2.2.2; Page No. 40)

Statement showing the grants/appropriations in which supplementary provisions proved excessive.

Serial Number	Number and name of grant/ appropriation	Original grant/ appropriation	Supplementary provision	Savings
(In Rupees)				
1.	Revenue Voted 1-Council of Ministers	1,58,65,000	22,50,000	1,63,054
2.	3-Election	84,05,000	5,60,000	1,55,640
3.	Secreterial General Services	3,18,15,000	40,45,000	3,29,383
4.	12-District Administration	1,22,10,000	18,50,000	2,29,659
5.	14-Police	19,45,26,000	1,90,97,000	10,30,817
6.	15-Jails	26,50,000	2,00,000	29,855
7.	19-Pension and Other Retirement Benefits	4,00,00,000	1,00,00,000	2,54,196
8.	23- Art & Culture	99,70,000	14,50,000	4,04,795
9.	24-Medical and Public Health	20,26,95,000	2,64,00,000	1,06,21,541
10.	26-Urban Development	3,48,10,000	12,00,000	13,38,557
11.	40-Other Agricultural Programme	3,38,00,000	51,64,000	13,38,557
12.	44-Irrigation and Flood Control	4,10,75,000	2,00,00,000	98,078
13.	45-Power	14,70,75,000	1,29,50,000	40,26,611
14.	46-Industries	3,47,25,000	67,59,000	3,42,434
15.	49-Road Transport	14,02,70,000	1,00,00,000	2,21,429
16.	51-Secretarial Economic Services	1,62,35,000	49,89,000	7,33,184
	<b>Total</b>	<b>96,61,26,000</b>	<b>12,69,14,000</b>	<b>2,01,48,197</b>
<b>Revenue Charged</b>				
17.	3-Administration of Justice	58,00,000	20,00,000	18,240
18.	10-Interest Payments	32,34,95,000	3,00,00,000	2,36,80,601
19.	10-Public Service Commission	17,10,000	1,79,000	50,919
	<b>Total</b>	<b>33,10,05,000</b>	<b>3,21,70,000</b>	<b>2,37,49,760</b>
	<b>Grant Total</b>	<b>1,29,71,31,000</b>	<b>15,90,84,000</b>	<b>4,38,97,957</b>

**APPENDIX III**  
(Ref: Paragraph 2.2.2; Page No. 40 )

**Statement showing the grants/appropriations in which supplementary provisions were insufficient**

Serial Number	Number and name of grant/ appropriation	Original grant/ appropriation	Supplementary provision  (In Rupees)	Excess
<b>Revenue Voted</b>				
1.	1-State Legislative	1,06,50,000	17,60,000	3,03,158
2	16-Stationary	1,29,20,000	5,50,000	20,087
3.	32-Other Social Services	62,48,000	5,50,000	35,145
	<b>Total</b>	<b>2,98,18,000</b>	<b>28,60,000</b>	<b>3,58,390</b>
<b>Revenue-Charged</b>				
4	1-Governor	39,02,000	2,50,000	1,72,632
5.	17-Public works (Buildings)	2,50,000	3,50,000	43,920
	<b>Total</b>	<b>41,52,000</b>	<b>5,50,000</b>	<b>2,16,552</b>
<b>Capital - Voted</b>				
6.	36-Animal Husbandry	36,00,000	4,00,000	73,396
<b>Capital-Charged</b>				
7.	53- Publice	10,33,87,000	15,30,00,000	80,51,571
	<b>Grand Total:</b>	<b>14,09,57,000</b>	<b>15,68.10,000</b>	<b>86,99,909</b>

## APPENDIX IV

(Ref: Paragraph 2.5; Page No.44)

**Injudicious and irregular reappropriation.**

- (a) Cases in which funds were injudiciously withdrawn by re-appropriation, although the accounts showed an excess over the provision (original plus supplementary)

Serial Number	Grant Number and Head of Accounts	Total grant (Original plus Supplementary)	Actual expenditure	Excess	Amount of appropriation
1	2	3	4	5	6
			(Rupees in lakh)		
1.	1-Governor: 2012-President, Vice President/ Governor, Administration of Union Territories 03-Governor/Administration 90-Secretariat.	20.35	20.81	0.67	(-) 0.21
2.	1-Governor: 2012-President, Vice President/ Governor, Administration of Union Territories 03-Governor/Administration	10.45	11.35	0.91	(-) 0.01
3.	103-House Hold Establishment 24-Medical and Public Health 2210-Medical and Public Health 01-Urban Health service Allopathy 50-East District.	39.90	42.34	3.10	(-) 0.66
4.	96-Industries: 5465-Investment in General Financial and trading Institution. 02-Investment in trading Institutions 53-Investment STCS Finances Department.	1.00	2.57	2.57	(-) 1.00

- (b) Cases where funds were withdrawn by reappropriation in excess of the available saving.

