

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

for the year ended 31 March 2002

GOVERNMENT OF SIKKIM

<http://cagindia.org/states/sikkim/2002>

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PREFACE

1. *This Report has been prepared for submission to the Government under Article 151 of the Constitution.*
2. *Chapters I and II of this report respectively contain Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2002.*
3. *The remaining chapters deal with the findings of performance audit and audit of transaction in various departments including the Public Works and Irrigation Department, audit of Stores and Stock, audit of Autonomous Bodies, Statutory Corporations, Government Companies and departmentally run commercial undertakings.*
4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2001-2002 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 2001-2002 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 2001-2002 and six other chapters, comprising 5 reviews and 27 paragraphs, based on the audit of certain selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented below:

1 An overview of the Finances of the State Government

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

During 2001-2002, the assets of the Government increased by 19 *per cent* while the liabilities grew by 14 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs.36.11 crore), Small Savings, Provident Funds etc. (Rs.19.51 crore), Remittance Balances (Rs.28.09 crore) and loans and advances from Central Government (Rs.21.07 crore).

The revenue receipts of the year amounted to Rs.1807.18 crore of which tax revenue constituted 4.45 *per cent*, non tax revenue 62.43 *per cent*, grants from Government of India 28.43 *per cent* and State's share of Union taxes 4.69 *per cent*. Against this, the revenue expenditure of the State was Rs.1664.25 crore resulting in a revenue surplus of Rs.142.93 crore. A major portion of revenue expenditure was incurred on General Services (75.35 *per cent*) while Economic Services and Social Services accounted for 11.03 *per cent* and 13.62 *per cent* respectively.

There was increase in capital expenditure by Rs.59.81 crore in 2001-2002 as compared to the previous year. Its share in total expenditure has gone up from 7.85 *per cent* in 1997-98 to 11.24 *per cent* in 2001-2002.

Investments to the extent of Rs.64.37 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 0.02 *per cent* during the year. No interest was received in the last 5 years on the loans and advances given by the Government for corporations, local bodies etc. which stood at Rs.7.50 crore at the end of 2001-2002.

The total borrowings of Rs.183.46 crore were almost exclusively used for debt servicing which amounted to Rs.161.26 crore.

Out of 9 working Government companies / corporations, 7 were running under loss and the accumulated losses was Rs.27.83 crore as per latest finalised accounts.

(Paragraphs 1.1 to 1.12)

2 Appropriation Audit and control over expenditure

The Appropriation Accounts present the details of amount actually spent by the State Government vis-à-vis the amount authorised by the State Legislature through budgetary grants. The summarised position of actual expenditure during 2001-2002 against grants/appropriation and the audit observation there-against were as follows:

| <i>At a glance</i> | | <i>Rupees in crore</i> |
|----------------------------|---|------------------------|
| Original | : | 1058.65 |
| Supplementary | : | 96.76 |
| Total authorisation | : | 1155.41 |
| Total expenditure | : | 1918.68 |
| Total excess | : | 763.27 |

The excess expenditure of Rs.2.08 crore for the years 1998-99 to 2000-2001 under 12 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 10 cases of grants/appropriation supplementary provision amounting to Rs.28.68 crore proved unnecessary.

Against unutilised provision of Rs.84.93 crore in 39 cases, Rs.43.16 crore only were surrendered.

In 5 cases, against the actual saving of Rs.3.90 crore, Rs.4.07 crore were surrendered resulting in excess surrender of Rs.0.17 crore.

(Paragraphs 2.1 to 2.3)

3 Audit Reviews on Developmental/Welfare Programmes and other activities

(a) Review on Rural Housing

Implementation of the Indira Awaas Yojana (IAY) in Sikkim was flawed as a survey to determine households living below the poverty line were not conducted. The ad hoc allocation of funds every year by the Government of India and Government of Sikkim made advance programme planning a tentative exercise. Despite the high incidence of poverty in the State, none of the other housing schemes were introduced in Sikkim.

Rupees 2.20 crore paid during 1997-2002 as advance for materials were reported as final expenditure thereby incorrectly justifying the State Government's entitlement for the second instalment of Central contribution.

Assistance aggregating Rs.52.80 lakh was extended during 1999-2001 to 240 ineligible beneficiaries who already possessed dwelling houses.

Despite release of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh to beneficiaries as first instalment, houses remained incomplete for periods ranging from 1 to 5 years.

Out of 466 cases test checked relating to 1998-1999 and 1999-2000, in 388 cases there were delays ranging from 2 to 33 months in construction of new dwelling houses.

(Paragraph 3.1)

(b) Review on Swarnjayanti Gram Swarozgar Yojana

Swarnjayanti Gram Swarozgar Yojana (SGSY) is a holistic programme covering all aspects of self-employment such as organisation of the poor into self-help groups, training, credit, infrastructure, technology and marketing. Implementation of the SGSY in Sikkim was compromised as the project reports of selected activities suffered from infirmities, technology management was not given due importance and the actual implementation was heavily skewed in favour of individuals rather than groups.

Delay in the release of Central assistance affected the timely disbursement of credit and subsidy to the beneficiaries.

Expenditure in the last quarter of the financial years ranged from 50 to 93 per cent of the total outgo for the year and during the closing month from 42 to 51 per cent.

During 1999-00 to 2001-02, out of the total of 35493 families, only 4584 families were covered as against the requirement of covering 6388 families.

The construction of 12 marketing centres was behind schedule by nine to twelve months. Likely date of completion was also not on record.

(Paragraph 3.2)

(c) Procurement and utilisation of Government Vehicles

Despite a ban imposed on purchase of vehicles, various departments purchased 211 new vehicles since July 1999 to March 2002 at a cost of Rs.7.78 crore.

43 departmental pool vehicles kept in 12 departments in excess of the norms resulted in avoidable expenditure of Rs.2.07 crore.

Salaries paid to idle drivers in 2 departments resulted in avoidable expenditure of Rs.12 lakh.

(Paragraph 3.3)

(d) Review of Public Health Engineering Department

The implementation of water supply and sewerage schemes by the department was characterised by disproportionate expenditure on maintenance and establishment, non-collection of water taxes, arrears in collection of revenue, improper deployment of staff, blocking of Government funds, inadequacy in testing of water and the existence of illegal connections.

The department's casual approach led to non-realisation of water tax and water and sewerage charges amounting to Rs.85.82 lakh and Rs.35.88 lakh respectively.

Excess deployment of staff and engagement of work charged and muster roll employees despite a ban resulted in avoidable and irregular expenditure of Rs.12.64 lakh and Rs.38.03 lakh *per annum* respectively.

While two projects were stopped after an expenditure of Rs.40.80 lakh, eight projects completed at a cost of Rs.3.62 crore failed to augment the desired level of water supply.

Treated water was mixed with untreated water before supply to consumers nullifying the utility of treatment and investment of Rs.52.99 lakh in the plant with recurring expenditure of Rs.4 lakh per year.

(Paragraph 4.1)

(e) Review on Material Management

Material management in the Rural Development Department was distinguished by deficiencies in procurement planning, procurement of stock despite availability of huge balances, rush of expenditure at the end of the year, purchase at higher rates, non-adjustment of advances paid to the STCS and non-adherence to accounting procedure.

Stock materials valuing Rs.5.23 crore in 2000-01 to Rs.9.49 crore in 1999-2000 remained in inventory at the year end.

Due to purchase of GCI sheets from TISCO, the department had to incur avoidable expenditure of Rs.10.82 lakh on transportation during 1997-99.

(Paragraph 5.1)

Irregular/Avoidable/Excess/Unfruitful Expenditure

The decision of the Animal Husbandry & Veterinary Services Department to set up two nitrogen plants at Deorali and Jorethang resulted in an avoidable expenditure of Rs.1.35 crore.

(Paragraph 3.4)

Failure of the Irrigation, Power, Roads & Bridges and Public Health Engineering Department to deduct void while taking measurement of earth and soling stone/boulder resulted in excess payment of Rs.56.72 lakh to contractors.

(Paragraph 4.2)

Failure of the Public Health Engineering and Roads & Bridges Departments to procure stone at the approved rate resulted in excess payment of Rs.96.51 lakh to contractors.

(Paragraph 4.6)

Engagement of muster roll labourers and supervisors for maintenance of road in excess of norms specified by the Ministry of Surface Transport, Government of India, resulted in avoidable expenditure of Rs.13.79 crore in the Sikkim Public Works Department (Roads & Bridges).

(Paragraph 4.7)

Despite availability of machinery for road carpeting, the Sikkim Public Works Department (Roads & Bridges) incurred avoidable expenditure of Rs.12.15

lakh on manual carpeting and also suffered a revenue loss of Rs.11.29 lakh as hire charges on machinery.

(Paragraph 4.8)

The benefits derived after spending Rs.77.68 lakh under the EIUS Scheme during 1998-99 to 2001-02 (upto December 2001) were uncertain and achievements reported to the Central Government by UD&HD Department were suspect.

(Paragraph 4.10)

Non-realisation/loss of Government Revenue

The Power Department failed to realise demand and energy charges to the tune of Rs.22.04 lakh from the Sikkim Distilleries Limited for the period 1990 to 2001.

(Paragraph 6.7)

The lackadaisical approach of the Tourism Department in handling the affairs of Hotel Norkhill caused the Government a loss of Rs.19 lakh.

(Paragraph 6.8)

Abnormal delay in the repair of departmental buses/trucks by the Transport Department led to loss of revenue to the tune of Rs.99.63 lakh.

(Paragraph 6.9)

Failure of the Transport Department to impose tax/fees at enhanced rate in accordance with Government of India's notification resulted in a loss of Government revenue to the tune of Rs.7.47 lakh.

(Paragraph 6.10)

Failure of the Transport Department either to enter into agreement with appropriate authority or to pursue the matter effectively with Railways, Government revenue to the tune of Rs.27.34 lakh on account of commission on sales of tickets by PRS, Gangtok remained unrealised.

(Paragraph 6.11)

Due to the absence of a formal agreement with booking agent for sale of heli-service tickets and the laidback approach of the STDC in not terminating the arrangement with the agency forthwith, the Government/STDC suffered a loss of Rs.7.67 lakh.

(Paragraph 8.15)

Blocking Of Fund

The pilot project on cadastral survey in Namchi sub-division was two years behind schedule and its date of completion uncertain resulting in blocking of funds amounting to Rs.1.10 crore due to laxity on the part of Land Revenue Department.

(Paragraph 3.9)

Delay in implementation of a project by the Urban Development & Housing Department led to blocking of funds of Rs.31.12 lakh for four and a half years apart from defeating the objective of setting up a rural marketing centre at Dumra Busty, South Sikkim.

(Paragraph 4.9)

STCS retained Government funds amounting to Rs.2.05 crore over a period ranging from 3 to more than 10 years without authorisation thereby causing blocking of Government money and loss of interest of Rs.1.56 crore to the Government.

(Paragraph 8.13)

Loss of Government Money

Non-adoption of established purchase procedure and disregard of codal provision in the purchase of HDPE pipes by the SIMFED resulted in a loss of Rs.12.15 lakh to the State exchequer.

(Paragraph 7.4)

Diversion of fund

Diversion of Rs.56.78 lakh by Education Department for purchase of LIG flats at Geyzing resulted in non-accrual of the intended benefits of the Restructuring and Reorganisation of Teachers Education programme in the State.

(Paragraph 3.6)

In disregard of the norms regulating expenditure from Calamity Relief Fund, the Land Revenue Department failed to check various departments from diverting Rs.2.33 crore on activities not covered by the Fund.

(Paragraph 3.10)

Undue benefit to supplier/contractor/dealer

Inclusion of inadmissible components by Food & Civil Supplies and Consumer Affairs Department in fixation/revision of prices of iodised salt and kerosene oil resulted in undue benefit of Rs 80.62 lakh to the agents at the expense of the consumers.

(Paragraph 3.7 & 3.8)

Application of incorrect and inflated rate by the Power Department for procurement of materials at store issue rates, besides violating rules, resulted in excess payment of Rs.21.17 lakh to suppliers.

(Paragraph 4.5)

CHAPTER-I

ACCOUNTS OF THE STATE GOVERNMENT

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CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the Appendix (Part A&B) to this chapter.

1.2 Financial position of the State Government

1.2.1 In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. An abstract of such liabilities and the assets as on 31 March 2002 compared with the corresponding position on 31 March 2001 is given in the table below:

Table-1.1

**SUMMARISED FINANCIAL POSITION OF THE
GOVERNMENT OF SIKKIM
AS ON 31 MARCH 2002**

(Rupees in crore)

| As on 31.03.2001 | | Liabilities | | As on 31.03.2002 |
|---------------------|----------|--|----------|---------------------|
| 278.10 | | Internal Debt | | 314.21 |
| | 210.81 | Market Loans bearing interest | 220.81 | |
| | 23.44 | Loans from LIC | 38.96 | |
| | 43.85 | Loans from other institutions | 54.44 | |
| 248.65 | | Loans and Advances from Central Government- | | 269.72 |
| | 7.69 | Pre 1984-85 Loans | 7.14 | |
| | 43.98 | Non-Plan Loans | 47.86 | |
| | 171.19 | Loans for State Plan Schemes | 194.26 | |
| | 7.04 | Loans for Central and Centrally Sponsored Plan Schemes | 11.09 | |
| | 18.75 | Ways and Means Advances | 9.37 | |
| 287.94 | | | | 345.18 |
| | 1.00 | Contingency Fund | 1.00 | |
| | 202.61 | Small Savings, Provident Funds, etc. | 222.12 | |
| | 12.45 | Deposits | 15.83 | |
| | 24.50 | Reserve Funds | 30.76 | |
| | 47.38 | Remittance Balances | 75.47 | |
| *536.50 | | Surplus on Government Accounts | | 679.42 |
| | 437.41 | Last year balance | 536.50 | |
| | (-) 0.20 | Less adjustment | -- | |
| | 99.29 | Add Revenue Surplus | 142.92 | |
| 1351.19 | | | | 1608.53 |
| As on 31.03.2001 | | Assets | | As on 31.03.2002 |
| *1235.01 | | Gross Capital Outlay on Fixed Assets- | | 1445.74 |
| | *53.60 | Investments in shares of Companies, Corporation, etc. | 64.37 | |
| | 1181.41 | Other Capital Outlay | 1381.37 | |
| *8.45 | | Loans and Advances- | | 7.50 |
| | 4.34 | Other Development Loans | 4.34 | |
| | 4.11 | Loans to Government servants and Miscellaneous loans | 3.16 | |
| - | - | Reserve Fund Investments | - | - |
| 0.19 | | Advances | | 0.25 |
| 12.72 | | Suspense and Miscellaneous Balances | | 10.86 |
| 94.82 | | Cash | | 144.18 |
| | | Cash in Treasuries and Local Remittances | | |
| | 53.25 | Deposits with other Bank | 90.43 | |
| | 0.32 | Departmental Cash Balance | (-) 0.68 | |
| | 25.00 | Cash Balance Investments | 29.00 | |
| | 16.25 | Earmarked Funds Invested | 25.43 | |
| 1351.19 | | | | 1608.53 |

*Variation in figures as on 31.03.2001 from previous year's Report is due to proforma correction in Finance Accounts.

1.2.2 While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances.

1.2.3 It would be seen from Table-1.1 that while liabilities grew by 14 per cent, assets grew by 19 per cent during 2001-02.

1.3 Sources and application of funds

1.3.1 The table below gives the position of sources and application of funds during the current and the preceding year.

Table-1.2

SOURCES AND APPLICATION OF FUNDS

| (Rupees in crore) | | |
|-------------------|---|-----------|
| 2000-2001 | Sources | 2001-2002 |
| 862.60 | 1. Revenue receipts | 1807.18 |
| 1.46 | 2. Recoveries of Loans and Advances | 1.14 |
| 36.46 | 3. Increase in Public debt other than overdraft | 57.17 |
| 38.59 | 4. Net receipts from Public Account | 59.04 |
| | Increase in Small Savings | 19.51 |
| | Increase in Deposits and Advances | 3.32 |
| | Increase in Reserve Funds | 6.26 |
| | Net effect of Suspense and Miscellaneous transactions | 1.86 |
| | Net effect of remittance transactions | 28.09 |
| 0.10 | 5. Net effect of contingency fund transaction | - |
| 939.21 | TOTAL | 1924.53 |
| 2000-2001 | Application | 2001-2002 |
| 763.31 | 1. Revenue expenditure | 1664.25 |
| 0.33 | 2. Lending for development and other purposes | 0.19 |
| 150.92 | 3. Capital expenditure | 210.73 |
| - | 4. Net effect of contingency fund transaction | - |
| 24.65 | 5. Increase in Cash Balance | 49.36 |
| 939.21 | TOTAL | 1924.53 |

1.3.2 The main sources of funds include revenue receipts of the Government, public debt and the receipts from Public Account. These are applied mainly on revenue and capital expenditure. It would be seen that revenue receipts constitute the most significant source of fund for the State Government. While the relative share of net receipts from Public Account and receipts from public debts in the total receipts have declined from 4.11 per cent and 3.88 per cent in 2000-01 to 3.07 per cent and 2.97 per cent respectively in 2001-02, the share of revenue receipts has gone up from 91.84 per cent to 94 per cent. The increase in revenue receipts and expenditure as compared with previous year was due to corresponding increase in respect of State Lotteries.

1.3.3 The funds were mainly applied for revenue and capital expenditure. During the year the share of revenue expenditure in the total disbursements increased from 81.27 per cent in 2000-01 to 86.48 per cent in 2001-02 while that of capital expenditure decreased from 16.07 per cent to 10.95 per cent. Revenue receipts were more than the revenue expenditure by Rs.142.93 crore (8.59 per cent) resulting in a revenue surplus.

1.4 Financial operation of the State Government

Improved tax revenue and increased grants-in-aid from Government of India resulted in revenue surplus

1.4.1 Table-1.14 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. Revenue receipts (Rs.1807.18 crore) during the year was more than revenue expenditure (Rs.1664.25 crore) resulting in a revenue surplus of Rs.142.93 crore. Revenue receipts comprised tax revenue (Rs.80.39 crore), non-tax revenue (Rs.1128.21 crore), Union taxes and duties assigned to State (Rs.84.83 crore) and grants-in-aid from the Central Government (Rs.513.75 crore). The main sources of tax revenue were taxes on income other than corporation tax (27.40 *per cent*), sales tax (43.50 *per cent*) and state excise duties (21.88 *per cent*). Non-tax revenue came mainly from general services (95.89 *per cent*) followed by economic services (3.41 *per cent*).

1.4.2 Capital receipts comprised Rs.1.14 crore from recoveries of loans and advances and Rs.91.37 crore from public debt. Against this, the expenditure was Rs.210.73 crore on capital outlay, Rs.0.19 crore on disbursement of loans and advances and Rs.34.20 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.967.41 crore against which disbursements of Rs.908.38 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance from Rs.94.82 crore at the beginning of the year to Rs.144.18 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs with reference to the information contained in the table under paragraph 1.3 and the time series data for five years period from 1997-98 to 2001-02, presented in the table given alongside:

Table-1.3

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

| | | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 |
|----------------------------|--|-----------------|-----------------|-----------------|----------------|----------------|
| Part A. Receipts | | | | | | |
| I. | Revenue Receipts | 1299.47 | 1440.66 | 1511.83 | 862.60 | 1807.18 |
| (i) | Tax Revenue | 36.50 (2.81) | 46.76 (3.25) | 49.07(3.25) | 65.39 (7.58) | 80.39 (4.45) |
| | Taxes on Income other than Corporation Tax | 9.06 (24.82) | 18.33 (39.20) | 17.84 (36.36) | 19.29 (29.50) | 22.03 (27.40) |
| | Sales Tax | 12.71 (34.82) | 13.06 (27.92) | 13.64 (27.80) | 24.50 (37.47) | 34.97 (43.50) |
| | State Excise | 10.81 (29.62) | 11.86 (25.36) | 13.39 (27.29) | 17.61 (26.93) | 17.59 (21.88) |
| | Tax on Vehicles | 1.54 (4.22) | 1.51 (3.23) | 1.69 (3.44) | 1.54 (2.35) | 1.97(2.45) |
| | Stamp and Registration fees | 0.37 (1.01) | 0.51(1.09) | 0.62 (1.26) | 0.50 (0.76) | 1.30(1.62) |
| | Land Revenue | 0.96 (2.63) | 0.12(0.26) | 0.54 (1.10) | 0.22 (0.34) | 0.51(0.63) |
| | Other Taxes and Duties on Commodities and Services | 1.05 (2.88) | 1.37 (2.93) | 1.35 (2.75) | 1.73 (2.65) | 2.02(2.51) |
| (ii) | Non-Tax Revenue | 929.83 (71.55) | 1020.91 (70.86) | 1042.75 (68.97) | 289.02 (33.51) | 1128.21(62.43) |
| (iii) | State's share in Union taxes | 79.91(6.15) | 92.21 (6.40) | 99.54 (6.58) | 72.20 (8.37) | 84.83 (4.69) |
| (iv) | Grants-in-aid from Government of India | 253.24(19.49) | 280.78 (19.49) | 320.47 (21.20) | 435.99 (50.54) | 513.75(28.43) |
| II. | Capital Receipts | 104.62 | 206.99 | 229.38 | 148.87 | 183.46 |
| | Market Borrowing | 20.45 (19.56) | 42.00 (20.29) | 82.76 (36.08) | 32.94 (22.13) | 39.10(21.31) |
| | Loans and advances from Government of India | 41.29 (39.46) | 53.54 (25.86) | 63.97 (27.89) | 36.18 (24.30) | 52.27(28.49) |
| | Other Receipts (Public Accounts) | 42.88 (40.98) | 111.45 (53.85) | 82.65 (36.03) | 79.75 (53.57) | 92.09(50.20) |
| Part B. Expenditure | | 1365.42 | 1587.36 | 1604.31 | 914.23 | 1874.98 |
| I. | Revenue Expenditure | 1258.19 (92.15) | 1495.60 (94.22) | 1509.97 (94.12) | 763.31 (83.49) | 1664.25(88.76) |
| | Plan | 116.32 (9.25) | 159.77 (10.68) | 134.60 (8.91) | 155.93 (20.43) | 192.67(11.58) |
| | Non-Plan | 1141.86 (90.75) | 1335.83 (89.32) | 1375.37 (91.10) | 607.38 (79.57) | 1471.58(88.42) |
| | General Services | 986.90 (78) | 1127.77 (75.41) | 1143.87 (75.75) | 406.01 (53.19) | 1254.02(75.35) |
| | Economic Services | 127.84 (10) | 155.63 (10.40) | 169.84 (11.25) | 164.81 (21.59) | 183.56(11.03) |
| | Social Services | 143.45 (11) | 212.21 (14.19) | 196.26 (13.00) | 192.49 (25.22) | 226.67(13.62) |
| | Interest Payment | 40.94 | 52.47 | 67.92 | 78.67 | 84.16 |
| | Fin. Assistance to Local bodies etc. | 3.08 | 2.17 | 3.49 | 8.39 | 12.07 |
| | Loans and advances given | 1.80 | 1.08 | 1.14 | 0.33 | 0.19 |
| II. | Capital Expenditure | 107.23 (7.85) | 91.76 (5.78) | 94.34 (5.88) | 150.92 (16.51) | 210.73(11.24) |
| | Plan | 107.23 (100) | 91.76 (100) | 94.34 (100) | 150.92 (100) | 210.73(100) |
| | Non- Plan | - | - | - | - | - |
| | General Services | 6.59 (6.15) | 4.60 (5.01) | 3.87 (4.10) | 4.45 (2.96) | 8.14(3.86) |
| | Economic Services | 67.58 (63.02) | 57.44 (62.60) | 54.29 (57.55) | 96.15 (63.71) | 129.15(61.29) |
| | Social Services | 33.06 (30.83) | 29.72 (32.39) | 36.18 (38.35) | 50.32 (33.34) | 73.44(34.85) |
| Part C. Deficits | | | | | | |
| | Revenue Deficit (-)/Surplus (+) | (+) 41.28 | (-) 54.94 | (+) 1.86 | (+) 99.29 | (+) 142.93 |
| | Fiscal Deficit | 67.02 | 146.86 | 92.55 | 50.51 | 66.85 |
| | Budgetary Deficit (-)/Surplus (+) | (-) 65.95 | (-) 146.70 | (-) 92.48 | (-) 51.64 | (-) 67.80 |
| Part D. Other data | | | | | | |
| | Ways and Means Advances (days) | - | - | - | - | - |
| | Interest on WMA | - | - | - | - | - |
| | GSDP | 651 | 755 (P) | 817 (Q) | 911 (P) | 977 (Q) |
| | Outstanding Debt (year end) | 356.69 | 503.67 | 676.34 | 729.37 | 806.06 |
| | Outstanding guarantees (year end) | 21.78 | 21.07 | 21.57 | 104.61 | 95.70 |
| | Guarantees given during the year | 8.05 | - | 0.50 | 83.04 | - |
| | Number of incomplete projects | 66 | 69 | 57 | 95 | 37 |
| | Capital blocked in incomplete projects | 9.84 | 96.26 | 20.71 | 12.55 | 24.64 |
| | Arrears of Revenue | NA | NA | 0.80 | 1.07 | 1.36 |

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

Note-II: Non-tax revenue for the year 2001-2002 includes gross receipt of Rs.1074.40 crore from State Lotteries before adjustment of expenditure of Rs.1057.09 crore.

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

Note-IV: The arrears of Revenue for 2001-2002 relate to 2 Departments, SPWD (R&B) and SNT only.

1.5 Revenue receipts

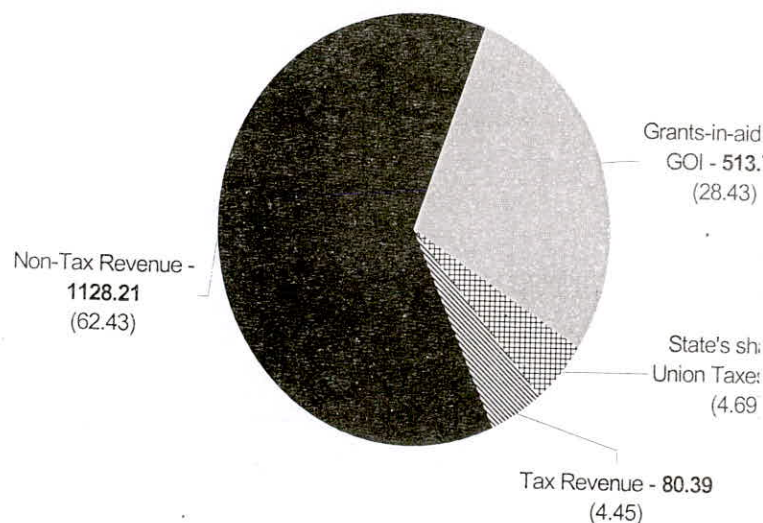
1.5.1 Revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in the chart below. The increase in revenue receipts during 2001-02 was due to increase in gross receipts from State Lotteries.

Chart-1.1

Revenue Receipts 2001-2002

(Rupees in crore)

1807.18



Note: Figures in bracket indicate percentage.

Tax Revenue

Sales Tax performed better in comparison to Income Tax and State Excise during the year

1.5.2 While in absolute terms, tax revenue increased from Rs.36.50 crore in 1997-98 to Rs.80.39 crore in 2001-02, its relative share in revenue receipts went up from 2.81 per cent to 4.45 per cent. The receipts from sales tax went up during the year by Rs.10.47 crore (42.73 per cent over 2000-01) and this has contributed significantly to the overall increase in tax revenue receipts. Table-1.3 under paragraph 1.4.3 shows that the relative contribution of taxes on income other than corporation tax came down from 29.50 per cent in 2000-01 to 27.40 per cent in 2001-02 and state excise from 26.93 per cent in 2000-01 to 21.88 per cent in 2001-02. On the other hand, sales tax increased from 37.47 per cent in 2000-01 to 43.40 per cent in 2001-02.

Non-tax Revenue

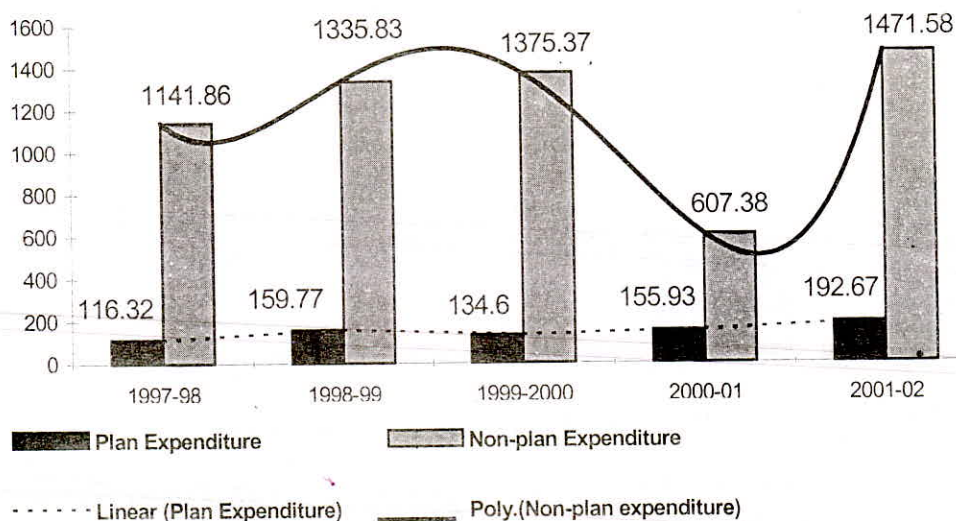
Grants-in-aid from Government of India financed 63 per cent of the total Government expenditure (net of lotteries)

1.5.3 Non-tax revenue constituted 62.43 per cent of the total revenue receipts as compared to 33.51 per cent in 2000-2001. This was due to increase in gross receipt from State Lotteries. On the other hand, grants-in-aid from Government of India increased to 28.43 per cent of the total revenue receipts in 2001-02 from 19.49 per cent in 1997-98 and financed 62.82 per cent of the total Government expenditure comprising capital outlay and revenue expenditure (net of lotteries).

1.6 Revenue expenditure

1.6.1 Revenue expenditure, which accounted for most (88.76 per cent) of the expenditure of State Government, increased by Rs.900.94 crore during 2001-02. The increase was mainly due to increase in expenditure on State Lotteries. Non-Plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1997-2002 and ranged between 79.57 and 91.10 per cent. Trend analysis shows that the share of revenue expenditure varied between 83.49 to 94.22 per cent of the total expenditure during 1997-2002.

Chart-1.2
Growth of Plan and non-Plan Revenue Expenditure
(Rupees in crore)



1.6.2 Sector-wise analysis shows that the expenditure on General Services increased by 27.07 per cent from Rs.986.90 crore in 1997-98 to Rs.1254.02 crore in 2001-02, and the expenditure on Social Services and

Economic Services increased by 58.02 and 43.59 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 53.19 *per cent* in 2000-01 to 75.35 *per cent* in 2001-02. The share of Social Services, however, declined from 25.22 *per cent* to 13.62 *per cent* and that of Economic Services declined from 21.59 *per cent* to 11.03 *per cent*.

Spiraling interest payments

1.6.3 Interest payments at Rs.84.16 crore during 2001-02 increased steadily by 105.57 *per cent* from Rs.40.94 crore in 1997-98 and by 6.98 *per cent* from Rs.78.67 crore in 2000-01. The interest payments grew at a faster pace (26 *per cent* average annual growth during 1997-2002) compared to the growth of revenue receipts (10 *per cent*) as also the revenue expenditure (8 *per cent*).

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies, etc., during the period of five years ending 2001-02 was as follows:

Table-1. 4

| Years | 1997-98 | | 1998-99 | | 1999-2000 | | 2000-2001* | | 2001-2002* | |
|---|-------------|-------------|-------------|-------------|-------------|----------|-------------|----------|--------------|----------|
| | Grants | loans | Grants | loans | Grants | loans | Grants | loans | Grants | loans |
| Universities and Educational Institutions | 1.23 | - | 1.37 | - | 1.49 | - | 2.27 | - | 2.68 | - |
| Municipal Corporations and Municipalities | - | - | - | - | - | - | - | - | - | - |
| Zilla Parishads and Panchayati Raj Institutions | - | - | - | - | - | - | - | - | 1.61 | - |
| Development Agencies | 0.44 | - | 0.44 | - | 1.44 | - | 1.87 | - | 3.82 | - |
| Hospitals and Other Charitable Institutions | - | - | - | - | - | - | - | - | 0.22 | - |
| Other Institutions | 1.41 | 0.77 | 0.36 | 0.01 | 0.56 | - | 4.25 | - | 3.74 | - |
| TOTAL | 3.08 | 0.77 | 2.17 | 0.01 | 3.49 | - | 8.39 | - | 12.07 | - |
| Percentage of growth over previous year | 24.70 | 220.83 | (-) 29.54 | (-) 98.70 | (+) 60.83 | - | (+) 140.40 | - | (+) 43.86 | - |
| Assistance as a percentage of revenue expenditure | 0.24 | 0.06 | 0.14 | - | 0.23 | - | 1.07 | - | 0.73 | - |

* Figures from detailed Appropriation Accounts.

1.6.5 The quantum of assistance paid to local bodies etc. jumped from Rs.3.08 crore in 1997-98 to Rs.12.07 crore in 2001-02, an increase of 291.88 *per cent*.

Loans and Advances by the State Government

Interest on Government loans not received

1.6.6 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-government institutions, etc., for developmental and non-developmental activities. The position for the last five years was as under:

Table-1.5

(Rupees in crore)

| | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
|---------------------------------|---------|---------|---------|----------|----------|
| Opening balance | 8.64 | 9.72 | 9.88 | 9.95 | 8.45* |
| Amount advanced during the year | 1.80 | 1.08 | 1.14 | 0.33 | 0.19 |
| Amount repaid during the year | 0.72 | 0.92 | 1.07 | 1.46 | 1.14 |
| Closing balance | 9.72 | 9.88 | 9.95 | 8.82 | 7.50 |
| Net addition | 1.08 | 0.16 | 0.07 | (-) 1.13 | (-) 0.95 |

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

1.6.7 The interest was not received in any of the years and credited in Government account.

1.7 Capital Expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. Public Sector Undertakings (PSUs), corporations, etc. and loans and advances. During 2001-02, the capital expenditure increased by Rs.59.81 crore as compared to 2000-01. Its share in total expenditure has gone up from 7.85 per cent in 1997-98 to 11.24 per cent in 2001-02. Table-1.3 under paragraph 1.4.3 shows that major portion of the capital expenditure has been on Economic and Social Services and on the Plan side only.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and Revenue and Capital. While Plan and capital expenditure are usually associated with asset creation, non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, Plan and capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge significantly on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

Table-1.6

| Years | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
|---|---------|---------|---------|---------|---------|
| 1. Plan expenditure as a percentage of: | | | | | |
| (i) Revenue expenditure | 9 | 11 | 9 | 20 | 12 |
| (ii) Capital expenditure | 100 | 100 | 100 | 100 | 100 |
| 2. Capital expenditure as a percentage of total expenditure* | 8 | 6 | 6 | 17 | 11 |
| 3. Expenditure on General Services as a percentage of: | | | | | |
| (i) Revenue | 78 | 75 | 76 | 53 | 75 |
| (ii) Capital | 6 | 5 | 4 | 3 | 4 |
| 4. Amount of wastages and diversion of funds mentioned in the Audit Report (Rs.in crore) | 1.06 | 3.26 | 5.94 | 2.37 | 4.79 |
| 5. Non-remunerative expenditure on incomplete projects. (Rs.in crore) | 9.84 | 96.26 | 20.71 | 12.55 | 24.64 |
| 6. Unspent balance under deposit heads, booked as expenditure at the time of their transfer to the deposit head | NA | NA | NA | NA | NA |

* Total expenditure = Revenue expenditure + Capital expenditure.

1.8.4 It would be seen that the share of Plan expenditure on the revenue side has decreased to 12 *per cent* in 2001-02 as compared to 20 *per cent* in 2000-01. Although the share of capital expenditure to total expenditure increased from 7.85 *per cent* from 1997-98 to 11.24 *per cent* in 2001-02 as mentioned in para 1.7.1, it decreased from 17 *per cent* in 2000-01 to 11 *per cent* in 2001-02. The expenditure on General Services increased on both the capital and revenue side in 2001-02 as compared to the previous year. The table also shows that substantial amount remained blocked in incomplete projects and substantial amount of wastage and diversion of fund were brought out in the Audit Report. This, in turn, affected the quality of expenditure incurred by the Government.

1.9 Financial Management

1.9.1 The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues, based on the findings of test audit, especially as they relate to the expenditure management in the Government. Some other parameters which can be segregated from the accounts and other related financial information of the Government are discussed in this section.

Implementation of Fiscal Reform Programme

1.9.2 To improve the financial position of the State Government a Memorandum of Understanding (MOU) was signed (April 1999) between the Government of Sikkim and the Government of India to implement a mutually agreed fiscal reform programme within a fixed time schedule. The programme included measures to raise revenue, reduce expenditure and through structural adjustment and policy reforms, stabilise the State

Government's fiscal position. To follow up on the commitments made in the MOU, the Government of Sikkim also submitted (14.03.2000) an Action Taken Report (ATR) to the Government of India. An analysis of the implementation of the MOU and ATR is summarised below:

- a) In compliance with the MOU, the Home Department of the Government of Sikkim issued (28 June 1999) circular banning expenditure on fittings and furnishings by all 40 State Government departments. Test check of 8* major departments revealed that in disregard of the ban order, they incurred an amount of Rs.1.17 crore during the period 1999-02 on fittings and furnishings.
- b) ATR of the State Government stated that 25 *per cent* reduction of expenditure under Traveling Allowances (TA) had been notified for compliance by all the departments in pursuance of the MOU. But no such notification/order was made available to audit. Expenditure on TA (excluding Governor Secretariat and Administration of Justice) was up from Rs.3.35 crore in 1998-99 to Rs.3.85 crore in 1999-00, and was Rs.4.04 crore in 2000-01 and Rs.3.59 crore in 2001-02. Over all, as compared to TA expenditure in 1998-99, the year immediately preceding the year of signing of MOU, average annual expenditure on TA in post MOU period of 1999-00 to 2001-02 went up by 74 *per cent*, instead of the committed 25 *per cent* reduction.
- c) As per MOU the Government of Sikkim was to rationalise subsidies and to start with, lower them by 10 *per cent* across the board since June 1999. Accordingly a circular from Home Department of the Government of Sikkim was issued (June 1999) directing all concerned departments to reduce subsidies by 10 *per cent*. A test check of payment of subsidies revealed that subsidies in fact increased by 2558 *per cent* from Rs.1.07 crore in 1998-99 to Rs.28.40 crore in 1999-00. While it decreased to Rs.2.02 crore in 2000-01, it went up to Rs.5.76 crore in 2001-02 making for an increase of 185 *per cent* over the previous year. Overall, as compared to expenditure on subsidies in 1998-99, the year immediately preceding the year of signing of MOU, average annual expenditure on subsidies in post MOU period 1999-00 to 2001-02 increased by 1029 *per cent*.
- d) Notwithstanding a ban imposed (June 1999) on creation of posts in pursuance of the MOU, 82 new posts in various cadres were created between the period 1999-2002.

Return on Government investments far below the cost of its borrowings

1.9.3 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The

* Sikkim Public Works (B&H), Finance, Home, Food and Civil Supplies & Consumers Affairs, Police, Forest, Agriculture and Horticulture Departments.

sector-wise details of investments made and the number of concerns involved were as under:

Table-1.7

(Rupees in crore)

| Sector | *Number of concerns | Amount invested | |
|--|---------------------|-------------------|------------------|
| | | as on 31.03.2001* | during 2001-2002 |
| (1) Statutory Corporations | 3 | 5.56 | 0.50 |
| (2) Government Companies | 20 | 41.30 | 7.18 |
| (3) Joint Stock Companies | - | - | - |
| (4) Co-operative Institutions and Bank | 8 | 5.82 | 4.00 |
| TOTAL | 31 | 52.68 | 11.68 |

* Variation of figures from previous year's Report is due to proforma correction in Finance Accounts.

1.9.4 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

Table-1.8

(Rupees in crore)

| Year | Investment at the end of the year | Return | Percentage of Return | Rate of interest on Government borrowing (%) |
|-----------|-----------------------------------|--------|----------------------|--|
| 1997-98 | 37.79 | 1.59 | 4 | 13.05 |
| 1998-99 | 41.76 | 1.23 | 3 | 12.50 |
| 1999-2000 | 44.54 | 0.72 | 2 | 12.25 and 11.85 |
| 2000-2001 | 52.68* | 0.0158 | 0.03 | 12 |
| 2001-2002 | 64.37 | 0.011 | 0.02 | 10.37 and 9.45 |

* Change in figure from previous year's Report is due to proforma correction in Finance Accounts.

1.9.5 Thus, while the Government was raising high cost borrowings from the market its investments in Government companies etc., fetched insignificant returns. As on 31 March 2002, 7 of the working Government companies/corporations were running under loss and the accumulated loss was Rs.27.83 crore upto March 2002.

Incomplete Projects

1.9.6 As of 31 March 2002, there were 37 incomplete projects in which Rs.24.64 crore were blocked. This showed that the Government was spreading its resources thinly, which failed to yield any return.

Arrears of revenue

1.9.7 The arrears of revenue in respect of two departments - Sikkim Public Works Department (Roads and Bridges) and Sikkim Nationalised Transport pending collection, increased by 62.48 per cent during the year. Information relating to major revenue earning departments was not furnished. An overall assessment of the arrears in collection was thus not possible. However, comparing the arrears of revenue in respect of the two departments for the years 2000-01 and 2001-02, an increase of 62.48 per cent was seen. The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

Ways and means advances and overdraft

1.9.8 The State Government has not entered into any agreement with the Reserve Bank of India (RBI) for carrying out the general banking business of the Government which is carried out by the State Bank of Sikkim. Since the transactions of Sikkim Government are not conducted by the RBI, the State Government has not taken any Ways and Means Advances from the RBI. To avoid delay/non-accountal of Central assistance released by the Government of India, the State Government should reconsider the feasibility of taking up the matter with RBI for entering into an agreement.

Deficit

1.9.9 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit *viz.* revenue deficit, fiscal deficit and primary deficit.