Serial Number	Grant Number and Head of Accounts	Total grant (Original plus Supplementary)	Actual expenditure	Excess	Amount of appropriation
1	2	3	4	5	6
			(Rupees in lakh)		
1.	1-Legislature: 2011-Parliament State / Union Territory Legislatures 103-Legislative Secreteriat 41-Members.	19.10	15.18	2.92	(-) 6.28
2.	3-Administration of Justice: 2014-Administration of Justice 41-District and Session Court West and South.	36.00	24.72	11.28	(-) 12.00
3.	6-Land Revenue: 2029-Survey and Settlement Opening, strengthening of Adnimistration for Land Reforms. 40-Head Office.	32.07	30.20	1.87	(-) 2.50



4.	6-Land Revenue: 2506-Land Reforms 103-Maintenance of Land Records 70-Agrarian Studies and Computerisation of Land Records (100% CSS)	20.00	7.54	12.46	(-) 12.78
5.	14-Police: 2055-Police. 115-Modernisation of Police Force. ( 75:25% CSS) 55-Machinery and Equipment.	33.00	29.41	3.59	(-) 4.28
6.	17-Public Works (Buildings) 4202-Capital Outlay on Education, Sport, Art and Culture. 04-Art and Culture 800-Other Expenditure 75-Buidings 62-Cultural centre at Budha Gaya.	22.00	15.00	8.00	(-) 10.00
7.	21-Education: 2202-General Education 104-Teachers and other services 52-High and Higher Secondary School 80-West District	334.60	313.362	21.24	(-) 26.00
8.	21-Education 2202-General Education 104-Teacher's and Other Services 52-High and Higher Secondary School. 81-South District.	379.65	263.47	116.18	(-)116.75
9.	21-Education. 2202-General Education 04-Adult Education 103-Rural Functional Literacy Programme(100%CCS)	22.00	12.26	9.74	(-) 10.12
10	24-Medical and Public Health. 2210-Medical and Public Health. 800-Other Expenditure	82.00	73.17	8.83	(-) 9.50
11	24-Medical and Public Health. 2210-Medical and Public Health. 74-National Tuberculosis Control Programme.	33.50	22.97	10.53	(-) 19.54
12	24-Medical and Public Health. 2210-Medical and Public Health. 73-Prevention and Control of Blindness (100% CSS) State Ophthalmic Cell.	24.00	5.03	18.97	(-) 19.14
13	24-Medical and Public Health 2211-Family Welfare (100% CSS) 001-Direction and Administration.	384.00	314.27	69.73	(-) 83.70

14.	25-Water Supply and Sanitation 2215-Urban Supply and Sanitation 101-Urban Water Supply Programme.	289.00	229.18	59.82	(-) 60.00
15	31-Natural Calamities 2245-Relief on Account of Natural Calamities. 800-Other Expenditure 72-Other Works	546.27	175.15	371.12	(-) 378.21
16	34-Agriculture 2401-Crop Husbandry 108-Commercial Crops	217.70	192.25	25.45	(-) 25.97
17.	34-Agriculture 2401-Crop Husbandry 114-Development of Oil Seeds	74.00	65.56	8.44	(-) 8.87
18.	34-Agriculture 2401-Crop Husbandry 99-Horticulture	116.00	113.91	2.09	(-) 4.34
19	36-Animal Husbandry 2403-Animal Husbandry 105-Piggery Development.	61.08	38.44	22.64	(-) 24.08
20	36-Animal Husbandry 2403-Animal Husbandry 106-Other Livestock Development	45.40	30.17	15.23	(-) 15.51
21	39-Forestry and Wild Life 4406-Capital Outlay on Forestry and Wildlife. 01-Forestry 070-Communication and Building 51-Building	21.00	13.15	7.85	(-) 11.51
22	40-Other Agricultural Programme 2407-Plantations 03-Animal Husbandry 004-Research	41.00	38.35	3.05	(-) 4.22
23	42-Co-operation 2425-Co-operation 108-Assistance to other Co-operatives	75.64	38.43	37.21	(-) 38.46
24.	45-Power. 2801-Power 80-General 001-Direction and Administration 55-South District	54.40	49.71	4.69	(-) 7.93
25.	45-Power. 2801-Non-Conventional Sources of Energy 82-New Renewable Source of Energy.	68.90	48.84	20.06	(-) 20.45
26	46-Industries 4860-Capital Outlay on Consumer Industries 60-Other 97-Tea Development.	25.00	15.64	9.36	(-) 10.66

27	50-Other Scientific Research 3455-Ecology and Environment 04-Prevention of control of pollution	5.00	3.11	1.89	(-) 2.00
	79-Prevention of Air and Water Pollution.				
28	51-Secretariat Economic Services 3451-Secretariat Economic Services 090-Secretariat	23.40	19.51	3.89	(-) 4.07
	40-Planning and Development				
29	52-Tourism 3452-Tourism 102-Tourist Accommodation 46-Operational Expenditure of Tourist Transport Services	26.50	4.74	21.76	(-)21.92
30	52-Tourism 3452-Tourism 104-Promotion and Publicity	133.45	41.86	91.59	(-)92.35

(C) Cases where funds were injudiciously augmented by re-appropriation, although accounts showed savings