1.9.10 Revenue deficit is the excess of revenue expenditure over revenue receipts. 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). Primary deficit is fiscal deficit less interest payments.

1.9.11 The following table gives a break-up of the deficit in Government account:

Table-1.9

(a) CONSOLIDATED FUND

(Rupees in crore)

| Receipt | | Disbursement | | |
|--------------------------------|----------------|-----------------------------|---------------------------------|----------------|
| Revenue | 1807.18 | Revenue Surplus : 142.93 | Revenue | 1664.25 |
| Misc. Capital Receipts | | | Capital | 210.73 |
| Recovery of Loans and advances | 1.14 | | Loans and advances disbursement | 0.19 |
| Sub total | 1808.32 | Gross fiscal deficit: 66.85 | Sub total | 1875.17 |
| Public debt | 91.37 | | Public debt repayment | 34.20 |
| TOTAL | 1899.69 | A: Deficit CF : 9.68 | | 1909.37 |

(b) PUBLIC ACCOUNT

| Receipt | | (Rupees in crore) | |
|-----------------------------|---------------|--|---------------|
| | | Disbursement | |
| Small savings, PF etc. | 58.94 | Small saving PF etc. | 39.43 |
| Deposits and advances | 19.44 | Deposits and advances | 16.13 |
| Reserve funds | 13.71 | Reserve funds | 7.45 |
| Suspense and Misc. | 538.51 | Suspense and Misc. | 536.65 |
| Remittances | 336.81 | Remittances | 308.72 |
| Total Public Account | 967.41 | B (i) deficit in Consolidated Fund financed out of surplus in Public Account Fund (59.03) (ii) Increase in cash balance (49.35) | 908.38 |

1.9.12 Table-1.9 shows that the fiscal deficit of Rs.66.85 crore was financed by the net proceeds of Public Debt (Rs.57.17 crore), and partly by the surplus (Rs.59.03 crore) from Public Account. Table-1.15 shows that fiscal deficit was on an increasing trend during 1997-98 to 1998-99 whereafter it declined from a level of Rs.146.86 crore in 1998-99 to Rs.92.55 crore and Rs.50.51 crore in 1999-2000 and 2000-01 respectively. However, it again witnessed an increase in 2001-02 and stood at Rs.66.85 crore, up by 32 per cent over previous year.

Application of the borrowed funds (fiscal deficit)

1.9.13 Fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit (RD), for making capital expenditure (CE) and for giving loans to various bodies for development and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the positions in respect of the Government of Sikkim for the last five years:

Table-1.10

| Ratio | 1997-98* | 1998-99 | 1999-2000* | 2000-2001* | 2001-2002* |
|---------------|-------------|-------------|-------------|-------------|-------------|
| RD/FD | (-) 0.62 | 0.37 | (-) 0.02 | (-) 1.97 | (-) 2.14 |
| CE/FD | 1.60 | 0.62 | 1.02 | 2.99 | 3.15 |
| Net loans/ FD | 0.02 | 0.01 | - | (-) 0.02 | (-) 0.01 |
| TOTAL | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

*During these years there was no revenue deficit.

Guarantees given by the State Government

1.9.14 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which

Government may give guarantees on the security of the Consolidated Fund of the State. The guaranteed sum outstanding at the end of each year during 1997-2002 are indicated in the time series data (Table-1.3).

1.10 Public debt

1.10.1 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 had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. Compared to 1997-98, the total liabilities of the Government had grown by 124.39 *per cent*. This was on account of 135.70 *per cent* growth in internal debt, 65.26 *per cent* growth in loans and advances from Government of India and 237.25 *per cent* growth in other liabilities. During 2001-2002, Government borrowed Rs.39.10 crore from the open market at the interest rate of 10.37 and 9.45 *per cent per annum*.

Table-1.11

(Rupees in crore)

| Year | Internal debt | Loans and advances from Central Government | Total public debt | Other liabilities | Total liabilities | Ratio of debt to GSDP |
|-----------|---------------|--|-------------------|-------------------|-------------------|-----------------------|
| 1997-1998 | 133.31 | 163.21 | 296.52 | 72.14 | 368.66 | 0.57 |
| 1998-1999 | 170.67 | 187.25 | 357.92 | 161.10 | 519.02 | 0.69 |
| 1999-2000 | 250.74 | 239.88 | 490.62 | 211.75 | 702.37 | 0.86 |
| 2000-2001 | 278.10 | 248.65 | 526.75 | 223.32 | 750.08 | 0.82 |
| 2001-2002 | 314.21 | 269.72 | 583.93 | 243.29 | 827.22 | 0.85 |

Very high outstanding debt as a percentage of GSDP

1.10.2 The State's outstanding debt as a percentage of GSDP has been rising. It was as high as 85 *per cent* in 2001-02 the latest year for which GSDP figures were available, having risen from 57 *per cent* in 1997-98.

Debt service touching almost 100 per cent of gross borrowing

1.10.3 The amount of funds raised through public debt, the amount of repayment and net funds available are given in the following table:

Table-1.12

(Rupees in crore)

| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 |
|---|-----------|------------|------------|------------|------------|
| Internal Debt | | | | | |
| Receipt | 20.45 | 42.00 | 82.76 | 32.94 | 39.10 |
| Repayment (Principal+Interest) | 21.44 | 24.47 | 26.70 | 35.41 | 37.83 |
| Net funds available (<i>Per cent</i>) | (-) 0.99 | 17.53 (42) | 56.06 (68) | (-) 2.47 | *1.27 (3) |
| Loans and Advances from Government of India | | | | | |
| Receipt during the year | 41.29 | 53.53 | 63.97 | 36.18 | 52.27 |
| Repayment (Principal+Interest) | 40.32 | 48.60 | 34.68 | 55.97 | 60.49 |
| Net fund available (<i>Per cent</i>) | 0.97 (2) | 4.93 (9) | 29.29 (46) | (-) 19.79 | (-) 8.22 |
| Other liabilities | | | | | |
| Receipt during the year | 42.88 | 111.45 | 83.10 | 79.75 | 92.09 |
| Repayment | 37.48 | 34.88 | 32.01 | 51.95 | 62.94 |
| Net fund available (<i>Per cent</i>) | 5.40 (13) | 76.57 (69) | 51.09 (61) | 27.80 (35) | 29.08 (32) |

1.10.4 Considering that the outstanding debt had been increasing year after year, the net availability of funds through public borrowings was not increasing proportionately. The total borrowings of Rs.183.46 crore were almost exclusively used for debt servicing which amounted to Rs.161.26 crore. In fact, in respect of internal debt and loans and advances from Government of India, the debt service exceeded 100 *per cent* of gross borrowings as shown in the table, implying a net outflow of resources. This was a serious cause for concern, as debt service in such a situation begins to displace other productive expenditure.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and Government's increased vulnerability in the process. All the State Governments continued to increase the level of their activity principally through Five Year Plans which translate to annual development plans and are provided for in the State budget. Broadly, it can be stated that non-Plan expenditure represents Government maintaining the existing level of activity, while Plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) *Sustainability*

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) *Flexibility*

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) *Vulnerability*

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) *Transparency*

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (budget) and the Accounts. As

regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix (Part B). Table-1.15 indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. The Table-1.15 shows that the State Government had negative BCR in all the preceding five years which signifies that the State was not able to generate surplus from current revenues and was dependent on borrowings for meeting the Plan expenditure to that extent.

(ii) Interest ratio

The higher the ratio, the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Sikkim, the ratio increased by 1 basic point from 0.03 to 0.04 during 1997-98 to 1999-2000, jumped steeply by 6 basic points to 0.09 points during 2000-01 and thereafter decreased to 0.04 points during 2001-02. Due to high interest ratio, availability of funds for programme spending decreased indicating a strain on the sustainability.

(iii) Capital outlay/Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In Sikkim, the ratio was more than one during 1997-98. However, it declined sharply from 1.96 in 1997-98 to 0.58 in 1998-2000 and thereafter increased to 1.73 in 2000-01 and 1.88 in 2001-02. This positive trend, however, should be seen in the context of negligible rate of return on investments and large number of incomplete works (as discussed

in respective paras) showing that the capital was not effectively deployed to generate increased revenue.

(iv) Return on Investment (ROI)

The ROI is the ratio of the earning to the capital employed. A high ROI suggests sustainability. The table under paragraph 1.9.3 presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in Sikkim has been negligible and has decreased from 4 *per cent* in 1997-98 to 0.02 *per cent* in 2001-02. The low ROI suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate surplus.

(v) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital borrowing. The lower the ratio, the higher would be the availability of capital for investment. In Sikkim this ratio has decreased from 0.47 in 2000-01 to 0.37 in 2001-02. This indicated higher amount of funds were available for investment during 2001-02.

(vi) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, higher the revenue deficit, more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, higher the ratio, worse off is the State because it would indicate that the debt burden is increasing without improving the repayment capacity of the State. During 1997-98 and 1999-2000 to 2001-02 there was no revenue deficit. During 2001-02 the ratio has been (-)2.14.

(vii) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that less the value of the ratio, less is the availability of funds for capital investment. During 2001-02 the ratio became (-)0.26. The interest payment accounted for 69.87 *per cent* of the net borrowings, which was therefore not available for capital investment.

(viii) Guarantees Vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay *viz.*, its

revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Sikkim, this ratio increased from 0.02 in 1997-98 to 0.05 in 2001-02 indicating a huge increase in the risk exposure of the State Government revenue to outstanding guarantee and indicated the vulnerability of the revenue of the State to such liabilities.

(ix) Assets Vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio in 2001-02 came down to 1.73 compared to 2.23 in 1997-98 indicating a negative trend.

(x) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table:

Table-1.13

| Preparation | Month of submission | Month of approval |
|------------------|---------------------|-------------------|
| Vote on accounts | -- | -- |
| Budget | March 2001 | March 2001 |
| Supplementary-I | November 2001 | November 2001 |
| Supplementary-II | March 2002 | March 2002 |

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year vis-à-vis the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xi) Accounts

During 2001-02, delay in submission of monthly compiled accounts by Public Works Division ranged from 1 day to 69 days. The delay in submission of monthly accounts by the Chief Pay and Accounts Office ranged from 2 days to 63 days.

1.12 Conclusion

1.12.1 The State was not able to generate surplus from current revenue as evident from the steep increase in negative BCR, which resulted in increased dependence on borrowing and Central Plan assistance for meeting the Plan expenditure. Even the borrowed funds were inefficiently employed as seen from insignificant return on investment. Increase in interest ratio indicates

constraint on the development expenditure of the Government due to increase in the expenditure on account of interest payment.

Table – 1.14

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002

(Rupees in crore)

| Receipts | | | | Disbursement | | | | | |
|---------------------|---|---------|----------------|---------------|--|----------|-------|---------|----------------|
| Section-A : Revenue | | | | | | | | | |
| 2000-01 | | | 2001-02 | 2000-01 | | Non-Plan | Plan | Total | 2001-02 |
| 862.60 | I. Revenue Receipts | | 1807.18 | 763.31 | I. Revenue Expenditure | | | | 1664.25 |
| 65.39 | -Tax revenue | 80.39 | | 406.01 | General Services | 1251.85 | 2.16 | 1254.01 | |
| 289.02 | -Non-tax revenue | 1128.21 | | | Social Services | | | | |
| 72.20 | -State's share of Union Taxes | 84.83 | | 113.78 | -Education, Sports, Art and Culture | 80.41 | 41.06 | 121.47 | |
| 148.40 | -Non-Plan grants | 139.32 | | 31.73 | -Health and Family Welfare | 21.62 | 15.36 | 36.98 | |
| | | | | 25.47 | -Water Supply, Sanitation, Housing and Urban Development | 9.61 | 27.33 | 36.94 | |
| | | | | 1.86 | -Information and Broadcasting | 0.95 | 2.33 | 3.28 | |
| 238.66 | -Grants for State Plan Scheme | 310.49 | | 3.49 | -Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes. | 0.48 | 6.71 | 7.19 | |
| 48.93 | -Grants for Central and Centrally sponsored Plan Schemes | 63.94 | | 0.81 | -Labour and Labour Welfare | 0.57 | 0.23 | 0.80 | |
| | | | | 13.90 | -Social Welfare and Nutrition | 8.18 | 10.04 | 18.22 | |
| | | | | 1.45 | -Others | 1.80 | | 1.80 | |
| | | | | | Economic Services | | | | |
| | | | | 59.81 | -Agriculture and Allied Activities | 29.46 | 39.94 | 69.40 | |
| | | | | 11.21 | -Rural Development | 0.62 | 10.54 | 10.54 | |
| | | | | - | -Special Areas Programmes | | 0.62 | 0.62 | |
| | | | | 16.48 | -Irrigation and Flood Control | 1.02 | 14.89 | 15.91 | |
| | | | | 25.87 | -Energy | 21.08 | 5.67 | 26.75 | |
| | | | | 8.33 | -Industry and Minerals | 3.35 | 4.24 | 7.59 | |
| | | | | 32.91 | -Transport | 34.47 | 3.37 | 37.84 | |
| | | | | 1.04 | -Science, Technology and Environment | | 0.90 | 0.90 | |
| | | | | 9.16 | -General Economic Services | 6.76 | 7.25 | 14.01 | |
| - | II. Revenue Deficit carried over to Section B | | - | 99.29 | II. Revenue Surplus carried over to Section B | | | | 142.93 |
| 862.60 | Total | | 1807.18 | 862.60 | | | | | 1807.18 |
| | Section B | | | | | | | | |
| 70.17 | III. Opening Cash balance including Permanent Advances and Cash Balance Investment | | 94.82 | 150.92 | III. Capital Outlay | | | | 210.73 |
| | | | | 4.46 | General Services | | 8.13 | | |
| | | | | | Social Services | | | | |
| | | | | 20.31 | -Education, Sports, Art and Culture | | 30.97 | | |
| | | | | 2.99 | -Health and Family Welfare | | 4.40 | | |
| | | | | 17.72 | -Water Supply, Sanitation | | 25.96 | | |
| | | | | 8.02 | -Housing and Urban Development | | 9.84 | | |
| | | | | 1.29 | -Welfare of SC,ST and OBC | | 2.28 | | |

| Receipts | | | | Disbursement | | | | | |
|----------|---|--------|---------|--------------|---|----------|-------|--------|---------|
| 2000-01 | Section-B | | 2001-02 | 2000-01 | | Non-Plan | Plan | Total | 2001-02 |
| | IV Miscellaneous Capital receipts | - | | | Economic Services | | | | |
| | | | | 5.33 | -Agriculture and Allied Activities | | 5.70 | 5.70 | |
| | | | | 1.08 | -Rural Development | | 1.00 | 1.00 | |
| | | | | 6.62 | -Special Areas Programmes | | 4.64 | 4.64 | |
| | | | | 3.07 | -Irrigation and Flood Control | | 5.16 | 5.16 | |
| | | | | 32.35 | -Energy | | 49.69 | 49.69 | |
| | | | | 3.77 | -Industry and Minerals | | 5.10 | 5.10 | |
| | | | | 40.25 | -Transport | | 55.65 | 55.65 | |
| | | | | 3.66 | -General Economic Services | | 2.21 | 2.21 | |
| 1.46 | V. Recoveries of loans and Advances | | 1.14 | 0.33 | IV Loans and Advances disbursed | | | | 0.19 |
| 1.03 | From Government Servants | | | 0.33 | -To Government Servants | | 0.19 | 0.19 | |
| 0.43 | From others | | | - | -To Others | | - | - | |
| 99.29 | VI. Revenue surplus brought down | | 142.93 | | V. Revenue deficit brought down | | - | - | |
| 69.12 | VII. Public debt receipts | | 91.37 | 32.66 | VI. Repayment of Public Debt | | - | - | 34.19 |
| -- | -External debt | | | - | -External debt | | - | - | |
| 32.94 | -Internal debt other than Ways and Means Advances and Overdraft | | | 5.58 | -Internal debt other than Ways and Means Advances and Overdraft | | - | 2.99 | |
| -- | -Ways and Means Advances | | | - | -Ways and Means Advances | | - | - | |
| 36.18 | -Loans and Advances from Central Government | | | 27.08 | -Repayment of Loans and advances to Central Government | | - | 31.20 | |
| 0.10 | VIII. Amount transferred to Contingency Fund | | | | VII Expenditure from Contingency Fund | | - | - | |
| 823.68 | IX. Public Account Receipts | | 967.41 | 785.09 | VIII. Public Account Disbursements | | - | - | 908.38 |
| 52.61 | -Small Savings and Provident funds | 58.94 | | 35.73 | -Small savings and Provident Funds | | | 39.43 | |
| 11.53 | -Reserve funds | 13.71 | | 6.76 | -Reserve Funds | | | 7.45 | |
| 485.68 | -Suspense and Miscellaneous | 538.51 | | 491.31 | -Suspense and Miscellaneous | | | 536.65 | |
| 258.26 | -Remittance | 336.81 | | 241.86 | -Remittance | | | 308.72 | |
| 15.60 | -Deposits and Advances | 19.44 | | 9.44 | -Deposits and advances | | | 16.13 | |
| | | | | 94.82 | IX. Cash Balance at end of the year | | | | 144.18 |
| | | | | 52.69 | -Cash in Treasuries and Local Remittances | | | 88.06 | |
| | | | | 0.56 | -Deposits with other Bank | | | 2.37 | |
| | | | | 16.57 | -Departmental Cash Balance including permanent advances | | | 24.75 | |
| | | | | 25.00 | -Cash Balance Investment | | | 29.00 | |
| 1063.82 | TOTAL | | 1297.67 | 1063.82 | TOTAL | | | | 1297.67 |

Table – 1.15
Financial indicators for Government of Sikkim

| | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
|---|-----------|------------|------------|-----------|-----------|
| Sustainability | | | | | |
| BCR (<i>Rupees in crore</i>) | (-) 58.80 | (-) 153.64 | (-) 167.87 | (-) 32.37 | (-)38.83 |
| Primary Deficit (PD) | 26.08 | 95.31 | 24.63 | (-) 28.16 | (-) 17.31 |
| Interest Ratio | 0.03 | 0.04 | 0.04 | 0.09 | 0.04 |
| Capital outlay/Capital receipt | 1.96 | 0.58 | 0.58 | 1.73 | 1.88 |
| Total Tax receipt/GSDP | NA | 0.18 | 0.18 | 0.15 | 0.17 |
| State Tax receipts/GSDP | NA | 0.06 | 0.06 | 0.07 | 0.08 |
| Return on Investment ratio | 0.04 | 0.03 | 0.02 | 0.0003 | 0.0002 |
| Flexibility | | | | | |
| BCR (<i>Rupees in crore</i>) | (-) 58.80 | (-) 153.64 | (-) 167.87 | (-) 32.37 | (-) 38.83 |
| Capital repayment/Capital borrowings | 0.43 | 0.34 | 0.095 | 0.47 | 0.27 |
| State tax receipt/GSDP | 0.06 | 0.06 | 0.06 | 0.07 | 0.08 |
| Debt/GSDP | 0.57 | 0.68 | 0.86 | 0.82 | 0.85 |
| Vulnerability | | | | | |
| Revenue Deficit (RD) (<i>Rupees in crore</i>) | * 41.28 | 54.94 | *1.86 | *99.29 | *142.93 |
| Fiscal Deficit (FD) (<i>Rupees in crore</i>) | 67.02 | 146.86 | 92.55 | 50.51 | 66.85 |
| Primary Deficit (PD) (<i>Rupees in crore</i>) | 26.08 | 95.31 | 24.63 | (-) 28.16 | (-) 23.63 |
| PD/FD | 0.39 | 0.64 | 0.27 | (-) 0.56 | (-) 0.26 |
| RD/FD | (-) 0.62 | 0.37 | (-) 0.02 | (-) 1.97 | (-) 2.14 |
| Outstanding Guarantees/Revenue receipt | 0.02 | 0.01 | 0.01 | 0.12 | 0.05 |
| Assets/Liabilities | 2.23 | 1.79 | 1.59 | 1.66 | 1.73 |

* During these years, there was Revenue Surplus.

Note: 1. Fiscal deficit has been calculated as: Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Non-loan Capital receipts.

2. In the ratio Capital outlay Vs Capital receipts, the denominator has been taken as Internal loans- Loans and Advances from Government of India + Net Receipts from Small Savings, PF etc., + Repayments received from loans advanced by the State Government-Loans advanced by State Government.

Table – 1.16
Working sheet for indicators of financial performance of the Government of Sikkim

| Sl. No. | Particulars | (Rupees in Crore) |
|---------|--|-------------------|
| 1(a) | Revenue receipts | 2001-02 |
| (b) | Less all plan grants under MH 1601* (02+03+04+05) | 1807.18 |
| (c) | Less non-plan revenue expenditure | 374.43 |
| (d) | Balance from Current Revenues (BCR) | 1471.58 |
| 2(a) | Interest Receipts (0049) | (-) 38.83 |
| (b) | Interest payments (2049) | 6.02 |
| (c) | Net interest payments (b-a) | 84.16 |
| (d) | Revenue receipts – Interest Receipts (1(a)-2(a)) | 78.14 |
| (e) | Interest Ratio (2c/2d) | 1801.16 |
| 3. | Capital Outlay (Capital Expenditure) | 0.04 |
| 4. | Capital Receipts: | 210.73 |
| (a) | Addition under 6003-internal Debt(-) Ways and Means Advances | |
| (b) | Addition under 6004 Loans from Central Government (-) W & M Advances | 39.10 |
| (c) | Net receipts under small savings PF etc | 52.27 |
| (d) | Miscellaneous Capital Receipts (4000) | 19.51 |
| (e) | Net loans and advances (Receipts-repayments) | -- |
| (f) | Total (4a+b+c+d+e) | 0.95 |
| 5. | Capital outlay/Capital Receipts (3/4f) | 111.83 |
| 6. | Gross State Domestic Product (GSDP) | 1.88 |
| 7. | Total Tax Receipts (State Tax +State's Share of Union Taxes) | 977 |
| 8. | Total Tax receipts/GSDP(7/6) | 165.22 |
| 9. | State Tax Receipts (Tax Revenue – Income Tax)* | 0.17 |
| 10. | State Tax Receipts/GSDP(9/6) | 80.39 |
| 11. | Total Investments (at the year end) | 0.08 |
| 12. | Return on investments | 64.37 |
| 13. | Ratio of return on investment | 0.01 |
| 14. | Capital repayment : | 0.0002 |
| (a) | Disbursements under 6003 Internal Debt (-) Ways and Means Advances | |
| (b) | 6004 Loans and advances from Central Government (minus) W & M advances | 3.00 |
| (c) | Total (14a+b) | 21.82 |
| 15. | Capital borrowings (4a+4b) | 24.82 |
| 16. | Capital repayment/Capital borrowings (14c/15) | 91.37 |
| 17. | Debt : | 0.27 |
| (a) | Borrowings (Closing balance of the year) | |
| (b) | Other obligations (Closing balance of the year) | 583.93 |
| (c) | Total (17a+b) | 243.29 |
| 18. | Debt/GSDP (17c/6) | 827.22 |
| 19. | Revenue Deficit (-)/Surplus(+) # | 0.85 |
| 20. | Fiscal Deficit (Revenue Expenditure + Capital Expenditure + Net Loans and Advances) minus (Revenue Receipts + Miscellaneous Capital Receipts) | 142.93 |
| 21. | Primary Deficit (Fiscal Deficit minus Interest payments)=(20-2(b)) | 66.85 |
| 22. | PD/FD (21/20) | (-) 17.31 |
| 23. | RD/FD (19/20) | (-) 0.26 |
| 24. | Outstanding guarantees + Interest | (-) 2.14 |
| 25. | Outstanding guarantees/Revenue receipts (24/1(a)) | 95.76 |
| 26. | Assets | 0.05 |
| 27. | Liabilities | 1608.53 |
| 28. | Assets/Liabilities (26/27) | 929.11 |
| | | 1.73 |

There was Revenue Surplus during the year

* Central Income tax have not been implemented in Sikkim hence deduction in this respect not made

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.

APPENDIX

(Ref: Paragraph No.1.1)

Part A. Government Accounts

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

Part I: Consolidated Fund

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

Part II: Contingency Fund

The Contingency Fund created under Article 267 (2) of the Constitution of India in the nature of an imprest is placed at the disposal of the Governor of the State to meet 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.1.00 crore.

Part III: Public Account

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

II. Form of Annual Accounts

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

Part B. List of Indices/ratios and basis for their calculation

(Ref: Paragraph No. 1.11.2)

| Indices/ratios | | Basis for calculation |
|---|---|---|
| Sustainability | | |
| Balance from the Current Revenue | BCR | Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04 and 05) and Non-Plan revenue expenditure. |
| Primary Deficit | | Fiscal Deficit minus interest payments. |
| Interest Ratio | | $\frac{\text{Interest payment} - \text{Interest receipt}}{\text{Total Revenue receipt} - \text{Interest receipt}}$ |
| Capital Outlay Vs Capital Receipts | Capital Outlay Capital Receipts | Capital expenditure as per Statement No.2 of the Finance Accounts. Internal Loans (excluding ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc. + Repayments received on loans advanced by the State Government – Loans advanced by the State Government. |
| Total Tax Receipts Vs GSDP | Total Tax Receipts GSDP | State Tax receipts plus State's share of Union Taxes. |
| State Tax Receipts Vs GSDP | State Tax Receipts | Statement No.1 of Finance Accounts. |
| Flexibility | | |
| Balance from Current Revenue | BCR | As above. |
| Capital repayments Vs Capital borrowings | Capital Repayments | Disbursements under Major heads 6003 and 6004 minus repayments on account of ways and means advances/overdraft under both the major heads. |
| | Capital Borrowings | Addition under Major Heads 6003 and 6004 minus addition on accounts of ways and means advances/overdraft under both the major heads. |
| State Tax Receipts Vs GSDP | | As above. |
| Debt Vs GSDP | Debt | Borrowings and other obligations at the end of the year (Statement No.3 of Finance Accounts). |
| Vulnerability | | |
| Revenue Deficit | | Paragraph No.1.9.10 of the Audit Report. |
| Fiscal Deficit | | -do- |
| Primary Deficit Vs Fiscal Deficit | Primary Deficit | As above. |
| Outstanding guarantees including letters of comfort Vs Revenue receipts of the Government | Outstanding guarantees Revenue Receipts | Paragraph No. 1.4.3 of the Audit Report. Table-1.14. |
| Assets Vs Liabilities | Assets and Liabilities Debt | Paragraph No. 1.2 of the Audit Report. Borrowings and other obligations at the end of the year (Statement No. 3 of the Finance Accounts). |

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

| <i>PARAGRAPH</i> | <i>PARTICULARS</i> | <i>PAGE</i> |
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CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2001-2002 AT A GLANCE

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

Appropriation Accounts : Government of Sikkim
 Total Number of Grants/Appropriations : 45 (43 Grants, 2 Appropriation)

Total provision and actual expenditure

Table-2.1

(Rupees in crore)

| Provision | | Expenditure | |
|---|----------------|--|----------------|
| Original | 1058.64 | Expenditure | 1918.68 |
| Supplementary | 96.77 | | |
| Total gross provision | 1155.41 | Total gross expenditure | 1918.68 |
| Deduct-Estimated recoveries in reduction of expenditure | 12.25 | Deduct-Actual recoveries in reduction of expenditure | 10.03 |
| Total net provision | 1143.16 | Total net expenditure | 1908.65 |

Voted and Charged provision and expenditure

Table-2.2

(Rupees in crore)

| | Provision | | Expenditure | |
|---|----------------|---------------|----------------|---------------|
| | Voted | Charged | Voted | Charged |
| Revenue | 778.52 | 93.72 | 1579.45 | 94.11 |
| Capital | 246.18 | 36.99 | 210.92 | 34.20 |
| Total Gross | 1024.70 | 130.71 | 1790.37 | 128.31 |
| Deduct-recoveries in reduction of expenditure | 12.25 | - | 10.03 | - |
| Total Net | 1012.45 | 130.71 | 1780.34 | 128.31 |

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

2.2.1 The summarised position of actual expenditure during 2001-2002 against 45 grants/appropriation was as follows:

Table-2.3

(Rupees in crore)

| Name of Expenditure | | Original grant / Appropriation | Supplementary grant/ appropriation | Total | Actual expenditure | Saving(-)/ Excess(+) |
|--|----------------------------|-----------------------------------|--|----------------|----------------------------|-------------------------|
| Voted | I. Revenue | 731.82 | 46.70 | 778.52 | 1579.45 ^ψ | (+)800.93 |
| | II. Capital | 196.13 | 49.64 | 245.77 | 210.73 | (-)35.04 |
| | III. Loans and Advances | 0.41 | Nil | 0.41 | 0.19 | (-)0.22 |
| | Total Voted | 928.36 | 96.34 | 1024.70 | 1790.37 | |
| Charged | IV. Revenue | 93.33 | 0.39 | 93.72 | 94.11 | (+) 0.39 |
| | V. Capital | Nil | Nil | Nil | Nil | Nil |
| | VI. Public Debt | 36.96 | 0.03 | 36.99 | 34.20 | (-) 2.79 |
| Total Charged | | 130.29 | 0.42 | 130.71 | 128.31 | |
| Appropriation to Contingency Fund (if any) | Nil | Nil | Nil | Nil | Nil | Nil |
| Grand Total | | 1058.65 | 96.76 | 1155.41 | 1918.68^κ | (+) 763.27 |

^ψ These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure of Rs. 10.03 crore.

^κ At the end of March 2002, detailed contingent bills were not received as required under Rules from the DDOs in support of Rs. 14.59 crore drawn on abstract contingent bills. In the absence of DC Bills, the genuineness of the expenditure could not be vouchsafed.

2.3 Result of Appropriation Audit

Excess over provision relating to previous years requiring regularisation

2.3.1 As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs. 2.08 crore for the years 1998-99 to 2000-01 was yet to be regularised.

Table-2.4

(Rupees in crore)

| Year | No. of grants/ appropriations | Grant/ Appropriation No(s) | Amount of excess | Amount for which explanations not furnished to PAC |
|--------------|----------------------------------|--------------------------------------|---------------------|--|
| 1998-99 | 4 | 38,44,45, & Public Debt | 0.89 | 0.89 |
| 1999-00 | 6 | 11,43,45 | 0.45 | 0.45 |
| 2000-01 | 5 | 1,36,39, Public debt and Governor | 0.74 | 0.74 |
| Total | | | 2.08 | 2.08 |

Excess over provision during 2001-02 requiring regularisation

2.3.2 In revenue section, there was an excess of Rs. 868,30,00,044 in one grant and one appropriation and in capital section, there was an excess of Rs. 20,13,794 in four grants. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Table 2.5

(In rupees)

| Sl. No. | No & Name of grant/appropriation | Total Grant/ Appropriation | Actual expenditure | Excess |
|---------|--|----------------------------|--------------------|----------------------|
| | Revenue | | | |
| 1 | 10- Finance (Charged) | 89,78,77,000 | 90,48,02,039 | 6925039 |
| | 10- Finance (Voted) | 217,09,02,000 | 1084,60,83,263 | 8675181263 |
| 2 | Governor (charged) | 135,28,000 | 144,21,742 | 893742 |
| | Total Revenue | | | 868,30,00,044 |
| | Capital | | | |
| 3 | 5- Culture (voted) | 2,10,00,000 | 2,18,55,087 | 855087 |
| 4 | 20- Irrigation & Flood Control (Voted) | 5,06,00,000 | 5,15,88,224 | 988224 |
| 5 | 30- Planning & Development (Voted) | 4,62,73,000 | 4,64,33,078 | 160078 |
| 6 | 41- Tourism (Voted) | 2,20,66,000 | 2,20,76,405 | 10405 |
| | Total Capital | | | 20,13,794 |
| | Grand Total | | | 868,50,13,838 |

2.3.3 The substantial amount of excess over provision amounting to Rs. 867.92 crore occurred under M.H 2075 –103- State Lotteries and was attributed to revision of lottery schemes during the year which caused more expenditure on printing and supply of lottery tickets and this could not be envisaged by the Government at the time of preparation of budget estimate by the Finance Department.

Excess

2.3.4 The ultimate net excess of Rs. 763.27 crore was the result of gross overall excess of Rs. 868.50 crore slightly offset by savings of Rs. 105.23 crore. The net excess constituted 66 *per cent* of the total budgeted fund including supplementaries. The details of savings and excess are as shown below:

Table-2.6

(Rupees in crore)

| Section | No. of Grant/ Appropriation | Amount of Excess | No. of Grant/ Appropriation | Amount of Savings | Net amount of Savings (-) /Excess (+) |
|---------|--------------------------------|---------------------|--------------------------------|----------------------|---|
| Revenue | 2 | 868.30 | 43 | 66.98 | (+) 801.32 |
| Capital | 4 | 0.20 | 24 | 38.25 | (-) 38.05 |
| Total | | 868.50 | | 105.23 | (+) 763.27 |

Unnecessary/Excessive Supplementary provision

2.3.5 Supplementary provision made during the year constituted 9.14 *per cent* of the original provision as against 9.5 *per cent* in the previous year. Supplementary provision of fund amounting to Rs.28.68 crore was made in 10 cases during the year where the expenditure did not even come up to the level of original provision is detailed in **APPENDIX-I**.

Unutilised Provision and surrender thereof

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

2.3.7 In the accounts for the year 2001-02, it was noticed that against gross saving of Rs.105.23 crore, the amount surrendered excluding the cases where there were no savings, was Rs.57.88 crore, at the fag end of financial year.

Anticipated savings not surrendered

2.3.8 Unutilised provisions of fund amounting to Rs. 4.82 crore in 9 cases were not surrendered during the year. The details are given below:

Table-2.7

(Rupees in crore)

| Sl.No. | Grant No. | Name | Amount |
|----------------|--------------------|-------------------------------|-------------|
| Revenue | | | |
| 1 | 19 | Information & Technology | 0.01 |
| 2 | 20 | Irrigation & Flood Control | 2.18 |
| 3 | 25 | Legislature | 0.07 |
| 4 | 26 | Mines & Geology | 0.02 |
| Capital | | | |
| 1 | 17 | Industries | 1.00 |
| 2 | 18 | Information & Public Relation | 0.05 |
| 3 | 19 | Information Technology | 0.07 |
| 4 | 23 | Land Revenue | 0.02 |
| 5 | 31 | Police | 1.40 |
| | Grand Total | | 4.82 |

Surrender less than actual savings

2.3.9 Against the unutilised provisions of fund amounting to Rs.84.93 crore in 39 cases, an amount of Rs.43.15 crore only was anticipated and surrendered on the last day of financial year as detailed in **APPENDIX-II**.

Surrender in excess of actual savings

2.3.10 Against the actual savings of Rs.3.90 crore in 5 cases, the Government during the year surrendered an amount of Rs.4.07 crore i.e. an amount of Rs. 0.17 crore was surrendered in excess as detailed in **APPENDIX-III**.

Persistent Savings

2.3.11 Persistent savings of 10 per cent and above were noticed in 6 cases during the last three years as detailed in **APPENDIX-IV**.

Unutilised Provision

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

Injudicious/irregular/inadequate re-appropriation

2.3.13 Re-appropriation is transfer of fund within a grant from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. Financial Rules enjoin that re-appropriation of fund shall be made only when it is known or anticipated that the re-appropriation from the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount. Further, funds shall not be re-appropriated from a unit with the intention of restoring the diverted

appropriation to that unit when savings became available under other units later in the year.

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

Trend of recoveries and credits

2.3.15 Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. While appropriation audit is done by comparing gross expenditure with gross amount of grant, the excess/shortfall indicates inaccurate estimation of recoveries and defective budgeting.

2.3.16 During the year 2001-02, against the estimated recoveries of Rs12.25 crore, actual recoveries were Rs.10.03 crore as shown in **APPENDIX-VII**.

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

| PARAGRAPH | PARTICULARS | PAGE |
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CHAPTER- III

CIVIL DEPARTMENTS

SECTION-A

(AUDIT REVIEWS)

RURAL DEVELOPMENT DEPARTMENT

3.1 Review on Rural Housing

Highlights

Implementation of the Indira Awaas Yojana (IAY) in Sikkim was flawed as a survey to determine households living below the poverty line were not conducted. The ad hoc allocation of funds every year by the Government of India and Government of Sikkim made advance programme planning a tentative exercise. Targets were curtailed or augmented depending upon flow of funds. Advances paid were incorrectly reported as final expenditure to the Government of India. Category-wise targets of beneficiaries were not fixed and ineligible applicants were extended benefits. There were considerable inter-district variations in benefits derived by the beneficiaries under IAY. Despite the high incidence of poverty in the State, none of the other housing schemes were introduced in Sikkim.

Rupees 2.20 crore paid during 1997-2002 as advance for materials were reported as final expenditure thereby incorrectly justifying the State Government's entitlement for the second instalment of Central contribution.

(Paragraph 3.1.15 & 3.1.16)

Assistance aggregating Rs.52.80 lakh was extended during 1999-2001 to 240 ineligible beneficiaries who already possessed houses.

(Paragraph 3.1.27 & 3.1.28)

Despite release of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh to 395 beneficiaries as first instalment, houses remained incomplete for periods ranging from 1 to 5 years.

(Paragraph 3.1.32 & 3.1.33)

Out of 466 cases test checked relating to 1998-1999 and 1999-2000, in 388 cases there were delays ranging from 2 to 33 months in construction of new dwelling houses.

(Paragraph 3.1.34)

Introduction

3.1.1 Indira Awaas Yojana (IAY), a programme for construction of houses for Scheduled Castes/Scheduled Tribes (SCs/STs) and free bonded labourers living below the poverty line (BPL) in rural areas is the oldest housing scheme of the Government. It was launched during 1985-1986 as a sub-scheme of the Rural Landless Employment Guarantee Programme (RLEGP). With the merger of the RLEGP and the National Rural Employment Programme (NREP) into Jawahar Rozgar Yojana (JRY) on 01 April 1989, it became a component of JRY. From 1993-1994 the scope of IAY was extended to cover BPL non-SC/ST families in rural areas. IAY was de-linked from JRY and made an independent scheme from 01 January 1996.

3.1.2 There were still a large number of households in the rural areas not covered under IAY, as either they did not fall within the range of eligibility or were excluded due to budgetary limitation. Drinking water and sanitation was an important related area of concern, which needed to be addressed along with housing to improve the quality of life of the rural people. Against this backdrop, Government of India announced the new National Housing and Habitat Policy 1998, which laid emphasis on easy access to basic sanitation, drinking water and solid waste disposal. Thereafter, several new schemes such as Pradhan Mantri Gramodaya Yojana, Credit-Cum-Subsidy Scheme for Rural Housing, Samagra Awaas Yojana, Innovative Stream for Rural Housing and Habitat Development and Setting up of Rural Building Centres have been launched by the Government of India. Except for IAY, none of the other schemes have been implemented in Sikkim so far.

Indira Awaas Yojana (IAY)

3.1.3 Expenditure on IAY was to be shared between the Centre and states in the ratio of 80:20 and from 01 April 1999, in the ratio of 75:25. Central assistance was released every year to District Rural Development Agency (DRDA) in two instalments, subject to the fulfillment of certain conditions.

3.1.4 In Sikkim, the IAY programme was in operation since 1985-86 and the assistance given per beneficiary was as under:

Rupees 22,000 was given in two instalments for construction of a new dwelling unit. The first instalment of Rs.8,000 plus 24 pieces of Galvanised Corrugated Iron (GCI) sheets was given to the beneficiary on his selection and the balance amount (after adjusting the cost of the GCI sheets), on receipt of completion certificate from the District Development Officer (DDO).

3.1.5 A one-time assistance of Rs.10,000 for upgradation of an existing dwelling unit was handed over to the beneficiary on his selection.

3.1.6 The beneficiaries under IAY were selected by the Gram Panchayats and the names thereafter forwarded to the Jawahar Gram Swarozgar Yojana (JGSY)

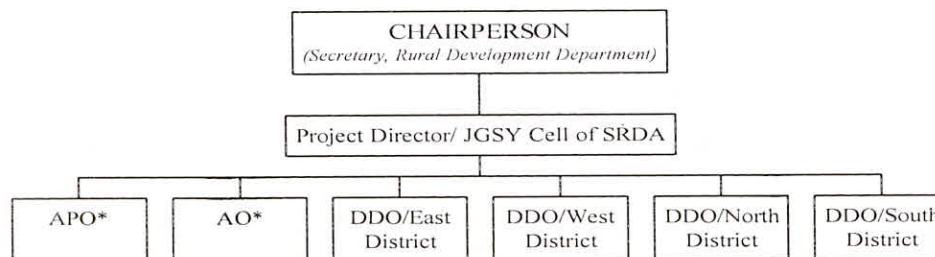
Cell through the respective DDOs for sanction. Till 1999-2000, the financial component of the assistance was disbursed to the beneficiaries by the DDOs and from 2000-2001 this was being done directly by the Jawahar Gram Swarazgar Yojana Cell at Gangtok.

Organisational set-up

3.1.7 The IAY programme in Sikkim is implemented by the JGSY Cell of the State Rural Development Agency (SRDA). The SRDA is under the administrative control of the Rural Development Department (RDD). The JGSY Cell, with headquarters at Gangtok, is headed by a Project Director (PD) assisted by APO and AO in headquarters and DDOs in each of the State's four districts.

The organisational set-up of the JGSY Cell was as under:

Chart- 3.1



* APO – Assistant Project Officer; AO – Accounts Officer.

Audit Coverage

3.1.8 A review of the IAY programme covering the period 1997-1998 to 2001-2002 was conducted during March to May 2002 through a test check of records maintained in the JGSY Cell, Gangtok and the DDOs' offices located at the headquarters of the State's four districts. Details of the test check (32 per cent) of the total expenditure of the Agency carried out is given in **Appendix-VIII**, the summary of which is as under:

Table-3.1

| District | Expenditure (Rupees in lakh) | | Number of Beneficiaries | | Number of Gram Panchayats | |
|--------------|---------------------------------|--------------------|-------------------------|------------------|---------------------------|----------------|
| | Total | Test checked | Total | Test checked | Total | Test checked |
| East | 269.06 | 70.48 (26) | 1493 | 396 (27) | 48 | 13 (27) |
| West | 214.04 | 62.67 (29) | 1409 | 431 (31) | 49 | 17 (35) |
| North | 90.78 | 30.70 (34) | 601 | 198 (33) | 20 | 06 (30) |
| South | 281.20 | 109.89 (39) | 1675 | 707 (42) | 42 | 21 (50) |
| Total | 855.08 | 273.74 (32) | 5178 | 1732 (33) | 159 | 57 (36) |

Note: Figures within brackets represent percentages

Financial Arrangement

3.1.9 Central assistance under IAY was to be released every year by Government of India to JGSY Cell in two instalments. The first instalment amounting to 50 per cent of total allocation was to be released at the beginning of the financial year subject to the condition that the second instalment during the previous year was claimed and released. The second instalment was to be released on request from the implementing agency and after fulfillment of certain conditions regarding utilisation of previous instalments. The State Government was required to release its share within one month of release of the first instalment of Central assistance.