Serial Number	Grant number and Head of Account	Total Grant (original plus supplementary)	Actual expenditure	Excess	Amount of reappropriation
1.	1-Land Revenue 2029-Land Revenue 102-Survey and Settlement Operation strengthening of Administration for land Reforms	15.65	14.66	0.99	(+) 0.55
2.	41-Land Records 11-Secretariat-General Services 2052-Secretariat-General Services 45-Home Department	109.20	108.72	0.48	(+) 0.22
3	12-District Administration 2052-District Administration 093-District Administration 43-West District	23.55	22.50	1.05	(+) 0.18
4	14-Police 2055-Police 109-District Police 103-East District	212.90	209.23	3.67	(+) 1.50
5.	14-Police 2055-Police 114-Wireless and Computer 53-Police wireless	81.85	74.51	7.34	(+) 4.60
6.	17-Public Works (Buildings) 4202-Capital Outlay on Education, Sports, Art and Culture 01-General Education 201-Elementary Education	213.00	146.76	66.24	(+) 6.31
7.	27-Information and Publicity 2220-Information and Publicity 60-Others 001-Direction and Administration	16.90	16.65	0.25	(+) 0.83



8	28-Social Security and Welfare 2235-Social Security and Welfare 02-Social Welfare 40-Social Welfare Department	94.55	87.47	7.08	(+) 1.00
9.	39-Forestry and Wildlife 2406-Forestry and Wildlife 01-Forestry 001-Direction and Administration 43-Divisional Forest Officer(West)	41.00	39.60	1.40	(+) 0.50
10.	39-Forestry and Wildlife 2406-Forestry and Wildlife 01-Forestry 001-Direction and Administration 43-Divisional Forest Officer(North)	27.00	25.44	1.56	(+) 1.20

(d) Cases in which funds were injudiciously augmented by re-appropriation of sums in excess of what was actually required to covered the excess of expenditure over the provision (original plus supplementary) which ultimately resulted in savings

Serial Number	Grant number and Head of Account	Total Grant (original plus supplementary)	Actual expenditure	Excess (Rupees in lakh)	Amount of reappropriation
1.	6-Land Revenue 2506-Land Reforms 71-Strengthening of Revenue administration and upgrading of Land Records(90:10%CSS)	11.28	17.78	6.50	(+)10.00
2.	14-Police 2055-Police 104-Armed Police	451.00	470.94	19.94	(+) 24.42
3.	17-Public Works (Buildings) 4216-Capital Outlay on Housing 01-Government Residential Buildings 106-General Pool Accommodation	254.00	294.00	40.00	(+) 57.75
4.	19-Pension and Other Retirement Benefits 2071-Pension and Other Allowances 01-Civil (State Government) 111-Pension to Legislature	7.00	8.55	1.55	(-) 2.48
5	21-Education 2202-General Education 101-Government Primary School 44-Primary Schools	177.00	357.68	180.68	(-)181.35
6.	21-Education 2202-General Education 106-Teachers & Other Services 46-Pre-primary Schools 60-East District	83.80	87.00	3.00	(-) 4.48
7.	21-Education 2202-General Education 47-Primary Schools 60-East District	585.00	686.64	101.64	(-)116.52

8.	21-Education 2202-General Education 106-Teachers & Other Services 61-North District	110.30	184.94	74.64	(+) 76.40
9.	21-Education 2202-General Education 106-Teachers & Other Services 63-South District	431.60	497.29	65.69	(+) 66.69
10.	21-Education 2202-General Education 02-Secondary Education 001-Directors and Administration	309.25	332.92	23.67	(+) 27.77
11.	21-Education 2202-General Education 03-University & Higher Education 53-Govt. Degree College, Gangtok	91.60	101.65	10.05	(+) 23.69
12.	23-Art and Culture 2205-Art and Culture 001-Direction and Administration	13.00	16.55	3.55	(+) 3.94
13.	23-Art and Culture 2205-Art and Culture 102-Production of Art and Culture	45.45	57.30	11.85	(+) 12.38
14.	24-Medical & Public Health 2210-Medical & Public Health 05-Medical Education & Training of Research 105-Allopathy	12.00	14.74	2.74	(+) 3.00
15.	28-Social Security & Welfare 2225-Welfare of Scheduled Caste & Scheduled Tribes & Other Backward Classes 01-Welfare of Scheduled Caste 001-Director and Administration	17.43	21.03	3.60	(+) 3.96
16.	31-Natural Calamity 2245-Relief on Account of Natural Calamity 01-Draught 02-Floods and Cyclone	20.00	56.50	36.50	(+) 46.50
17.	34-Agriculture 2401-Crop Husbandary 800-Other Expenditure 48-Soil Testing	20.00	26.80	6.80	(+) 7.50