3.1.10 Financial outlay and expenditure under the IAY programme for the period under review was as under:

Table-3.2

(Rupees in lakh)

| Year | Opening balance of funds | Receipts during the year* | Interest earned during the year | Total available funds during the year | Expenditure during the year | Closing balance of funds |
|--------------|--------------------------|---------------------------|---------------------------------|---------------------------------------|-----------------------------|--------------------------|
| 1997-98 | 19.22 | 73.15 | 3.59 | 95.96 | 86.90 | 9.06 |
| 1998-99 | 9.06 | 149.13 | 2.19 | 160.38 | 129.62 | 30.76 |
| 1999-00 | 30.76 | 113.99 | 2.49 | 147.24 | 125.72 | 21.52 |
| 2000-01 | 21.52 | 312.24 [§] | 3.63 | 337.39 | 275.53 | 61.86 |
| 2001-02 | 61.86 | 189.82 | 5.10 | 256.78 | 237.31 | 19.47 |
| Total | 142.42 | 838.33 | 17.00 | 997.75 | 855.08 | 142.67 |

Source: Audited annual accounts of the IAY programme

* Actual receipts from Government of India and Government of Sikkim

§ Includes refund of advance of Rs.2.47 lakh

Delay in release of funds by Government of India

3.1.11 The delay in release of the first instalments by Government of India during the review period ranging from 1 to 6 months as shown below, was never taken up with the Government of India for release of the funds in time, indicating a lack of monitoring.

Table-3.3

(Rupees in lakh)

| Year | first instalment | | | | Delay (in months) | |
|---------|---------------------|--------|----------------------|--------|----------------------|-----------------------|
| | Government of India | | Government of Sikkim | | Govern ment of India | Govern ment of Sikkim |
| | Date of release | Amount | Date of release | Amount | | |
| 1997-98 | 22.07.97 | 21.18 | 28.8.97 | 12.36 | 3 | 4 |
| | | | 27.10.97 | 7.72 | | 6 |
| 1998-99 | 06.05.98 | 15.76 | 4.8.98 | 7.72 | 1 | 3 |
| | 12.10.98 | 48.65 | 9.9.98 | 4.64 | 6 | 4 |
| 1999-00 | 21.05.99 | 61.00 | 15.10.99 | 17.92 | 1 | 5 |
| | | | 18.12.99 | 5.41 | | 7 |
| 2000-01 | 09.05.00 | 99.64 | 6.6.00 | 4.06 | 1 | 1 |
| | | | 21.11.00 | 15.00 | | 6 |
| 2001-02 | 17.08.01 | 76.09 | 2.6.01 | 35.00 | 4 | 1 |

3.1.12 In reply (April 2002) the Project Director JGSY Cell stated that the first instalment of Central share was released during the first quarter of the financial year and hence there was not much of delay. The reply was incorrect as in 1997-1998 and 2001-2002, the funds were released during second quarter. In 1998-99, 76 per cent of the first instalment of Central assistance was received in the third quarter only. Since the scheme guidelines specifically stipulate that the first instalment be released by Government of India in the beginning of the financial year it was the Cell's responsibility to ensure timely receipt of funds from Government of India, as any delay would cause a further deferral in the release of funds by the State Government. That this indeed was the case can be seen from the fact that the delay by Government of Sikkim to release its share ranged between 1 to 7 months during 1997-98 to 2001-02. The uneven release of funds would have made it difficult for programme planners to predict with any degree of accuracy the resources available for the scheme at the start of the financial year thereby making programme planning difficult.

Short release by Government of India and excess contribution by Government of Sikkim

3.1.13 The table below shows the actual release of funds by Government of India with reference to the allocation communicated by it to the Government of Sikkim at the commencement of every financial year. There was also excess/short release of funds by Government of Sikkim, which has been worked out with reference to the actual receipts from Government of India and IAY norms.

Table-3.4

| Year | Allocation | | Release | | Shortage (-)/Excess (+) | |
|-------------------------------------|---------------------|----------------------|---------------------|----------------------|-------------------------|-----------------------|
| | Government of India | Government of Sikkim | Government of India | Government of Sikkim | Government of India | Government of Sikkim |
| 1997-98 | 42.36 | 10.59 | 37.73 | 64.88 | (-) 4.63 (11) | (+) 54.29 (513) |
| 1998-99 | 92.02 | 23.00 | 92.02 | 24.36 | - | (+) 1.36 (6) |
| 1999-00 | 122.00 | 40.66 | 122.00 | 36.60 | - | (-) 4.06 (10) |
| 2000-01 | 199.28 | 66.43 | 199.28 | 50.06 | - | (-) 16.37 (25) |
| 2001-02 | 152.17 | 56.00 | 133.82 | 56.00 | (-) 18.35 (12) | - |
| Additional Central Assistance (ACA) | 21.58 | | 21.58 | | - | |
| Total | 629.41 | 196.68 | 606.43 | 231.90 | (-) 22.98 | (+) 35.22 (18) |

Note: (i) ACA includes Rs.4.09 lakh received for 1996-97

(ii) Figures in brackets represent percentage

Advances booked as final expenditure

3.1.14 Government of India guidelines stipulate that at the time of applying for release of the second instalment, 60 per cent of the total available funds including the State's contribution should have been utilised. The JGSY Cell released funds as advance payment to the State Trading Corporation of Sikkim (STCS) for procurement of GCI sheets for issue to the IAY beneficiaries. These advances

were reported to Government of India by the Project Director, JGSY Cell as final expenditure despite the fact that the supplies and final adjustments were made at a much later date as detailed below:

Table-3.5

(Rupees in lakh)

| Year | Month/Year in which advance payment made | Amount | Period of supply |
|--------------|--|---------------|----------------------------------|
| 1997-98 | December 1997 | 29.00 | April to June 1998 |
| 1998-99 | November 1998 | 51.81 | February to April 2000 |
| 1999-00 | November 1999 | 45.00 | February to April 2000 |
| 2000-01 | November 2000 | 70.00 | December 2000 to May 2001 |
| 2001-02 | July 2001 | 24.07 | Adjustment yet to be carried out |
| Total | | 219.88 | |

3.1.15 The Cell incorrectly reported to Government of India (December of respective years) as final expenditure an amount of Rs.2.20 crore during 1997-2002 evidently with the objective of justifying its entitlement for the second instalment of Central assistance. This is evident from the following table.

Table-3.6

(Rupees in lakh)

| Year | Total available fund upto November | Expenditure upto November | |
|---------|------------------------------------|---------------------------|-------------------|
| | | Excluding advance | Including advance |
| 1997-98 | 64.57 | 17.09 (26) | 46.09 (71) |
| 1998-99 | 105.85 | 20.30 (19) | 72.00 (68) |
| 1999-00 | 127.19 | 68.48 (54) | 113.48 (89) |
| 2000-01 | 203.11 | 115.88 (57) | 185.88 (92) |
| 2001-02 | 172.94 | 100.92 (58) | 124.99 (72) |

Note: Figures in bracket represents percentage

3.1.16 It will be seen that actual expenditure (excluding advances to STCS) fell short of the stipulated minimum of sixty *per cent* by 2 to 41 *per cent* during 1997-1998 to 2001-2002, which would have made the State ineligible for the second instalment of Government of India assistance had not the project authorities resorted to incorrect reporting.

Rush of expenditure during end of the year

3.1.17 The Sikkim Financial Rules (Note 3 below rule 84) stipulate that it is contrary to the interest of Government and against sound financial principles that money be spent hastily merely because it is available. Rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In contravention of these provisions, the bulk of expenditure incurred by the JGSY Cell was during the last quarter and last month of the financial year as detailed below:

Table-3.7

(Rupees in lakh)

| Year | Opening balance | Receipts from Government of India and Government of Sikkim during first and second quarters | Fund available at the end of the second quarter | Total expenditure during the year | Expenditure | |
|---------|-----------------|---|---|-----------------------------------|--------------|------------|
| | | | | | Last quarter | Last month |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1997-98 | 19.22 | 37.63 | 56.85 | 86.90 | 38.39 (44) | 35.75 (41) |
| 1998-99 | 9.06 | 31.60 | 40.66 | 129.62 | 56.90 (44) | 29.66 (23) |
| 1999-00 | 30.76 | 73.11 | 103.87 | 125.72 | 47.24 (38) | 41.57 (33) |
| 2000-01 | 21.52 | 125.60 | 147.12 | 275.53 | 136.34 (49) | 53.15 (19) |
| 2001-02 | 61.86 | 111.09 | 172.95 | 237.31 | 98.45 (41) | 53.89 (23) |

Note: Figures within brackets indicate percentages.

3.1.18 Expenditure during the last quarter of the financial year ranged from 38 to 49 per cent of the total outgo for the year and during the closing month, from 19 to 41 per cent. An amount of Rs.24.47 lakh, Rs.53.64 lakh and Rs.14.41 lakh were disbursed on the last working day of 1997-1998, 1998-1999 and 1999-2000 solely to bring the carry over balances within the permissible limit. Even considering the contingency that the second instalment may have been released by Government of India in certain years in the last quarter, funds ranging from 3 to 20 per cent of total expenditure during 1999-2000 to 2001-2002 were out of funds from the first instalment already available at the end of the second quarter.

Inequitable distribution of benefits - inter district variations

3.1.19 Twenty four pieces of GCI sheets formed part of the component of the first instalment of assistance given to each beneficiary for a new dwelling unit. There were no facilities for distribution of GCI sheets in two of the four districts. Beneficiaries from the North and West districts (comprising 51 per cent of the beneficiaries) had to make their own arrangements for lifting the GCI sheets from the nearest godowns at Gangtok and Jorethang in East and South districts respectively thereby unjustifiably imposing on them the cost of transportation of GCI sheets. This resulted in an inequitable distribution of benefits amongst beneficiaries, as the quantum of assistance under the IAY scheme was uniform across the State.

Implementation

Physical progress – achievement exceeded target

3.1.20 Year-wise physical target and achievement of assistance to beneficiaries under IAY during the period under review was as under:

Table-3.8

| Year | Target | | | Achievement | | |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| | New houses | Upgradation | Total | New houses | Upgradation | Total |
| 1997-98 | 269 | NA | 269 | 590 | NA | 590 (219) |
| 1998-99 | 523 | NA | 523 | 543 | NA | 543 (104) |
| 1999-00 | 592 | 325 | 917 | 592 | 160 | 752 (82) |
| 2000-01 | 751 | 413 | 1164 | 872 | 667 | 1539 (132) |
| 2001-02 | 812 | 406 | 1218 | 1345 | 409 | 1754 (144) |
| Total | 2947 | 1144 | 4091 | 3942 | 1236 | 5178 (127) |

Note: Figures within brackets indicate percentage of achievement vis-a-vis targets

Source: annual progress Reports of the Cell.

3.1.21 Achievement in all the years under review exceeded the target except during 1999-2000 when achievement in upgradation of dwelling units fell short by 165 units (51 per cent). However, category-wise target for SCs/STs, free bonded labourers and non-SC/ST as envisaged in Government of India guidelines were never fixed.

Inconsistency between physical and financial achievement

3.1.22 JGSY Cell reported to Government of India the figures of achievement of physical target on yearly basis as reflected in Table 3.9 above. To achieve the target of construction of 3942 new houses at Rs.22,000 per dwelling and 1236 upgradation units at Rs.10,000 per dwelling, the total financial requirement would be Rs.9.91 crore. Considering that the first instalment of all 590 new houses (Rs.96.76 lakh[#]) shown against 1997-98 was paid prior to 1997-98 and taking into account expenditure incurred on incomplete houses (Rs.65.18 lakh) during 1997-2002, the total financial requirement during the review period would be Rs.9.59 crore. However, as per table 3.1, the total expenditure actually booked under the scheme during 1997-98 to 2001-2002 was Rs.8.55 crore only. The JGSY cell was approached to explain the discrepancy between the financial and physical achievements. Reply had not been received (July 2002).

Prioritisation of beneficiaries not done

3.1.23 According to Government of India guidelines, benefits to the non-SC/ST poor should not exceed 40 per cent of total IAY allocation. Funds to the tune of 3 per cent were also to be earmarked for benefit of BPL physically and mentally challenged persons belonging to SC/ST and others in their respective category. Further, prioritisation in selection of beneficiaries to free bonded labourers, SC/ST households, families of Defence services personnel, physically and mentally challenged persons, ex-servicemen and displaced persons was also to be done as per the guidelines.

3.1.24 The above requirement of prioritisation was not done as can be seen from the table below:

[#] 590x Rs.16,400 = Rs.96,76,000

Table-3.9

| Year | Total beneficiaries | SC/ST households | Families/widows of Defence personnel | Disabled | Others (Non SC/ST) |
|--------------|---------------------|------------------|--------------------------------------|----------------|--------------------|
| 1997-98 | 590 | 325 (55) | Nil | Nil | 265 (45) |
| 1998-99 | 543 | 243 (45) | Nil | Nil | 300 (55) |
| 1999-00 | 752 | 417 (56) | 3 | 9 (1) | 323 (43) |
| 2000-01 | 1539 | 649 (42) | 36 (2) | 55 (4) | 799 (52) |
| 2001-02 | 1754 | 581 (33) | 33 (2) | 38 (2) | 1102 (63) |
| Total | 5178 | 2215 (43) | 72 (1) | 102 (2) | 2789 (54) |

Note: Figures within brackets indicate percentages vis-à-vis total beneficiaries

3.1.25 The number of SC/ST beneficiaries during the period under review ranged from 33 to 56 per cent. The coverage of non-SC/ST beneficiaries on the other hand ranged from 43 to 63 per cent during the review period.

Shortcomings in identification and selection of beneficiaries

3.1.26 Panchayat-wise targets were not fixed (except in 1998-1999 when a target of 3 new dwelling units was fixed for each panchayat in the State) despite a stipulation to this effect in the Government of India guidelines and further reiterated by the Government of India in March and July 1998. Non-adherence of this procedure by the implementing agency led to various shortcomings in the selection of beneficiaries as enumerated in the succeeding paragraphs.

Assistance to ineligible households

3.1.27 A test check of 463 (comprising 32 per cent of the total) application forms submitted by beneficiaries during 1999-2000 and 2000-2001 for assistance for new dwelling units, based on which identification of beneficiaries was done by Panchayats and the names forwarded to DDOs for recommendation and onward submission to JGSY Cell for final sanction, revealed that 240 beneficiaries were already possessing houses as shown below:

Table-3.10

| Year | East | | West | | North | | South | |
|--------------|---------------------------|---|---------------------------|---|---------------------------|---|---------------------------|---|
| | No. of cases test checked | Beneficiaries already possessing houses | No. of cases test checked | Beneficiaries already possessing houses | No. of cases test checked | Beneficiaries already possessing houses | No. of cases test checked | Beneficiaries already possessing houses |
| 1999-00 | 52 | 39 | 41 | 14 | 30 | 18 | 44 | 25 |
| 2000-01 | 120 | 62 | 62 | 01 | 50 | 35 | 64 | 46 |
| Total | 172 | 101(59) | 103 | 15(5) | 80 | 53(66) | 108 | 71(66) |

Note: Figures within brackets indicate percentages

3.1.28 This figure was 66 per cent for North and South districts, 59 for East and 5 for West respectively. The implementing authorities overlooked the fact that some beneficiaries were already possessing houses although this was declared by the applicants in their applications. Further, of the 62 cases test checked relating to 2000-2001 in West district, it was observed that in 36 cases the applicants did not declare in their application forms whether they possessed a house or not but

despite the absence of this crucial information, the applications were processed and sanctioned by the authorities. Thus, Rs.52.80 lakh were sanctioned to ineligible applicants.

Survey not conducted to identify rural BPL population

3.1.29 For implementing the IAY scheme, it was essential to carry out a survey to identify the rural BPL population. No such survey was carried out nor did the JGSY Cell have an approved BPL list. The execution of the IAY programme was therefore, flawed. However, a BPL survey was carried out in 1999 by the Swarnajayanti Gram Swarozgar Yojana (SGSY) Cell of the SRDA. The JGSY Cell did not adopt the BPL list compiled on the basis of this survey, despite the fact that it did not have one of its own. A crosscheck of IAY beneficiaries in 1999-2000 with the BPL list prepared by the SGSY Cell revealed that out of 752 cases, 351 cases (comprising 47 *per cent* of the total sample) were test checked, out of which in 139 cases (40 *per cent*) as shown below, benefits of the IAY scheme was extended to non-BPL families who were ineligible for the same.

Table-3.11

| Districts | Test checked | Non-BPL families |
|--------------|--------------|------------------|
| West | 50 | 26(52) |
| North | 69 | 39(57) |
| South | 151 | 25(17) |
| East | 81 | 49(60) |
| Total | 351 | 139 (40) |

Note: Figures within brackets indicate percentages

3.1.30 The percentage of ineligible households who were given assistance under IAY was 60 *per cent* in East district and 17 *per cent* in South district. The value of the assistance worked out to Rs.30.58 lakh and thus, to that extent, the intended beneficiaries of the IAY were denied their due.

Inventory of houses not maintained

3.1.31 According to the Ministry's guidelines, the implementing agency was required to maintain a complete inventory of houses constructed/upgraded under IAY indicating commencement and completion date of dwelling unit, name of the village and Block/GPU in which house was located, occupation and category of beneficiaries and other relevant particulars. It was seen that no such inventory was maintained at district and GPU level.

Cases where only the first instalment of assistance was drawn

3.1.32 Beneficiaries were allowed two months time from the date of release of the first instalment of assistance to complete the construction. Thereafter the final instalment was to be released on submission of completion certificate through the DDO concerned. Out of a total of 3129 recipients who drew the first instalment during the 1997-1998 to 2001-2002, as many as 395 beneficiaries (13 *per cent*)

had not claimed the second instalment. The figures varied from 7 per cent for East district to 19 per cent for South district as given below:

Table-3.12

| Year | Districts | | | | | | | | Total | |
|---------|-----------|-------|------|---------|-------|--------|-------|---------|-------|---------|
| | East | | West | | North | | South | | | |
| | (A) | (B) | (A) | (B) | (A) | (B) | (A) | (B) | (A) | (B) |
| 1997-98 | 145 | 05 | 109 | 16 | 35 | 04 | 82 | 13 | 371 | 38 |
| 1998-99 | 215 | 23 | 147 | 18 | 91 | 06 | 127 | 19 | 580 | 66 |
| 1999-00 | 190 | 12 | 192 | 23 | 80 | 05 | 151 | 20 | 613 | 60 |
| 2000-01 | 373 | 27 | 253 | 25 | 171 | 15 | 247 | 50 | 1044 | 117 |
| 2001-02 | 215 | 16 | 99 | 32 | 27 | 22 | 180 | 44 | 521 | 114 |
| Total | 1138 | 83(7) | 800 | 114(14) | 404 | 52(13) | 787 | 146(19) | 3129 | 395(13) |

(A): Total number of cases where first instalment was disbursed. (B): Total number of cases where second instalment was not disbursed. Note: Figures within brackets indicate percentages

3.1.33 Thus, despite a pay out of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh as first instalments in 395 cases, houses remained incomplete for periods ranging between one to five years or there was the other possibility that the assistance was not utilised for the purpose for which it was given. Notwithstanding the considerable amount involved, the JGSY Cell did not investigate or follow up any of these cases substantiating the audit contention that administration and monitoring of the scheme was lax.

Abnormal delay in construction of houses

3.1.34 There was abnormal delay in construction of houses by the beneficiaries. 466 cases pertaining to 1998-1999 and 1999-2000 relating to construction of new dwelling units were test checked. In 388 (83 per cent) cases the delays ranged between 2 to 33 months as given below:

Table-3.13

| Districts | No. of cases test checked | | 2 to 12 months Delay | | 13 to 33 months delay | |
|--------------|---------------------------|------------|----------------------|------------|-----------------------|-----------|
| | 1998-99 | 1999-00 | 1998-99 | 1999-00 | 1998-99 | 1999-00 |
| East | 76 | 79 | 42 | 63 | 11 | 05 |
| West | 78 | 88 | 41 | 49 | 16 | 36 |
| North | 23 | 30 | 17 | 17 | 02 | 06 |
| South | 67 | 25 | 39 | 23 | 18 | 03 |
| Total | 244 | 222 | 139 | 152 | 47 | 50 |

Non-allotment of houses to female beneficiaries

3.1.35 Government of India guidelines stipulate that the dwelling units should be allotted in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, it was observed that in Sikkim the beneficiaries were predominantly male (62 per cent) as shown below:

Table-3.14

| Year | Total beneficiaries | Disbursed in the name of | | | Percentage of male member |
|--------------|---------------------|--------------------------|-------------|------------|---------------------------|
| | | Male | Female | Joint name | |
| 1997-98 | 590 | 440 | 150 | NIL | 75 |
| 1998-99 | 543 | 372 | 171 | NIL | 69 |
| 1999-00 | 752 | 499 | 253 | NIL | 66 |
| 2000-01 | 1539 | 997 | 542 | NIL | 65 |
| 2001-02 | 1754 | 920 | 834 | NIL | 52 |
| Total | 5178 | 3228 | 1950 | --- | 62 |

Partial implementation of fuel-efficient chulha/ sanitary latrine scheme

3.1.36 The scheme guidelines enjoin the implementing authority to ensure that IAY dwelling units are provided with smokeless *chulhas*, as this is a fuel-efficient alternative, more healthy and convenient to use. Further, construction of sanitary latrine was an integral part of an IAY dwelling unit.

3.1.37 Smokeless *chulhas* were provided by the JGSY Cell only in 1997-1998 and 1998-1999 to 590 and 543 beneficiaries respectively and nothing before or thereafter. Further, as per the evaluation carried out by an agency commissioned by the Ministry, these *chulhas* could not be put to use (refer para 3.1.50 below). The JGSY Cell stated (April 2002) that sanitary pans were issued to all beneficiaries only upto the year 1998-1999 for which Rs.250/- was deducted from the assistance given to each beneficiary.

3.1.38 Thus, except for just two years in the case of *chulhas* and upto 1998-1999 in the case of sanitary latrines, the implementation of these two eco-friendly measures, which were important sub-components of the scheme, was all but forgotten.

Non-incorporation of disaster resistant features in house design

3.1.39 The scheme guidelines prescribed that the plinth area of the IAY dwelling units should not be less than 20 sq. mtrs and should take into account community perceptions and preferences, climatic conditions, need to provide ample space, raw materials available locally, etc. Of particular importance to Sikkim was the stipulation that in areas frequented by natural calamities, incorporation of disaster resistant features in designs should be encouraged.

3.1.40 The JGSY Cell did not prepare any standardised plans or designs of dwelling units incorporating the above features, which could have been popularised for adoption by the beneficiaries. This was vital considering that the entire State is located in an active seismic zone with heavy rainfall and unstable soil conditions.

Monitoring and Evaluation

3.1.41 According to the Government of India guidelines, a schedule of inspection prescribing a minimum number of field visits for each supervisory level functionary from the headquarters level to the field level was required to be drawn up and strictly followed to ascertain whether the programme was being implemented satisfactorily, construction of houses was in accordance with prescribed procedure and to monitor all aspects of the IAY through visits to work sites. Further, Government of India guidelines stipulate that the State should conduct periodic evaluation studies on the implementation of the IAY through reputed institutions and organisations on issues thrown up by the concurrent evaluation and remedial action should be taken.

3.1.42 No such norms of monitoring and inspection at any level were framed. Neither was evidence available to suggest that officials at State and field level had carried out any monitoring activities of any part of the IAY programme. It was further observed that the State Level Co-ordination Committee charged with overseeing the programme, had not met even once during the years covered under review.

3.1.43 No evaluation studies were ever conducted by Government of Sikkim/ Department/JGSY Cell so far. However, at the instance of the Ministry of Rural Areas and Employment, Government of India the Institute for Resource Management and Economic Development (IRMED) conducted a concurrent evaluation of IAY in all the four districts of Sikkim. In its report submitted in September 2000, pointed out, among other things, extension of benefits to households already possessing houses and above the poverty line, inadequate coverage of SC/ST, allotment of houses predominantly in the name of males, absence of sanitary latrines and smokeless *chulhas* in most of the houses.

3.1.44 No action was taken by Government of Sikkim, Department or the Cell to take corrective action on the shortcomings pointed out in the report indicating serious weaknesses and loopholes in execution and delivery mechanism of the scheme.

Performance of other Rural Housing Schemes

3.1.45 Other housing schemes introduced by Government of India from 1 April 1999, viz., the Credit-cum-Subsidy Scheme for Rural Housing (CSSRH) (with 75 per cent funding), and Innovative Scheme for Rural Housing and Habitat Development (ISRHHD), Samagra Awaas Yojana (SAY), Setting up of Rural Building Centre (SRBD), Pradhan Mantri Gramodaya Yojana (PMGY) (with 100 per cent funding) have not been implemented in the State, though Sikkim has the

fifth highest incidence of poverty among the states (BPL population 41.43 per cent*).

RURAL DEVELOPMENT DEPARTMENT

3.2 Review on Swarnjayanti Gram Swarozgar Yojana

Highlights

Swarnjayanti Gram Swarozgar Yojana (SGSY) is a holistic programme covering all aspects of self-employment such as organisation of the poor into self-help groups, training, credit, infrastructure, technology and marketing. Implementation of the SGSY in Sikkim was compromised as the project reports of selected activities suffered from infirmities, technology management was not given due importance and the actual implementation was heavily skewed in favour of individuals rather than groups.

Delay in the release of Central assistance affected the timely disbursement of credit and subsidy to the beneficiaries.

(Paragraph 3.2.8)

Expenditure in the last quarter of the financial years ranged from 50 to 93 per cent of the total outgo for the year and during the closing month from 42 to 51 per cent.

(Paragraph 3.2.15)

Selection of key activities was only completed by July 2001 although this should have been done by April 2000.

(Paragraph 3.2.19)

During 1999-00 to 2001-02, out of the total of 35493 families, only 4584 families were covered as against the requirement of 6388 families.

(Paragraph 3.2.40)

The construction of 12 marketing centres was behind schedule by nine to twelve months. Likely date of completion was also not on record.

(Paragraph 3.2.43)

Introduction

3.2.1 Swarnjayanti Gram Swarozgar Yojana was started in Sikkim as a Centrally sponsored scheme in April 1999 by consolidating erstwhile self-employment programmes like IRDP¹, TRYSEM², DWCRA³, SITRA⁴ and GKY⁵.

* Source: Sikkim – The People's Vision, Government of Sikkim

¹ Integrated Rural Development Programme ² Training for Rural Youth on Self Employment ³ Development of Women and Children in Rural Area, ⁴ Supply of Improved Tool Kits to Rural Artisan ⁵ Ganga Kalyan Yojana

SGSY is funded by the Central and State Government in the ratio of 75:25. It is a self-employment programme of individuals and groups of individuals subsisting below the poverty line (BPL). It covers all aspects of self-employment such as organisation of the poor into self-help groups (SHGs), training, credit, technology, infrastructure and marketing. It envisages providing income generating assets through Government subsidy and bank loan to individual and SHG BPL families for generating sustainable monthly net income of Rs.2000 per family so as to bring every assisted family above poverty line in three years and also to cover 30 per cent of families in each block within five years by March 2004.

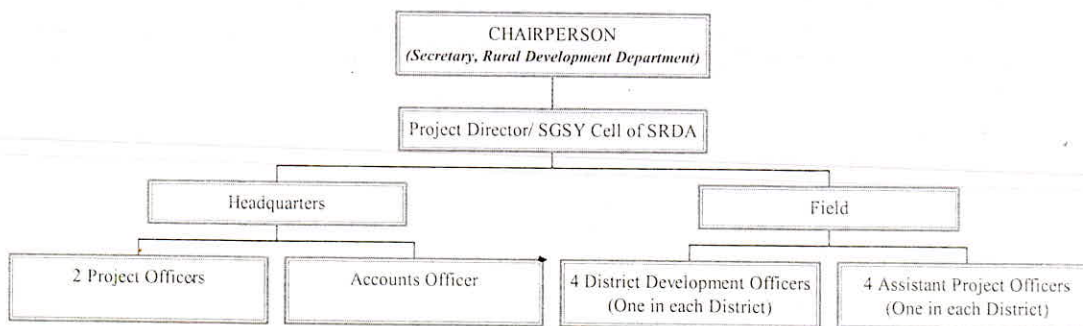
3.2.2 The subsidy under SGSY would be uniform at 30 per cent of the project cost, subject to a maximum of Rs.7,500/-. For Scheduled Castes/Scheduled Tribes however, this was 50 per cent and Rs.10,000/- respectively. For SHGs, the subsidy was 50 per cent of the cost of the scheme, subject to a ceiling of Rs.1.25 lakh. The SGSY was to be implemented by the District Rural Development Agencies (DRDAs) through the *Panchayat Samitis*.

Organisational set-up

3.2.3 In Sikkim, DRDAs do not exist at the district level. There is one agency for the entire State, namely, the Sikkim Rural Development Agency (SRDA) at Gangtok functioning under the administrative control of the Secretary, Rural Development Department (RDD), Government of Sikkim. For the purposes of the SGSY, the entire State was treated as one district and the programme is implemented by the Project Director (PD), SGSY Cell of SRDA (Cell). The beneficiaries are selected by *Gram Panchayats* and the names forwarded to the PD, SGSY Cell through the respective District Development Officers (DDOs) for sanction and disbursement of credit and subsidy through banks. The organisational set-up of the SRDA/SGSY Cell was as under:

Chart-3.2

Organisational Chart



Audit coverage

3.2.4 A review of the SGSY in Sikkim covering the period 1999-00 to 2001-02 was conducted during March-April 2002 through a test check of records maintained in the SGSY cell of SRDA, Gangtok and DDOs' offices in East, West, South and North Districts. The size of the sample check was as under:

Table-3.15

(Rupees in lakh)

| Year | Infrastructure Fund | | Training Fund | | Revolving Fund | | Subsidy | |
|--------------|---------------------|-------------------|---------------|------------------|----------------|------------------|---------------|-------------------|
| | Expenditure | Test checked | Expenditure | Test checked | Expenditure | Test checked | Expenditure | Test checked |
| 1999-00 | 5.61 | 1.70 (30) | 2.50 | 0.62 (25) | 1.01 | Nil | 49.20 | 17.57 (36) |
| 2000-01 | 26.79 | 12.02 (45) | 3.75 | 1.67 (44) | 4.06 | 2.70 (66) | 117.09 | 31.27 (27) |
| 2001-02 | 58.56 | 43.19 (74) | 23.50 | 5.20 (22) | 14.52 | 11.60 (80) | 134.48 | 35.06 (26) |
| Total | 90.96 | 56.91 (63) | 29.75 | 7.49 (25) | 19.59 | 14.30(73) | 300.77 | 83.90 (28) |

Table-3.16

| Year | SHGs | | Swarozgaris | |
|--------------|--------------|---------------------|--------------|---------------------|
| | Total number | Number test checked | Total number | Number test checked |
| 1999-00 | Nil* | Nil | 738 | 244 (33) |
| 2000-01 | 27 | 27 (100) | 1873 | 504 (27) |
| 2001-02 | 116 | 116 (100) | 1973 | 514(26) |
| Total | 143 | 143 (100) | 4584 | 1262 (28) |

Note: Figures in brackets represent percentages.

*5 groups formed earlier under DWCRA and carried forward under SGSY not considered.

Financial outlay and expenditure

3.2.5 Financial outlay and expenditure on SGSY over the review period was as follows:

Table-3.17

(Rupees in lakh)

| Year | Opening balance of funds | Receipts during the year | Interest and other receipts | Total available funds during the year | Expenditure during the year | Closing balance of funds |
|--------------|--------------------------|--------------------------|-----------------------------|---------------------------------------|-----------------------------|--------------------------|
| 1999-00 | 36.49 | 56.99 | 9.19 | 102.67^ | 95.79# | 6.88 |
| 2000-01 | 6.88 | 153.42 | 15.05 | 175.35 | 151.70\$ | 23.65 |
| 2001-02 | 23.65 | 199.98 | 13.87 | 237.50 | 231.06 | 6.44 |
| Total | | 410.39 | 38.11 | | 478.55 | |

Source: Annual accounts of SRDA.

^ Excluding Loan of Rs.23.00 lakh from State Plan Scheme.

Including expenditure on DRDA Admn. Rs.37.48 lakh.

\$ Excluding refund of loan Rs.23.00 lakh.

Short release by Government of India and excess contribution by Government of Sikkim

3.2.6 The table below shows the actual quantum of funds released by Government of India and Government of Sikkim for the SGSY with reference to

the allocations committed by the two governments at the start of the financial year:

Table-3.18

(Rupees in lakh)

| Year | Allocation | | Release | | Shortage (-)/Excess (+) | |
|--------------|---------------------|----------------------|---------------------|----------------------|-------------------------|----------------------|
| | Government of India | Government of Sikkim | Government of India | Government of Sikkim | Government of India | Government of Sikkim |
| 1999-00 | 68.37 | 22.79 | 68.38 | 22.80 | -- | -- |
| 2000-01 | 138.45 | 46.15 | 136.83 | 50.00 | (-) 1.62 (1) | (+) 3.85 (8) |
| 2001-02 | 82.38 | 27.46 | 82.38 | 50.00 | -- | (+) 22.54 (82) |
| Total | 289.20 | 96.40 | 287.59 | 122.80 | (-) 1.62 | 26.39 |

Note: Figures in brackets represents percentages

3.2.7 The short release by Government of India was 0.6 per cent during the period. The release by the Government of Sikkim was 8 and 82 per cent in excess of its obligation in 2000-01 and 2001-02 respectively. This wide variation from one year to the next was a pointer to the *ad hoc* manner of State Government's allocations.

Delay in release of first instalment of Central assistance

3.2.8 Central assistance under SGSY was to be released every year to the SRDA in two instalments - the first instalment by the second month of the financial year with the contribution of the Government of Sikkim to immediately follow. (The second instalment of Central assistance was to be released on a specific request from the SRDA). While the Government of Sikkim did not delay the release of its contribution which more or less immediately followed the receipt of the Central assistance, the Government of India itself released the first instalment to SRDA only on 02 June 1999, 01 August 2000 and 04 June 2001 for the years for 1999-00 to 2001-02, a delay ranging from two to three months.

3.2.9 The reply (September 2002) of the Cell that it did not pursue the matter with Government of India for release of the first instalments in time on the plea that second instalments of previous year were released without any terms and conditions and that there were no delays in release of first instalment, is not tenable as disbursements to SGSY beneficiaries during these years was delayed and started only from 01 July 1999, 31 August 2000 and 28 June 2001 respectively thus adversely impacting the programme.

Non-maintenance of separate funds

3.2.10 The programme guidelines required the SGSY Cell to open Infrastructure Fund, Training Fund and Revolving Fund by earmarking 25, 10 and 10 per cent of the total fund allocation each year under the SGSY. Separate bank accounts for these funds were also to be opened. It was seen that no such funds were created by the Cell and all transactions were routed through a single bank account. The expenditure booked by the Cell under the Infrastructure, Training and Revolving funds during the review period was as under:

Table -3.19

| Year | Government of India and Government of Sikkim allocation | Infrastructure Fund | | | Training Fund | | | Revolving Fund | | |
|--------------|---|-------------------------|--------------------|---------------------------|-------------------------|--------------------|---------------------------|-------------------------|--------------------|---------------------------|
| | | 25% share of allocation | Actual expenditure | Excess (+) / Shortage (-) | 10% share of allocation | Actual expenditure | Excess (+) / Shortage (-) | 10% share of allocation | Actual expenditure | Excess (+) / Shortage (-) |
| 1999-00 | 91.16 | 22.79 | 5.61 (6) | (-)17.18(75) | 9.12 | 2.50 (3) | (-)6.63 (73) | 9.12 | 1.01 (1) | (-)8.11 (89) |
| 2000-01 | 184.60 | 46.15 | 26.79 (51) | (-)19.36 (42) | 18.46 | 3.75 (2) | (-)14.71 (80) | 18.46 | 4.06 (2) | (-)14.40 (78) |
| 2001-02 | 109.84 | 27.46 | 58.56 (53) | 31.10 (113) | 10.98 | 23.50 (21) | 12.52 (114) | 10.98 | 14.52 (13) | 3.54 (32) |
| Total | 385.60 | 96.40 | 90.96 (24) | (-)5.44 (6) | 38.56 | 29.75 (8) | (-) 8.82 (23) | 38.56 | 19.59 (5) | (-)18.97 (49) |

Note: Figures in brackets represent percentages.

3.2.11 Apart from the non-creation of the funds, it would be seen from the above table that the expenditure was less than the required level by Rs.5.44 lakh (6 per cent), Rs.8.82 lakh (23 per cent) and Rs.18.97 lakh (49 per cent) on activities covered under the Infrastructure, Training and Revolving funds respectively. The total expenditure on infrastructure, training and capacity building from 1999-00 to 2001-02 was Rs.1.40 crore representing 36 per cent, as against the requirement of 45 per cent, of the total allocation on SGSY during the same period.

3.2.12 As the availability of resources was not a constraint, the non-creation of these funds in contravention of the programme guidelines and their under funding was unjustifiable.

3.2.13 In reply the Cell quoted the minutes of the meeting of Central Level Coordination Committee (03 June 2002) according to which states had the flexibility to utilise even 100 per cent of fund as subsidy with the revision of guidelines and stated that 60 per cent (55 per cent for North East and Sikkim) criteria was no more relevant.

3.2.14 However, revision of guidelines was effective only from 2002-2003 whereas audit comment pertained to the years 1999-2000 to 2001-2002.

Rush of expenditure at the end of the financial year

3.2.15 The Sikkim Financial Rules state that rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In violation of this provision, the bulk of expenditure incurred by the SGSY Cell was during the last quarter and last month of the financial year as detailed below:

Table-3.20

| Year | Opening balance | Receipt during the year | Interest and other receipts | Total fund available | Expenditure during the year | Fund received during last quarter | During | |
|---------|-----------------|-------------------------|-----------------------------|----------------------|-----------------------------|-----------------------------------|--------------|------------|
| | | | | | | | Last quarter | Last month |
| 1999-00 | 36.49 | 56.99 | 9.19 | 102.67 | 58.31 | 45.59 | 54.43 (93) | 29.63 (51) |
| 2000-01 | 6.88 | 153.42 | 15.05 | 175.35 | 151.70 | Nil * | 79.05 (52) | 63.57 (42) |
| 2001-02 | 23.65 | 199.98 | 13.87 | 237.50 | 231.06 | 41.19 | 115.00 (50) | 100.41(43) |

Source: Annual accounts

Note : *Second instalment received on 2.12.2000 (State) and 12.4.01 (Central).

3.2.16 Expenditure in the last quarter of the financial year ranged from 50 to 93 per cent of the total outgo for the year and during the closing month from 43 to 51 per cent. An amount of Rs.1.08 lakh, Rs.25.32 lakh and Rs.12.03 lakh were disbursed on the last working day of 1999-2000, 2000-2001 and 2001-2002 respectively, solely to bring the carry over balances within the permissible limits of the scheme.

3.2.17 The reply (September 2002) of the Cell that volume of expenditure was dependent on receipt of funds both from Government of India and State Government is not correct as it did not match availability of funds.

Selection of key Activities

3.2.18 Instead of funding diverse activities, SGSY lays stress on a few select key activities based on local resources, aptitude and skill of the people so that the *Swarozgaris* can draw sustainable incomes from their investments. Since the choice of the key activities would take time, the programme guidelines permitted selection of key activities for the year 1999-00 on *ad hoc* basis from activities that have been found to be successful under IRDP so that SGSY could be started straight away.

3.2.19 It was observed that selection of key activities was only completed as late as June/July 2001 although this should have been done by around April 2000, a delay of fifteen months. The SGSY Cell argued (May 2002) that the restructuring of the programme was actually announced only during September 1999 and the guidelines were issued much later. The reply is not factually correct as Ministry of Rural Development, Government of India twice sent the approved guidelines of SGSY to Government of Sikkim in April 1999 and May 1999. Moreover, the SRDA received the first instalment of Central assistance for 1999-2000 in the month of June 1999 itself. While confirming the fact (September 2002) that selection of key activities were delayed and completed only during July 2001 the Cell failed to specify the reasons for the same.

3.2.20 Delayed identification of key activities led to disbursement of subsidy amounting to Rs.1.05 crore upto 2000-2001 on the basis of key activities selected earlier in IRDP scheme, although this concession was allowed only upto 1999-2000, which was against the spirit of the guidelines.

Deficiency in preparation of Project Reports

3.2.21 The scheme guidelines stipulate that there should be a project report for each key activity prepared in consultation with line departments indicating the various elements such as training, credit, technology, marketing and the balancing infrastructure that needs to be provided and the cost involved. The project report was to be prepared for each activity and should indicate whether the project report for the key activities selected was made for the individual or group or both, the economics clearly spelt out for each of these indicating the details of investment

required, the details of returns, the repayment schedule and the net income accruable to the *Swarozgari*.

3.2.22 A check of the project reports of six¹ key activities revealed that these were prepared by the SGSY Cell without the involvement of line departments.

3.2.23 The Cell stated (September 2002) that project reports were prepared in the meeting organised by NABARD with the involvement of bankers and line departments and as such there was no deficiency. The reply is not acceptable as guidelines enjoins upon SGSY Cell to prepare the project report itself and not leave them to be prepared by NABARD and other agencies. Further, important parameters such as cost benefit ratio, skill upgradation, creating infrastructure etc crucial for success of key activities were not included in the project report.