18.	39-Forestry & Wild Life 2406-Forestry & Wild Life 110-Wild Life Preservation 49-Wild Life District Office Mangan	10.85	12.17	1.32	(+) 1.52
19.	40-Other Agricultural Programme 2415-Agricultural Research & Education 01-Crop Husbandary 004-Research	26.50	47.70	21.20	(+)22.50
20.	46-Industries 2851-Village & Small Industries 003-Training 42-Branch Centre in North District	20.94	23.78	2.84	(+) 3.63
21.	46-Industries 2851-Village & Small Industries 003-Training 43-Branch Centre in West District	26.44	29.35	2.91	(+) 3.90
22.	49-Road Transport 3055-Road Transport 201-Sikkim Nationalised Transport 41-Operation	853.90	865.19	11.29	(+) 2.79
23.	52-Tourism 3452-Tourism 01-Tourist Infrastructure 101-Tourist Centre 40-Direction & Administration	71.50	81.40	9.90	(+)10.88



## APPENDIX V

(Ref: Paragraph 2.8; Page No. 46)

Statement showing amount kept in MG Cheques by different departments

Name of the Department	Period during which MG Cheques were obtained	No. of MG Cheques obtained	Amount of MG Cheques (Rs)	Period for which the amount of MG Cheques remained outside government Account	Purpose for which the MG Cheques were obtained	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.Education Department	11 June 1993 to 30 June 1997	56	1,43,14,136=20	From 15 days to 11 months 10 days	Mainly for payments to be made to the suppliers & to departmental officers for meeting the cost of science consumables and stationery etc.	Period for which the money remained outside government account in respect of 45 MG Cheques could not be verified in audit as the department did not maintain record to show whether these cheques were encashed or not. Reference to government cheques against which MG cheques purchased were not available in many cases and where such reference was maintained by the department, amount of MG Cheques did not tally with the amount of government cheque in many cases. Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit.
2.Sports & Youth Affairs Department	3 April 1996 to 12 April 1996	24	34,20,000=00	From 7 days to 246 days	To organise "10th North-East Games"	Period for which the amount remained outside government account in respect of MG Cheques could not be verified in audit as the department did not maintain record to show whether these cheque were encashed or not. Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit. Against Government cheques of Rs.26,70,000/= MG Cheques obtained amounted to Rs.24,20,000/= only, whereabouts of the difference of Rs. 2.50 lakh could not be ascertained in audit. Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit.
3.Finance Department	on 31.3.94	2	1,55,07,638=00	From 15 days to 1 month 20 days	Mainly for payment to the REC, New Delhi & Ministry of Urban Development	Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit.
4.Culture Department	on 10.1.97	3	10,00,000=00	10 days	For the purpose of grants-in-aid for celebrating Maghe Mela at Jorethang.	Government Cheque (0275318 dated 10.1.97) was for Rs. 12 lakh against which 3 MG Cheques valuing Rs. 10 lakh were obtained. Whereabouts of Rs. 2 lakh could not be ascertained in audit. Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit.
5.Land Revenue Department	on 9.5.97	4	8,00,000=00	Not Available	MG Cheques were obtained in favour of D.C., East, West, North and South for the purpose of compensation for land acquisition for V.L.O. Quarters	Period for which the amount remained outside government account could not be ascertained in audit as the Department did not maintain the records to show whether these cheques were encashed or not. Utilisation Certificates were also not produced to audit.
6.Urban Development & Housing Department	on 29.3.94	1	79,000=00	21 days	for construction of temporary shed for housing smoke test equipment	The cheque was handed over to the contractor on 18.4.94

(1)	(2)	(3)	(4)	(5)	(6)	(7)																																								
7.Welfare Department	From 20.6.96 to 17.2.97	6	11,03,000=00	From 8 days to 2 months 12 days	Mainly for the purchase of piglets, GCI sheets and payment to the beneficiaries.	<p>Against government cheque NO. BCH 0349894 valuing Rs. 2 lakh the departmental records showed that the department purchased MG Cheque 085875 valuing Rs. 743269 which was encashed on 7.9.96 and after making part payments on different date the amount was again kept in MG Cheque as per details below:-</p> <table><tr><th>MG Cheque No. and date</th><th>Amount (Rs)</th><th>Date of encash- ment</th><th>Amount Paid (Rs)</th><th>Balance (Rs)</th></tr><tr><td>085875</td><td>7,43,269</td><td>9.7.96</td><td>1,20,000</td><td>6,23,269</td></tr><tr><td>085949</td><td></td><td></td><td></td><td></td></tr><tr><td>dt.9.7.96</td><td>6,23,269</td><td>17.7.96</td><td>1,94,000</td><td>4,29,269</td></tr><tr><td>085580</td><td></td><td></td><td></td><td></td></tr><tr><td>dt.7.8.96</td><td>4,29,269</td><td>18.10.96</td><td>3,64,050</td><td>65,219</td></tr><tr><td>088094</td><td></td><td></td><td></td><td></td></tr><tr><td>dt.17.2.97</td><td>65,269</td><td>—</td><td>—</td><td>—</td></tr></table> <p>It would be seen from the above that after encashment of the above cheques the amount remained in cash with the department for which no justification has been given. There were no records with the department to show whether the MG Cheque No. 088094 dated 17.2.97 for Rs. 65,269 was encashed or not. Purchase of MG Cheque for Rs. 7,43,269 against cheque valuing Rs. 2 lakh was also not clarified by the department. One government cheque NO. BCH 247097 dated 23.3.96 for Rs. 1 lakh was obtained by the department. No MG Cheque has been obtained against this cheque. The department has not intimated the manner in which this amount has been utilised. Actual payee receipts in respect of disbursement of MG Cheques were not produced to audit.</p>	MG Cheque No. and date	Amount (Rs)	Date of encash- ment	Amount Paid (Rs)	Balance (Rs)	085875	7,43,269	9.7.96	1,20,000	6,23,269	085949					dt.9.7.96	6,23,269	17.7.96	1,94,000	4,29,269	085580					dt.7.8.96	4,29,269	18.10.96	3,64,050	65,219	088094					dt.17.2.97	65,269	—	—	—
MG Cheque No. and date	Amount (Rs)	Date of encash- ment	Amount Paid (Rs)	Balance (Rs)																																										
085875	7,43,269	9.7.96	1,20,000	6,23,269																																										
085949																																														
dt.9.7.96	6,23,269	17.7.96	1,94,000	4,29,269																																										
085580																																														
dt.7.8.96	4,29,269	18.10.96	3,64,050	65,219																																										
088094																																														
dt.17.2.97	65,269	—	—	—																																										
8.Police Department	13.11.95 to 5.5.97	4	6,88,195=00	From 2 months 6 days to 1 year 2 months 4 days (upto 29.8.97)	Mainly for payment to the suppliers	<p>MG Cheque No. 086864 dated 29.8.96 valuing Rs.4,97,948=00 though shown paid by the Bank on 31.8.96 is still (29.8.97) lying with the department. MG Cheque No.089835 dated 5.5.97 valuing Rs.1,29,195=00 is also still lying with the department. Against this MG Cheque reference to government cheque No. and date was not available with the department.</p>																																								
9.Horticulture Department	16.3.96 to 31.5.96	15	24,83,924=00	—	Mainly for procurement of Ginger seeds and supply bills	<p>The department obtained TDR No. 1505 dated 16.3.96 for Rs. 25 lakh against government cheque No. BCH 257062 dated 13.3.96. Rs.16076 was refunded on 14.7.97. Period for which the money remained outside government account in respect of 15 MG Cheque could not be verified in audit as the department did not maintain records to shown whether these cheques were encashed or not.</p>																																								
10.Agriculture Department	9 April 1996 to 16 September 1996	8	3,16,577=00	From 1 day to 4 months 2 days	Mainly for payments to the contractor	<p>Against 2 government cheques amounting to Rs. 3,16,577 the department obtained 4 MG Cheques amounting to Rs.3,16,577. Against 2 MG Cheques valuing Rs.2,16,577 (out of the above 4 MG Cheques) the department again obtained 4 MG cheques valuing Rs.1,79,061=00. The department did not explain the manner in which the difference of Rs. 37,516=00 was utilised.</p>																																								

**APPENDIX VI***(Ref: Paragraph 3.1.7(a); Page No.54)*

Under OPP, physical targets fixed by the State and achievement made thereagainst on implementation of various components were as under:

Sl.	Particulars	1992-93			1993-94			1994-95			1995-96			1996-97		
No.		T	A	S	T	A	S	T	A	S	T	A	S	T	A	S
1.	Foundation Seed Production(In quintals)	1	--	1	--	--	--	--	--	--	--	--	--	--	--	--
2.	Distribution of Certified Seeds Subsidy (In quintals)	500	500	--	550	550	--	466	450	16	500	500	--	500	500	--
3.	Seed Village Programme(In quintals)	136	136	--	490	490	--	416	490	--	500	500	--	490	490	--
4.	Distribution of Inputs Kits(In numbers)	32500	32500	--	36500	36500	--	32000	30000	2000	25500	25500	-	25300	25300	--
5.	Opening of new retail outlets (In numbers)	10	10	--	12	12	--	12	12	--	12	12	--	10	10	--
6.	Distribution of P.P. Chemicals 50 per cent subsidy sale (In Kgs)	6615	6615	--	--	--	--	--	--	--	--	--	--	--	--	--
7.	Distribution of P.P. implements 50 per cent subsidy sale (In numbers)	1000	521	479	130	130	--	--	--	--	--	--	--	--	--	--

*T=Target, A=Achievement, S=Shortfall*



8.	Field Demonstration(In Hectares)															
	a)Soyabean Rape and	300	300	--	340	340	--	340	340	--	340	340	--	340	340	--
	b)Mustard	1800	1800	--	4600	4600	--	4420	4420	--	3050	3050	--	2700	2700	--
9.	Distribution of Farm implements (In numbers)	577	577	--	100	520	--	400	271	129	33	33	--	--	--	--
10.	Distribution of Rhizobium Culture (In Hectares)	600	600	--	1485	1485	--	1600	1600	--	1600	1600	00	1300	1300	--
11.	Distribution of Dolomite / Gypsum (In Hectares)	2100	2100	--	3300	3300	--	2750	2750	--	700	700	--	2500	2500	--
12.	Farmers Training Programme (In numbers)	--	--	--	8	8	--	8	8	--	8	8	--	10	10	--
13.	Staff and Contingencies (In numbers)	6	6	--	3	3	--	3	3	--	3	3	--	3	3	---
14.	Plant protection and seeds treatment (In Hectares)	--	--	--	--	--	--	84	84	--	32	32	--	27	27	--
15.	Integrated Pest Management (In Hectares)	--	--	--	--	--	--	15	15	--	17	17	--	14	14	--