Identification of individual beneficiaries/formation of self-help groups

3.2.24 The beneficiaries under SGSY (*Swarozgaris* and SHGs) were to be picked up from BPL households identified through a BPL census duly approved by the respective *Gram Sabhas*. The total number of BPL families as per census for SGSY scheme was 35,493. The details of total beneficiaries identified in both the categories and disbursements made to them are as shown below:

Table -3.21

| (Rupees in lakh) | | | | | | | | |
|------------------|---------------------------|---------------------|---------------------------------------|---------------------------|------------------|--|---------------------------|--------------------|
| Year | Individual beneficiaries | | Amount paid as Revolving Fund to SHGs | | | Amount released to banks by the SGSY Cell as subsidy to SHGs | | |
| | No. of <i>Swarozgaris</i> | Subsidy paid | Group | No. of <i>Swarozgaris</i> | Amount | Group | No. of <i>Swarozgaris</i> | Amount |
| 1999-00 | 681 | 44.50 | Nil | Nil | 1.01 | 05 | 57 | 04.70 |
| 2000-01 | 1873 | 117.09 | 27 | 308 | 4.06 | Nil | Nil | Nil |
| 2001-02 | 1863 | 123.67 | 116 | 1336 | 14.52 | 11 | 110 | 10.78 |
| Total | 4417 | 285.26 [#] | 143 | 1644 | 14.30* 5.29** | 16 | 167 | 15.48 [#] |

* Revolving fund

** capacity Building of SHGs.

Total expenditure on subsidy - Rs.300.74 lakh (285.26+15.48)

Self-help Groups

3.2.25 As envisaged under the scheme, SHGs were to go through three stages of evolution, namely, Group formation (Grade I), Capacity building (Grade II) and Economic activity (Grade III). The SHGs may consist of ten to twenty persons and 50 per cent of the groups formed were to be exclusively for the women. Within each SHG, Scheduled Castes/Scheduled Tribes beneficiaries were to account for at least 50 per cent of the *Swarozgaris*, women for 40 per cent and the disabled for 3 per cent. The SHGs were to be subjected to a grading exercise for evolution to the next higher second and third grades.

3.2.26 A total of 230 SHGs were formed during 1999-00 to 2001-02, details of which are given in the following table:

¹ ginger, amliso, piggyery, cardamom, poultry, dairy.

Table -3.22

| Year | Formed during the year | No. of SHGs from previous year | Total number of SHGs | Number of SHGs in various grades during the year | | |
|---------|------------------------|--------------------------------|----------------------|--|-----|-----|
| | | | | I | II | III |
| 1999-00 | --- | 5* | 5 | Nil | Nil | 5 |
| 2000-01 | 107 | 5 | 112 | 80 | 27 | 5 |
| 2001-02 | 123 | 112 | 235 | 87 | 132 | 16 |

* SHGs carried from DWCRA programme

3.2.27 As against norms mentioned in para 3.2.25 there was inadequate coverage of SCs/STs, women and the disabled as shown below:

Table -3.23

| Year ⁺ | District | Total number of SHGs | No. of members in SHGs | No. of SC/ST members in SHGs* | No. of women members in SHGs* | Exclusive women SHGs** | No. of disabled members in SHGs |
|--------------------|--------------|----------------------|------------------------|-------------------------------|-------------------------------|------------------------|---------------------------------|
| 2000-01 | East | 3 | 39 | 14 (36) | 39 (100) | 3 (100) | Nil |
| | West | 7 | 77 | 3 (4) | 73 (95) | 4 (57) | Nil |
| | North | 8 | 82 | 70 (85) | 62 (76) | 6 (75) | Nil |
| | South | 9 | 110 | 14 (13) | 67 (61) | 6 (66) | Nil |
| | Total | 27 | 308 | 101 (33) | 241 (78) | 19 (70) | Nil |
| 2001-02 | East | 48 | 550 | 94 (17) | 349 (63) | 29 (60) | Nil |
| | West | 25 | 339 | 72 (21) | 325 (96) | 23 (92) | Nil |
| | North | 12 | 127 | 117 (92) | 127 (100) | 12 (100) | Nil |
| | South | 31 | 320 | 53 (17) | 270 (84) | 26 (84) | Nil |
| | Total | 116 | 1336 | 336 (25) | 1071 (80) | 90 (78) | Nil |
| Grand Total | | 143 | 1644 | 437(27) | 1312(80) | 109(76) | Nil |

Note: *Figures within brackets indicate SC/ST and women as a percentage of total members.

** Figures within brackets indicate women SHGs as a percentage of total SHGs
In 1999-2000, no new SHGs were formed

3.2.28 It would be seen from above that the coverage of SCs/STs fell short by 17 to 25 per cent during 2000-01 and 2001-02 while there was no coverage of the disabled. The shortage in coverage of SCs/STs was more pronounced in South and West districts where it fell short by 33 to 37 per cent and 29 to 46 per cent respectively during the two years. The achievement with respect to formation of exclusive women SHGs and coverage of women members was higher than the norm during the two-year period by 26 and 40 per cent respectively.

3.2.29 In reply (September 2002) the Cell stated that effort has been initiated to extend maximum coverage of these special category beneficiaries.

Individual Swarozgaris

Inadequate coverage of SC/ST/Women

3.2.30 The SGSY guidelines specified that out of the total number of individual Swarozgaris, SCs/STs should account for at least 50 per cent of the beneficiaries, women 40 per cent and disabled for 3 per cent. Scrutiny of the list of individual SGSY Swarozgaris revealed that there was inadequate coverage for all these categories as shown below:

Table – 3.24

(Number of Swarozgaris)

| Year | District | Total | women | SC/ST | disabled |
|--------------------|--------------|-------------|------------------|------------------|------------|
| 1999-2000 | East | 192 | 64 (33) | 102 (53) | Nil |
| | West | 90 | 46 (51) | 37 (41) | Nil |
| | North | 84 | 38 (45) | 84 (100) | Nil |
| | South | 315 | 70 (22) | 107 (34) | Nil |
| | Total | 681 | 218 (32) | 330 (49) | Nil |
| 2000-01 | East | 928 | 290 (31) | 297 (32) | Nil |
| | West | 186 | 8 (4) | 48 (26) | Nil |
| | North | 276 | 72 (26) | 260 (95) | Nil |
| | South | 483 | 55 (11) | 109 (23) | Nil |
| | Total | 1873 | 425 (23) | 714 (38) | Nil |
| 2001-02 | East | 444 | 82 (18) | 220 (50) | Nil |
| | West | 482 | 58 (12) | 123 (26) | Nil |
| | North | 345 | 119 (34) | 324 (94) | Nil |
| | South | 592 | 124 (21) | 251 (42) | Nil |
| | Total | 1863 | 383 (21) | 918 (49) | Nil |
| Grand Total | | 4417 | 1026 (23) | 1962 (44) | Nil |

Note: Figures in brackets indicate percentages with reference to total number of Swarozgaris.

Less emphasis on group approach

3.2.31 Under SGSY, the beneficiaries could be either individual *Swarozgaris* or SHGs but the emphasis was to be on the latter as the assistance reaches the poor faster and more effectively under the group approach. During the period under review it was seen that

- individual *Swarozgaris* and SHGs (Grade II and III) received a total financial assistance of Rs.2.85 crore and Rs.29.78 lakh respectively.
- financial assistance to individual *Swarozgaris* worked out to Rs.6459.00 per person as against Rs.1751.00 per person for a member of a SHG.

3.2.32 The assistance given to an individual *Swarozgari* was almost four times more than for a member belonging to a SHG. This was not the intent of the SGSY programme.

3.2.33 The Cell attributed (September 2002) the reason for above to time consuming process of formation of SHGs and to bring them to the level of attaining eligibility for assistance and that group formation activity was expected to pick up in future.

Programme implementation

3.2.34 SGSY is a credit-linked scheme and credit is the key element. Subsidy is only a minor and enabling component. The major part of the investment consists of loans from banks. The details of loans disbursed by the banks under SGSY during the review period was as below:

Table – 3.25

(Rupees in lakh)

| Year | Loans disbursed to individual <i>Swarozgaris</i> | Loans disbursed to SHGs |
|--------------|--|-------------------------|
| 1999-00 | 109.65 | 9.42 |
| 2000-01 | 304.63 | Nil |
| 2001-02 | 312.97 | 21.56 |
| Total | 727.25 | 30.98 |

Credit-subsidy ratio

3.2.35 According to the instructions issued by Government of India, the subsidy-credit ratio should be 1:3 with effect from 2000-01. Further, the minimum prescribed limit of *per capita* investment was fixed at Rs.25,000. The amount paid as subsidy, credit (loan), subsidy- credit ratio and *per capita* investment during three years ending 2001-02 was as below:

Table 3.26

(Rupees in lakh)

| Sl. No. | Particulars | 1999-2000 | 2000-01 | 2001-02 |
|---------|---|-----------|-----------|-----------|
| 1 | Amount paid as | | | |
| | Subsidy | 49.20 | 117.09 | 134.48 |
| | Credit | 69.87 | 187.54 | 200.05 |
| | Total amount disbursed (subsidy + credit) | 119.07 | 304.63 | 334.53 |
| 2 | No. of <i>Swarozgaris</i> (includes SHGs) assisted | 738 | 1873 | 1973 |
| 3 | Subsidy – credit ratio | 1:1.42 | 1:1.60 | 1:1.49 |
| 4 | Per capita investment (Rupees) (Total amount disbursed/No. of <i>Swarozgaris</i>) | Rs.16,134 | Rs.16,264 | Rs.16,954 |

3.2.36 It would be seen from above that subsidy-credit ratio for 2000-01 and 2001-02 worked out to 1:1.6 and 1:1.49 as against the norm of 1:3. *Per capita* investment also was far below the minimum requirement of Rs.25,000 ranging from Rs.16,134 to Rs.16,954 over the period of three years.

3.2.37 In reply (September 2002) the Cell accepted that due to non-revision of unit cost, credit ratio of 1:3 could not be adhered to and assured that the same would be complied from next financial year.

Recovery of loans

3.2.38 The SGSY scheme attached great importance to the prompt recovery of loans as it reflected the success of the self-employment programme. The DDOs and SGSY Cell were required to keep a close watch over the repayment position and the banks were also required to furnish every month the list of defaulters to them.

3.2.39 All loans advanced under SGSY in the State were due for repayment after a gestation period of one year. It was however observed that neither the DDOs nor the Cell had any information or were maintaining any records in this regard as a

consequence of which the information could not be furnished to Audit despite two reminders and nor were the banks furnishing the required information in the absence of which Audit could not evaluate the position in this respect.

Poor achievement in terms of coverage

3.2.40 The SGSY was to cover 30 per cent of the BPL families over a period of 5 years (by March 2004). To achieve this, 6 per cent of the BPL population was to be covered each year and from 1999-00 to 2001-02, therefore, 18 per cent should have been covered. As against this, the actual coverage was as below:

Table -3.27

| Particulars | Districts | | | | |
|--|--------------|--------------|--------------|---------------|---------------|
| | East | North | South | West | Total |
| Total no. of rural BPL families (BPL census 1999)* | 8,351 (23) | 2,366 (7) | 12,261 (35) | 12,515 (35) | 35,493(100) |
| Total no. of BPL families to be covered (1999-2002) at 6 per cent per year | 1503 | 426 | 2207 | 2252 | 6388 |
| Actually covered (1999-2002) | 1674 (111) | 705 (165) | 1447 (66) | 758 (34) | 4584 (72) |
| Shortage/Excess of coverage | (+) 171 (11) | (+) 279 (65) | (-) 760 (34) | (-) 1494 (66) | (-) 1804 (28) |

* As per BPL census of SRDA

** Figures in represents per cent

3.2.41 The reply (September 2002) of the Cell that the scheme lays emphasis on financial target and not on physical target is not acceptable as SGSY guideline specifically stipulates coverage of 30 per cent BPL families in five years time.

Infrastructure creation

3.2.42 The SGSY was to ensure that the infrastructure needs for the identified key activities were met in full as it was essential for the success of the micro enterprises and for the *Swarozgaris* to derive the maximum advantage from their investments. The project report of each key activity was to clearly identify the existing infrastructure and the additional infrastructure that needs to be created. In paragraph 3.2.22 it has already been pointed out that the project report of the key activities and did not define the balancing infrastructure to be provided and thus programme execution was defective to this extent.

Incomplete works

3.2.43 It was also observed that as part of infrastructure creation, the construction of seven and five marketing centres were taken up departmentally during 2000-01 and 2001-02 and for which Rs.45.98 lakh was advanced to the DDOs. All the works were still incomplete (June 2002) even nine to twelve months after the stipulated dates of completion.

3.2.44 In reply (September 2002), the Cell informed that construction of marketing centres had already begun and would be completed shortly. However, reason for delay and likely date of completion was not intimated by the Cell.

Unauthorised expenditure

3.2.45 The guidelines lay down that no recurring expenditure should be met out from Infrastructure Fund. A scrutiny of the expenditure incurred during 1999-00 to 2001-02 revealed that out of a total expenditure of Rs.90.96 lakh, Rs.10.95 lakh was spent on repairs and renovation of existing infrastructure and Rs.0.87 lakh on printing charges, POL, etc. in violation of the guidelines.

Training

3.2.46 According to the programme, where the *Swarozgaris* possess Minimum Skill Requirement (MSR), they may be put through a basic orientation programme (BOP) which would include elements of book keeping, market appraisal, product costing and pricing etc. As per norms expenditure of Rs.15 per trainee per day was admissible for imparting on basic orientation programme (BOP) and skill development training programme (SDT). The assessment regarding technical skills was to be made by the line departments while that of the managerial skills by the banker while scrutinising the loan application. Such an exercise alongwith the *Swarozgaris* will help in identifying those who have the MSR and therefore need only the basic orientation training and those who need skill training.

3.2.47 There was nothing on record to show that such a detailed assessment of skills of *Swarozgaris* was ever attempted. While the basic orientation programme training was conducted by the SGSY Cell with the technical support of line departments for 6118 *Swarozgaris* (4417 individual and 1701 SHG) at a cost of Rs.29.74 lakh, no effort was initiated to identify the need for skill training and none was organised during the review period.

Technology management

3.2.48 The SGSY envisaged that the technology identified for each key activity should be such that it can be managed comfortably by the *Swarozgari* and at the same time leads to quality products. The project report of the key activities were to clearly state the present status of technology, feasibility and potential for technology upgradation as this could lead to better economic results while introduction of certain technology may substantially alter the economics of working.

3.2.49 Though in Sikkim the identified key activities were mainly the traditional occupations of the populace, the specific technology requirements were not identified nor the feasibility and potential for technology upgradation explored. The SGSY Cell stated (May 2002) that issues relating to technology management were not required as yet as the *Swarozgaris* were still in formative years and the same would be taken care of as and when the need would be felt. The reply only

serves to reinforce the point that key activities were not based on up to date technology even though an expenditure of Rs.4.79 crore has already been made on the scheme in just three years.

3.2.50 In a further reply (September 2002), the Cell acknowledged the need for technology management by stating that the consultation from various agencies for technology management have been initiated.

Marketing support

3.2.51 Marketing support was an important component envisaged under the programme. However, even after three years of operation of the SGSY no marketing network or services had been established or offered by the Cell save the 12 marketing centres mentioned in paragraph 3.2.50 taken up for construction but whose completion is nine to twelve months behind schedule.

Monitoring and Evaluation

3.2.52 The guidelines stipulated that for the success of the programme, the SGSY Cell was expected to monitor and coordinate the implementation of the programme with close involvement of different agencies such as *Panchayat Samitis*, Banks and line departments and the NGOs.

3.2.53 The Cell stated (May 2002) that for monitoring of programme, committees at block, district and State levels have been formed and that regular quarterly meetings at district and State level and field visits are undertaken regularly. It was further stated that monthly reports from block and district levels are submitted at the State level regularly and physical verification of the assets was being done as per requirement of the SGSY programme. However, the Cell could not produce any inspection reports, physical verification reports and minutes of the meeting etc. in support of its contention. The Cell also added that the periodic evaluation of the implementation of the programme was conducted by reputed institutions and organisations. These evaluation reports, if any, were not made available to Audit.

FINANCE AND HOME DEPARTMENT

3.3 Procurement and utilisation of Government vehicles

3.3.1 To review the system of procurement and maintenance of Government vehicles (excluding departmental buses and trucks) in the State, information through a questionnaire was called for from all 40 departments of the Government of Sikkim to which, twenty eight departments furnished full information, seven^π

^π Agriculture, Election, Education, Forest, Horticulture, Home and Land Revenue Departments.

departments furnished partial information and five* departments did not respond at all. The questionnaire was further supplemented by a test check of vehicle records of eight[†] departments and information collected from the State Trading Corporation of Sikkim.

3.3.2 The review covered the period 1997-98 to 2001-02 and was conducted with reference to the Sikkim Financial Rules (SFR) and the relevant notifications and circulars issued by the Home and Finance Departments of the State from time to time.

Purchase of vehicles in violation of MOU and despite imposition of ban

3.3.3 In order to improve the fiscal position of the State, a Memorandum of Understanding (MOU) was signed between the Government of India and Finance Department on behalf of the Government of Sikkim during April 1999, in which the latter undertook to adopt various economy measures,[‡] one of which was imposition of a ban on purchase of vehicles. Based on the assurances given by the State Government in the MOU, the Government of India agreed to extend financial assistance to the State Government including deferment of the loan liability. As a follow up to the MOU, the Home Department, Government of Sikkim issued a circular (June 1999) completely banning purchase of all types of vehicles. However, despite imposition of the ban it was seen that 34 departments had procured 211 vehicles during July 1999 to March 2002 entailing an expenditure of Rs.7.78 crore (**Appendix -IX**). During this period, 55 vehicles were condemned/auctioned resulting in a net addition of 156 vehicles for which the State Government had to incur additional expenditure of around Rs.44.46^{††} lakh per year towards the salaries of drivers and cost of petrol/oil/lubricants (POL), over and above the cost of repair and maintenance.

3.3.4 Appendix 3A to Rule 55 of the SFR stipulates that procurement and replacement of all new vehicles should be made with the concurrence of Finance and Home Departments. Further, against the backdrop of the MOU entered into by the former and the circular issued by the latter, these departments accorded their concurrence for the purchase of 211 vehicles.

Avoidable expenditure on excess pool vehicles

3.3.5 In order to regulate the use of Government vehicles by officers, the Home Department through a notification of January 1997 imposed restrictions on the use of Government vehicles by officers below the rank and level of Joint Secretary to the State Government. These officers were allowed to use a departmental pool vehicle on sharing basis with one vehicle to be shared by three officers of a

* Irrigation & Flood Control, Art & Culture, Power, Building & Housing and Roads & Bridges Departments

† Departments of Finance, Animal Husbandry & Veterinary Services, Agriculture, Land Revenue, Horticulture, Rural Development, Urban Development & Housing and Forest located at Gangtok

†† Drivers' salaries + POL = (Rs.1500 X 12 X 156) + (Rs.25.00 X 35 lts X 12 X 156) = Rs 44.46 lakh

department. This arrangement was applicable to the vehicles in the State headquarters only.

3.3.6 In the case of 12 departments (**Appendix –X**) it was seen that the number of pool vehicles with the departments was in far excess of the norms. The excess ranged from 50 *per cent* in case of the Food, Civil Supplies and Consumer Affairs Department (FCS & CAD) to 200 *per cent* in case of Animal Husbandry and Veterinary Services(AH&VS), Rural Development and Education Departments. It was further noticed that in violation of the notification, officers below the rank of Joint Secretary posted in the State headquarters were also allotted individual vehicles which resulted in avoidable expenditure of Rs.2.07 crore towards the cost of the vehicles in excess of requirement, repair and maintenance costs, POL and salaries of drivers.

3.3.7 The reply of the UDHD, Horticulture, Education, Sports and Youth Affairs and Tourism Departments (September 2002) that individual vehicles were required for officers undertaking extensive tours was not acceptable as the notification of January 1997 specified that the head of the concerned department would assign a vehicle out of the departmental pool to officers intending to go on tour on submission of tour programme. There was no provision for allotment of individual vehicles round the year to such officers. The reply (September 2002) of the AH&VS Department that its 6 departmental pool vehicles were shared by 13 officers and a breeding cell was not factual, as test check of paid vouchers of salary of these officers disclosed that vehicle charges at full rate was deducted from some officers indicating individual allotment of vehicles to them while no charge was deducted from other officers indicating non-allotment of vehicles to them. The FCS&CAD while accepting the audit observation stated (September 2002) that the excess vehicles have since been adjusted by allotment to newly transferred/ promoted officers within the Department. No reply was received from the other five departments.

Diversion of funds from capital outlay for purchase of vehicles

3.3.8 Scrutiny of records revealed that the Urban Development and Housing Department (UDHD) procured one vehicle during 1998-99 on the approval of the then UDHD Minister at a total cost of Rs.3.15 lakh from the contingency provision of a work relating to the construction of multi-storied car parks at Gangtok, although there was no budgetary allocation under this work and without the concurrence of Finance and Home Departments. Similarly, the Sikkim Public Works Department (SPWD) procured two vehicles costing Rs.10.00 lakh during 2000-2001 by meeting the expenditure from the budgetary provisions earmarked for the carpeting of Pelling and Rimbi roads.

3.3.9 The reply of the UDHD (September 2002) that the vehicle was purchased for VIP duty from contingency provision of the project due to non-availability of provision under office expenses was not tenable as purchase of vehicle from contingency provision was irregular and as per the records of the Department it was procured for use of a departmental officer and not for any VIP.