**APPENDIX VII**  
(Ref: Paragraph 3.10.4; Page No. 76)

DETAILS OF FUNDS RELEASED

	1993-94		1994-95		1995-96		1996-97	
	(Rupees in lakh)							
	LS	RS	LS	RS	LS	RS	LS	RS
1. Name of the District/ Districts	East	East	East	East	East North South	East	East West North South	East
2. Name of MPs opted for the District	Smt. D.K. Bhandari	Sri Karma Topden	Smt.D.K. Bhandari	Sri Karma Topden	Smt.D.K. Bhandari	Sri Karma Topden	Sri Bhim Dahal	Sri Karma Topden
3. Name of the Nodal Officer	Shri R. Agarwal	Sri R. Agarwal	Sri R. Agarwal	Sri R. Agarwal	Sri R. Agarwal	Sri R. Agarwal	Sri R. Agarwal and Sri Govind Mohan	Sri R. Agarwal and Sri Govind Mohan
4. Opening Balance	NIL	NIL	5.00	5.00	69.26	100.68	3.22	72.68
5. Fresh Allocation	5.00	5.00	100.00	100.00	100.00	100.00	100.00	100.00
6. Total funds avail- able ( 4 + 5 )	5.00	5.00	105.00	105.00	169.26	200.68	103.22	172.68
7. Expenditure incurred	NIL	NIL	35.74	4.32	166.04	128.00	35.64	79.15
8. Unspent Balance ( 6 - 7 )	5.00	5.00	69.26	100.68	3.22	72.68	67.58	93.53

It may be mentioned that no work was sanctioned during 1993-94.

## APPENDIX VIII

(Ref: Paragraph 3.10.4; Page No.76)

M P WISE / CONSTITUENCY WISE PROGRESS REPORT UPTO MARCH 1997

DISTRICT - East

(RS. IN LAKH)

Sl. No.	Name of the MP	Year	Funds Avail-able	Works sugge- sted (No)	Works sanc- tioned (No)	Works started	Works yet to start (6-7)	Estimated cost of sanction- works	Amount Released	Actual Expen- diture	Works comple- ted (No)	Works in pro- gress (No)	% of works comple- ted (12/6)	% of works in pro- gress (13/6)	% of works yet to start (8/6)	% of Amount relea- sed. (10/4)	% of Expen- diture incurred (11/4)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.	Smt. D.K. Bhandari (Lok Sabha)	1993-94	5.00	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2.	-do-	1994-95	100.00	7	7	7	NIL	35.82	35.74	35.74	7	NIL	100	NIL	NIL	35.74	35.74
3.	-do-	1995-96	100.00	63	63	63	NIL	174.07	166.04	166.04	62	1	98.41	1.59	NIL	166.04	166.04
	Total		205.00	70	70	70	NIL	209.89	201.78	201.78	69	1	98.57	1.43	NIL	98.43	98.43
4.	Shri Bhim Dahal (Lok Sabha)	1996-97	100.00	17	17	17	NIL	96.97	35.64	35.64	5	12	29.41	70.59	NIL	35.64	35.64
1.	Shri Karma Topden (Rajya Sabha)	1993-94	5.00	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2.	-do-	1994-95	100.00	5	5	5	NIL	4.59	4.32	4.32	5	NIL	100	NIL	NIL	4.32	4.32
3.	-do-	1995-96	100.00	62	62	62	NIL	131.00	128.00	128.00	62	NIL	100	NIL	NIL	128.00	128.00
4.	-do-	1996-97	100.00	23	23	23	NIL	80.00	79.15	79.15	23	NIL	100	NIL	NIL	79.15	79.15
	Total		305.00	90	90	90	NIL	215.59	211.47	211.47	90	NIL	100	NIL	NIL	69.33	69.33



**APPENDIX IX**  
(Ref: Paragraph 3.10.7; Page No. 78)

STATEMENT SHOWING THE DETAILS OF WORKS EXECUTED WHICH WERE NOT ALLOWED UNDER THE SCHEME

Year	District	Particulars of the work	Date of start	Date of completion	Expenditure incurred	By whom approved	How the expenditure has been regularised
1	2	3	4	5	6	7	8
1994-95	East	(1) Winter Plantation at yelli, Bhasmey	30.12.94	28.2.95	4,99,980=00	D. C. East	The expenditure was sanctioned by the District Collector.
		(2) Winter plantation at Khanka	30.12.94	28.2.95	4,98,460=00	-Do-	-Do-
		(3) Winter Plantion at Singey, Gairichok	30.12.94	28.2.95	4,99,980=00	-Do-	-Do-
		(4) Winter Plantation at Lingzeyra	30.12.94	28.2.95	4,98,320=00	-Do-	-Do-
1995-96	South	(5) Winter Plantation at Tadong South	11.11.95	31.12.95	4,12,360=00	-Do-	-Do-
		(6) Winter Plantion at Tadong South	11.11.95	31.12.95	4,00,090=00	-Do-	-Do-
1996-97	East	(7) Beautification of D.C. Office, East.	4.3.97	27.4.97	1,49,611=00	-Do-	-Do-
		<b>TOTAL</b>			<b>29,58,801=00</b>		

**APPENDIX X***(Ref: Paragraph 3.10.12; Page No.83)*

## STATEMENT SHOWING THE MONITORING MECHANISM

					Percentage of works visited and inspected by				
Year	District	No. of works undertaken	Prescribed schedule of visits/inspection		Distt. Collector	Senior Officers of the implementing agencies	Officers of Sub-Divisional and Block level	District Collectors alongwith MP(s) concerned	Reasons for shortfall
			DC	Others					
1	2	3	4.a	4.b	5	6	7	8	9
1993-94	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	No reason was stated
1994-95	East	12	10%	Nil	Nil	Nil	30%	Nil	-Do-
1995-96	East, North, South	125	10%	Nil	Nil	Nil	30%	Nil	-Do-
1996-97	East, West, North, South	40	10%	Nil	10%	Nil	30%	Nil	-Do-

**APPENDIX XI***(Ref: Paragraph 4.2.7; Page No.116)*

Statement showing the Spill Over, Works Taken Up and completed during 1991-1997 under UWSS

**SPILL OVER**

1. Augmentation of Rangpo W/S Schemes
2. Augmentation of Mangan W/S Schemes
3. Augmentation of Ranipool W/S Schemes
4. Augmentation of Gangtok W/S Schemes

**WORKS TAKEN UP**

1. Augmentation of Rabdentse W/S Schemes
2. Augmentation of Singtam W/S Schemes
3. Augmentation of Chungthang W/S Schemes
4. Augmentation of Legship Bazar W/S Schemes
5. Augmentation of Sang Bazaar W/S Schemes
6. Augmentation of Temi W/S Schemes
7. Augmentation of Kewging W/S Schemes
8. Strengthening of Pelling W/S Schemes
9. Improvement of oneline at Jorethang
10. Improvement of distribution system at Gyalshing
11. Improvement of Filter House at Jorethang
12. Improvement of Distribution system at Melli
13. Improvement of line at Tadong
14. Improvement in the water line at Namnam
15. Construction of static Tank all over Sikkim
16. Upgradation of distribution system at Singtam
17. Protective and Renovation of the Ratenchu Trunk Line
18. Strengthening of distribution system at Development Area, Upper Sichey
19. Extension of water distribution systems at Tadong
20. Construction of Head work at Ratechu
21. Construction of Zonal Tanks above Mintekgong and Selep
22. Upgradation of Water Supply line in M.G. Marg
23. Upgradation of Water Line at Namnam
24. Water Supply Scheme to VIP Complex
25. Protective work to Treatment Plant
26. Improvement in the Water Pipeline Network requiring immediately at Arithang

**COMPLETED**

1. Augmentation of Singtam W/S Schemes
2. Strengthening of Pelling W/S Schemes
3. Augmentation of Kewging W/S Schemes
4. Improvement of oneline at Jorethang
5. Improvement of distribution system at Gyalshing
6. Improvement of filter House at Jorethang
7. Upgradation of distribution system at Singtam
8. Augmentation of Rabdentse W/S Schemes
9. Extension of water distribution systems at Tadong
10. Construction of Head word at Ratechu
11. Construction of Zonal Tanks above Mintekgong and Selep
12. Upgradation of Water Supply Line in M.G. Marg
13. Upgradation of Water Line at Namnam
14. Protective work to Treatment Plant.
15. Augmentation of Rangpo W/S Schemes
16. Strengthening of Ranipool W/S Schemes
17. Upgradation of Water line at Namnam



## APPENDIX XII

(Ref: Paragraph 8.2.1 ; Page No. 176)

Statement showing particulars of up-to-date Capital Budgetary outgo, Loans out from Budget, outstanding Loans as on 31.3.1997.

Name of the Company	Paid-up Capital as at the end of 1996-97					Loans given out of Budget during the year	Loans outstanding against Companies
	State Govt.	Central Govt.	Holding	Others	Total		
	(Rupees in lakhs)						
<b>I Consumer Industries</b>							
1 Sikkim Jewels Limited	288.56	---	---	---	288.56	Nil	
2. Sikkim Time Corporation Limited	961.04 (7.50)	---	---	---	961.04 (7.50)	Nil	
3 Sikkim Flour Mills Limited	11.18				11.18	Nil	238.37*
<b>II General Financial and Trading Institutions</b>							
1. Sikkim Industrial Development and Investment Corporation Limited	1252.80 (300.00)	---	---	---	1252.80 (300.00)	Nil	
<b>III Animal Husbandry</b>							
1. Sikkim <sup>a</sup> Livestock processing & Development Corporation	35.00	34.00	---	---	69.00	Nil	
<b>IV Transport Department(SNT)</b>							
1.Chanmari Workshop and Automobiles Limited	0.20	---	---	---	0.20	Nil	
<b>Total</b>	2548.78 (307.50)	34.00	---	---	2582.78 (307.50)	---	238.37

Note -Figures in brackets indicate Budgetary outgo during the year.

\* Unit wise details are not available.

**APPENDIX XIII**  
(Ref: Paragraph 8.2.3 ;Page No 177)

Statement showing the Accounts in Arrears.

Sl No	Name of the Company	Period upto which accounts were finalised	Period upto which accounts in arrears.	No of yearsa for which accounts were in arrears
<b>I- Consumer Industries</b>				
1.				
	i) Sikkim Time Corporation Ltd.	1995--96	1996-97	1
	ii) Sikkim Flour mills Ltd.	1994--95	1995-96 1996--97	2
2.	<b>II- Animal Husbandry</b>	1993-94	1994--95	3
	i. Sikkim Livestock Processing & Developemant Corporation		1995-96 1996--97	
3.	<b>III-Transport Department (SNT)</b>	1993-94	1995-96	2
	i. Chanmari Workshop and Automobiles Ltd.		1996-97	

**APPEN**  
(Ref. Paragraph)

**Summarised Financial Results of Government Companies**

Sl. No.	Name of the Company	Date of Incorporation	Period of accounts	Year in which finalised	Profit(+)/ Loss(-)
					(Rs. in
<b>Name of the</b>					
<b>Department: Industries</b>					
<b>Sector: I-</b>					
<b>Consumer Industries</b>					
1.	Sikkim Jewels Limited	July 1976	1996-97	1997	(+) 14.21
2	Sikkim Time Corporation Limited	October. 1976	1995-96	1996	(+) 44.92
3	Sikkim Flour Mills Limited	July 1976	1993-94	1994	Nil
<b>Sector: II-</b>					
<b>General Financial and Trading Institutions</b>					
1	Sikkim Industrial Development and Investment Corporation Limited.	March. 1977	1996-97	1997	(-) 57.62
<b>Sector: III</b>					
<b>Animal Husbandry</b>					
1	Sikkim Livestock Processing & Development Corporation	April. 1988	1993-94	1994	Nil
<b>Sector IV</b>					
<b>Transport Department</b>					
1	Chanmari workshop and Automobiles Ltd.	April. 1988	1993-94	1995	(+)9.68

\*The Company prepared only Receipt and Payment Accounts as no commercial production started till 1993-94.



**DIX XIV**

8.2.2; Page No. 176)

for the latest year for which Accounts were finalised.

Paid up capital lakhs)	Accumulated- profit and loss	<u>Capital</u> Employed	Percentage of total return on Capital Employed
296.96	(+) 118.02	536.62	2.65
757.54	(+) 440.21	1100.18	4.08
60.16	(-) 12.76	84.50	Nil
1398.30	(-)1273.16	796.54	Nil
69.00	Nil	--	
0.20	(+) 12.66	124.99	7.74

**APPENDIX***(Ref: Paragraph*

Summarised Financial results of the working

*(Figures in Columns 5 to*

Sl. No	Name of Corporation	Date of incorp- oration	Year of Accounts	Author- ised share capital	Paid-up capital	Profit(+)/ Loss(-)
1	2	3	4	5	6	7
1.	Sikkim Mining Corporation	Feb. 1960	1995-96	600.00	420.10	(-)54.62
2.	State Bank of Sikkim	June 1960	1994-95	100.00	20.38	(-)243.12
3.	State Trading Corporation of Sikkim.	March 1972	1995-96	400.00	111.38	(+)51.88

**XV**

8.3.5 ; Page No. 182)

of Statutory Corporations.

13 are Rupees in Lakh)

Total interest charged to P&L account	Capital Employed	Total return on Capital employed (3+2)	Percentage of return on capital employed
8	9	10	11
15.76	152.53	--	--
163.09	4846.16	--	--
--	302.81	51.88	17.13



**APPENDIX***(Ref: Paragraph*

Summarised Financial Results of the working

*(Figures in columns 5*

Sl. No.	Name of the Undertaking.	Date of incorporation	Year of Account	Mean* Capital
1.	2.	3.	4.	5.
1.	Sikkim Nationalised Transport	1955-56	1994-95	2534.34
2.	Sikkim Tea Board	June 1974	1995-96	899.08

(\* Mean Capital represents the average of opening

**XVI**

8.6.3, Page No. 183)

of departmentally managed undertakings.

to 8 are Rupees in Lakh)

Profit(+)/ Loss(-)	Total interest	Total return of Govt. Loan/Capital	Percentage of return on mean capital.
6.	7.	8.	9
			--
(-)605.72	--	(-)605.72	
			13.43
(+)120.76	--	(+)120.76	

and closing balance of capital fund.)