3.3.10 No reply was received from the SPWD.

Absence of a proper system for disposal of disused car parts

3.3.11 Government had not prescribed any system for the collection and disposal of disused and replaced parts of Government vehicles even though huge amounts ranging from Rs.1.08 crore to Rs.1.21 crore was spent during the period 1997-98 to 2001-02 on repair of vehicles.

3.3.12 Further, as per a Finance Department circular of November 1984, old tyres were required to be deposited with State Trading Corporation of Sikkim (STCS). This was to ensure actual utilisation of the new purchases. Although tyres valuing Rs.87.58 lakh were purchased during 1997-98 to 2000-01 by various departments, old tyres were not deposited with the STCS, in the absence of which utilisation of new tyres could not be vouched for in audit.

Avoidable expenditure on excess drivers

3.3.13 It was noticed that the Tourism Department and Utilisation Circle of Forest Department had 1 to 5 regular drivers in excess of the number of vehicles with them. Further, despite the availability of regular drivers, these Departments engaged 6 to 7 additional drivers on daily wage basis between 1997-98 to 2001-02. The deployment of drivers in excess of the number of vehicles during the period 1997-98 to 2001-02 resulted in an unwarranted expenditure of Rs.12 lakh².

3.3.14 This review had been forwarded (July 2002) to the Home and Finance departments. Response is awaited (October 2002)

² Calculated at average pay of Rs.4,000 for regular driver and Rs.1500 per month for daily wage driver

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

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

ANIMAL HUSBANDRY & VETERINARY SERVICES DEPARTMENT

3.4 Avoidable expenditure on establishment of nitrogen plants at Deorali and Jorethang

The decision of the department to set up two nitrogen plants at Deorali and Jorethang resulted in an avoidable expenditure of Rs.1.35 crore.

3.4.1 Mention was made in the para 3.1.7(f) of Audit Report 1988-89 about the injudicious establishment of a Rs.29.90 lakh liquid nitrogen plant at Deorali in East District in July 1987 with an annual production capacity of 43,200 litres which was far in excess of the actual requirements. The Public Accounts Committee (PAC) in its 11th Report (March 1993) observed that the implementation of the scheme was faulty, lacked planning and called for an immediate review of the situation with appropriate remedial action for improvement.

3.4.2 Audit consequently observed that the said plant since its commissioning till November 1998, functioned at 16 *per cent* capacity owing to lack of demand and breakdowns and during this period Rs.32.11 lakh was spent on maintenance and repairs. In December 1998 the plant went out of order.

3.4.3 Despite the fact that there was already excess manufacturing capacity for nitrogen and the adverse observations of the PAC on the setting up of the first plant, the department in November 1993 commissioned a second nitrogen plant at Jorethang having an annual production capacity of 87,600 litres at a cost of Rs.67.56 lakh. From November 1993 to February 1999 this plant functioned at only 5 *per cent* of its installed capacity and during this time Rs.5.83 lakh was incurred on its maintenance and repairs. In March 1999 this plant also broke down.

3.4.4 The department stated (January 2001) that production had stopped at both plants due to minor problems, lack of compressor oil and minor spare parts but that they could be put in order with the procurement of some minor spare parts and inviting the service engineer from Siliguri. As of March 2002, neither plant

was operational as the department had not taken any action to carry out the necessary repairs.

3.4.5 In May 2001 the prevailing rate of liquid nitrogen was around Rs.17/- per litre and the total requirement of the State being around 5000 to 6300 litres per year, procurement from the open market would have cost Rs.0.85 lakh to 1.07 lakh per year as compared to the department's decision to set up two plants at a cost of Rs.97.46 lakh. Further, when the capacity of the first plant itself was far in excess of requirements, there was no justification for the department to go in for a second plant. The department's apparent reluctance to carry out even minor repairs to the plants which are idle - there was no production of nitrogen since March 1999 - indicated that the plants may not have been required in the first place. Thus, the expenditure of Rs.1.35 crore (cost of plants *plus* expenditure on repairs and maintenance) was avoidable.

3.4.6 In reply, the department stated (May 2002) that the second plant at Jorethang was established keeping in view the transportation problems during monsoon and evaporation loss of liquid nitrogen during transit to South/West districts. As regards non-repair of the plants, it was stated that remedial action could not be taken due to the high repair costs involved. The reply was not tenable in view of the fact that the capacity utilisation of the second plant was only 5 *per cent* considering which transportation of liquid nitrogen from Deorali would have been more economical than establishing the second plant. Regarding the high repair costs, this is inconsistent with the department's reply of January 2001 which attributed the stoppage of production at both the plants to minor problems which could be set right with the procurement of some spare parts and calling the service engineer from Siliguri.

3.5 Unfruitful expenditure on construction of veterinary dispensary at Samdong.

The construction of a building at an unsuitable site led to infructuous expenditure of Rs.9.33 lakh and the objective for which land was acquired has not been accomplished even after 14 years.

3.5.1 The Animal Husbandry and Veterinary Services department (AHVSD) purchased (1987) 1.062 hectare of land for a veterinary dispensary at a cost of Rs.0.51 lakh at Samdong, East Sikkim. 6 years after the purchase, the land was inspected (December 1993) by a team of departmental officers which however, did not include a technically qualified person competent to evaluate the geological profile of site conditions. The team reported that the land was not suitable for construction of the dispensary, as there was no approach road and the plot was surrounded by private holdings which would obstruct the construction work and in view of these reasons, recommended that the land be exchanged with another private holding in the same locality measuring 1.042 hectare. This proposal was approved (July 1994) by the Minister for AHVSD.

3.5.2 The department incurred an expenditure of Rs.2.24 lakh during 1996 towards fencing of the land. The work of construction of dispensary and office building including footpath and other additional items were completed at a total cost of Rs.6.58 lakh during July 1998 by one contractor under the supervision of the engineering cell of the Agriculture department. The departmental officers while inspecting the building (May 1999 and June 2000) however found that the building had developed a crack around its base and the roof and ceiling were damaged which was attributed to the instability of the soil condition in the area. As of March 2002, the facility was unoccupied.

3.5.3 Thus, the suggestion of the team to exchange the original site for another without first getting expert opinion resulted in an infructuous expenditure of Rs.9.33 lakh. Moreover, the objective for which land was acquired has not been accomplished even after 14 years.

3.5.4 The department in their reply (May 2002) stated that the original land was exchanged due to availability of better facilities like approach road etc. making the construction work easier and cheaper in the new site. Reasons for delay in achieving the objective and damage in the building were attributed respectively to non-availability of funds and natural calamity. It was further stated that the repair of the building was carried out at the expense of the contractor from his security deposit and the department was planning to utilise the building by the end of May 2002. While the utilisation was not confirmed (August 2002), the reason of natural calamity was not based on fact as verified from the report (June 2002) of the concerned Deputy Director (East) of the department which spoke of the defective survey of the sinking area before construction. The repair by the contractor at his own expense further counters the reply of the department on the natural calamity.

EDUCATION DEPARTMENT

3.6 Diversion of fund

Diversion of Rs.56.78 lakh for purchase of LIG flats resulted in non-accrual of the intended benefits of the RRTE programme in the State.

3.6.1 Government of India, Ministry of Human Resource Development approved the setting up of two new District Institutes of Education and Training (DIETs) at South and West Districts of Sikkim and sanctioned Rs.2.00 crore (March 1999) for civil works under the Centrally sponsored scheme, Restructuring and Reorganisation of Teachers Education (RRTE). The Government of India released (April 1999) Rs.86.25 lakh as the first instalment of Central grant which was credited into the State Government's account in May 1999. The second instalment was to be released after 75 per cent utilisation of the

first instalment with corresponding progress of construction.

3.6.2 While construction of the DIETs had not yet been taken up (April 2002), the department in April 2001 diverted an amount of Rs.56.78 lakh – out of the Rs.86.25 lakh received from Government of India, to the Sikkim Housing Development Board towards the cost of 18 units of LIG flats purchased for running a Sanskrit Mahavidyalaya in West district.

3.6.3 The matter of diversion of funds was reported to the department (November 2001); reply was not received (October 2002).

FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.7 Incorrect price fixation of iodised salt

The inclusion of inadmissible components in the retail price of iodised salt and non-revision of the retail price subsequent to decrease in the procurement price resulted in undue benefit of Rs.56.95 lakh to the dealers at the expense of the consumers.

3.7.1 The Food and Civil Supplies & Consumer Affairs department (FCSCAD) fixes the retail price of iodised salt to be sold to the consumers of the State under the Sikkim Essential Commodities Order 1977 on the basis of its price at source intimated from time to time by the Office of the Salt Commissioner (SC), Government of India and after including other incidental charges. The FCSCAD accordingly authorises dealers to lift the salt quota earmarked for Sikkim from manufacturers based in Gujarat and sell it in the State at the regulated retail price.

3.7.2 Scrutiny of records of the FCSCAD (July 2001) revealed the following:

(i) The FCSCAD included loading/unloading and transportation charges from factory head at Gandhidham to nearest Railway Station, Chirai in the retail price despite being aware of the fact that the price billed by the manufacturers was FOR Gandhidham/Cherai. This unduly inflated the retail price resulting in extra benefit of Rs.22.73 lakh to the dealers at the expense of the consumers on the sale of 17955 tonnes of iodised salt during January 1999 to December 2001.

(ii) The retail price of iodised salt was last fixed by the FCSCAD during December 1998. Thereafter, the price of iodised salt as confirmed by Audit from the SC-Government of India decreased over the years 1999 to 2001. However, no steps were taken by the FCSCAD to revise the retail price in tune with the

Table-4.9

| Year | No of Illegal connections detected | No of illegal connection regularized | Penalty imposed |
|--------------|------------------------------------|--------------------------------------|-----------------|
| 1997-98 | 11 | 11 | Nil |
| 1998-99 | 16 | 16 | Nil |
| 1999-00 | 21 | 21 | NIL |
| 2000-01 | 30 | 30 | NIL |
| 2001-02 | 25 | 25 | NIL |
| Total | 103 | 103 | |

4.1.56 It was observed that all the above illegal connections were regularised on payment of necessary fees for a new connection from a prospective date without the imposition of any fine. In terms of Section 41 of the Sikkim Water Supply and Water Tax Act 1986, the department should have imposed fine of Rs.2000/- per connection along with necessary fees for connection that was not done resulting in a revenue loss of Rs.2.06 lakh.

4.1.57 Further, in response to an Audit query the PHED stated that 16 illegal connections were detected during 1998-99 whereas the corresponding figure furnished by it to another agency was 81. This lack of consistency underscores the fact that the reporting, monitoring and information system of the department left much to be desired.

Distribution network and leakage of revenue

4.1.58 The total number of registered water consumers on the books of the PHED was 24611 (5710 Gangtok +18901 other parts of Sikkim) as on 31 March 2002. The 5710 consumers in greater Gangtok (as on March 2002) as projected by the department was far below the number of 18,000 households estimated by the PHED itself in 1998. Going by these numbers, there were 12,290 households (68 *per cent*) in greater Gangtok not connected to the PHED's water distribution system that appears implausible. The inference therefore, is that there were a large number of illegal connections leading to considerable leakage of revenue.

4.1.59 A 1999 report of the AUS- AID Agency also calculated that 80 *per cent* of the piped water supply in the State was lost due to illegal connections, distribution losses and improper use. This corroborates the above audit contention. However, the department exhibited such losses to be only 30 *per cent*.

4.1.60 While agreeing to the audit observation, the department stated (October 2002) that it would go for house-to-house enumeration to track down illegal connections, distribution losses and other improper use of water supply.

CHAPTER-IV

WORKS EXPENDITURE

SECTION : B

(AUDIT PARAGRAPHS)

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CHAPTER-IV

WORKS EXPENDITURE

SECTION-B

(AUDIT PARAGRAPHS)

IRRIGATION, POWER, ROADS AND BRIDGES AND PUBLIC HEALTH AND ENGINEERING DEPARTMENT

4.2 Excess payment due to non-deduction of void

Non-deduction of void while taking measurement of earth and soling stone/boulder resulted in excess payment of Rs.56.72 lakh to contractors.

4.2.1 The procurement and measurement of coarse and fine aggregates like stone, sand, earth, manure, sludge etc., and payments for their aggregates are calculated by the works departments all over in terms of volume of stacks measured in cubic units. Further, Central Public Works department (CPWD), Ministry of Surface Transport (MOST), Indian Road Congress (IRC) specifications and PWD codes of other state governments provide for deduction from volume computed by stack measurements for looseness in stacking on account of void to arrive at the net quantity of payment, as under:

Table 4.10

| Item | MOST (IRC) Specification | CPWD Specification | Norms fixed by other States | Remarks |
|---------------------------|---|--|--|--|
| Earth (Slips) | Not specified | 20% | Not known | Earth means slips / loose soil in stack in cart / lorry loads etc. |
| Stone chips (Stone metal) | From fine aggregate to 22.4 mm – 5% From 26.5 mm to 45 mm – 10% From 63 mm to 75 mm – 12.5% | Below 40 mm – Nil From 40 mm to below 100 mm – 7.5% | Jharkhand – MOST specification Meghalaya – 5 to 10% | In Sikkim SOR, sizes of stone chips vary from 15 mm to below 64 mm |
| Soling stone / Boulder | Not specified | 100 mm and above – 15% | West Bengal – 14.28% Nagaland – 15% | In Sikkim SOR, sizes of stone vary from 65 mm and above |

4.2.2 While other state governments have adopted the norms towards reduction of volume during measurement in the line of norms specified by the

CPWD and MOST, the Government of Sikkim although a member of the IRC, has not adopted the same as yet. Therefore, no works department in the State is reducing the volume towards void in stacking while measuring and releasing the payment on procurement of earth/stone, etc.

4.2.3 Scrutiny of measurement books and contingent vouchers pertaining to procurement of stone for use in different departmental works (except in respect of Power department where stones were purchased and payments made for clearance of slips/earth in respect of works executed by contractors) revealed that during measurement, no void was deducted from the volume of stones supplied/purchased and slips/earth cleared, resulting in total excess payment to different suppliers/contractors to the tune of Rs.56.72 lakh during the period October 1997 to March 2002 for execution of works. The details of such excess payments were as under:

Table 4.11

| Sl. No | department | Period | Quantity purchased/supplied (cu.m.) | Amount paid (Rs.in lakh) | Percentage required to be deducted towards void | Excess payment (Rs.in lakh) |
|--------|--------------------------------------|---------------------|---------------------------------------|--------------------------|---|-----------------------------|
| 1 | IRRIGATION | 12/2000 to 10/ 2001 | Stone – 45594.79 | 115.79 | 15 | 17.37 |
| 2 | ROADS AND BRIDGES | 10/1997 to 9/2001 | Stone – 66533.54 | 142.26 | 15 | 21.34 |
| 3 | PUBLIC HEALTH ENGINEERING DEPARTMENT | 8/1998 to 3/2002 | Stone - 7625.24 | 23.00 | 15 | 3.45 |
| 4 | POWER | 11/2000 | Stone - 35683.40 Earth - 256870.38 | 25.29 53.83 | 15 20 | 3.79 10.77 |
| | Total | | | | | 56.72 |

4.2.4 Thus, due to non-adoption of norms for standard deduction towards void, the departments paid an excess amount of Rs.56.72 lakh.

4.2.5 While the departments defended non-deduction of void earlier on the plea that there existed no such provision in the Schedule of Rate (SOR) and SPWD Code and Manual, at the instance of Audit they unanimously decided (September 2002) to adopt IRC specification for deduction of void at 15 per cent for supply of stone and 5 per cent for stone chips (fine aggregate to 22.4 mm).

POWER DEPARTMENT**4.3 Extra contractual payment in Rathang Hydel Project**

Additional payments towards procurement cost and stacking charges of stone, stone chips and contractor's profit to the tune of Rs.66.62 lakh were made over and above the contractual obligation.

4.3.1 The Schedule of Rate (SOR) in respect of any item of work is prepared after taking into account the cost of non-stock materials like sand, stone, stone chips, labour cost, contractors profit, etc. The cost estimate of any work is prepared based on the SOR and when such a work is put to tender, the contractor to whom the work is awarded has to execute the work at his quoted/negotiated rate accepted by the department. No additional payments, in any case, should be made to the contractor towards any other charges or items of work not specifically included in the agreement.

4.3.2 Scrutiny of records (September 2001) revealed that in 5 works relating to the construction of water conductor system of Rathang Hydel Project, the department made (November 2000) additional payments, together with the element of contractors' profit thereon, to the contractors towards procurement cost and stacking charges of stone and stone chips. These additional payments were irregular and unjustifiable as the agreements did not provide for payment of these items. The extra contractual payment to the contractors amounted to Rs.66.62 lakh.

4.3.3 The reply of the department (April 2002) that due to sudden scrapping of the project it had to make payments towards non-stock materials as the contractors had already procured the same for project purposes was not tenable as stone and stone chips for the work was available in the work site itself from hill cutting and blasting of hard rock. The non inclusion of carriage and cost of stone and stone chips in the agreement entered into by the department with the contractors further corroborated this point.

4.4 Undue benefit to contractors due to payment of advance

The payment of advances of Rs.2.09 crore by the Power department to 4 contractors engaged in the work 'construction of 66 KV line from Melli to Mamring and 66 KV Sub-station at Melli' etc., was not only irregular but also led to loss of interest of Rs.63.09 lakh to the Government.

4.4.1 There is no provision in the Sikkim Public Works Code or Sikkim Financial Rules for payment of mobilisation advance to contractor's before/after commencement of work.

4.4.2 Mention was made vide para 4.1 of Audit Report 1997-98 regarding irregular payment of mobilisation advance of Rs.1.32 crore to contractors by the Building and Housing department resulting in loss of interest to the Government on account of cost of borrowing. The Public Accounts Committee (PAC) in its 40th Report, taking note of the department's reply that payment of mobilisation advances had since been totally stopped, did not make any recommendation.

4.4.3 Test check (October 2001/July 2002) of records of the Power department revealed that the department paid (June 1998 to June 1999) advances of Rs.2.09 crore to 4 contractors engaged in the work 'construction of 66 KV line from Melli to Mamring and 66 KV Sub-station at Melli' etc. As on June 2002, the department had recovered Rs.1.81 crore from the running account bills of the contractors leaving a balance of Rs.27.81 lakh to be adjusted from subsequent bills.

4.4.4 The payment of advances to the contractors, thus, was not only irregular and in disregard to the spirit of PAC Report, but also led to loss of interest to the tune of Rs.63.09* lakh to the Government calculated on the basis of cost of borrowing of the Government of Sikkim.

4.4.5 The matter was reported to the department (February 2002); reply was not received (October 2002).

* calculated at the rate of 12 per cent per annum

4.5 Undue benefit to the supplier

Application of incorrect and inflated rate for procurement of materials at store issue rates besides violating rules resulted in excess payment of Rs.21.17 lakh.

4.5.1 Issue rates of store materials are fixed taking into account the cost of the article, commission paid to the State Trading Corporation of Sikkim (STCS), storage charge, sales tax, labour cost, transportation cost, etc. The issue rates so arrived at are for the purpose of making recoveries in case of materials issued from stores to contractors or for adjustment in departmental works. In no case, such issue rates could be taken as a benchmark for the purpose of procurement from suppliers.

4.5.2 Further, according to the Sikkim Financial Rules (SFR), all purchases costing over Rs.5000 should normally be made through the STCS. For lower denominations when stores are purchased from the open market directly, the system of open competitive tender should, as far as possible, be adopted and purchases made only after reasonable market enquiry.

4.5.3 It was noticed that since 1989, the Power department was procuring various materials at issue rates from local suppliers by placing orders directly without ascertaining reasonability of rates thereby violating the codal provision. Scrutiny of records relating to the period 1997-98 to 2000-2001 revealed that the department procured various materials worth Rs.2.38 crore in this way resulting in excess payment to the suppliers to the tune of Rs.21.17 lakh being the inadmissible elements (STCS commission, storage charge and sales tax) within the issue rates fixed for purposes other than procurement.

4.5.4 The procurement of the above materials at the issue rates also resulted in the department separately paying an additional sum of Rs.17.79^{lakh} as sales tax.

4.5.5 The above purchases were made through 914 sanctions accorded by the Divisional and Superintending Engineers who split the same to avoid obtaining sanction from higher authorities vitiating the provision of SFR 124.

4.5.6 Thus, the departmental action of procuring materials at the store issue rates and splitting up of sanctions besides violating the relevant codal provisions, also caused an avoidable expenditure of Rs.21.17 lakh and payment of Rs.17.79 lakh as sales tax during just three years out of the twelve since when this practice started.

4.5.7 The matter was reported to the department (February 2002); reply was not received (October 2002).

PUBLIC HEALTH ENGINEERING AND ROADS AND BRIDGES DEPARTMENT

4.6 Avoidable expenditure on procurement of stone and loss due to non-realisation of royalty at enhanced rate.

Failure of the departments to procure stone at the approved rate resulted in excess payment of Rs.96.51 lakh. There was further loss of Rs.4.55 lakh due to non-imposition of enhanced rate of royalty.

Avoidable expenditure due to procurement of stone at higher rate

4.6.1 The Schedule of Rate (SOR), as approved by Government, is applicable to all works departments of the Government of Sikkim. The cost of stone as per the SOR-1998 was Rs.92.70 per cubic metre (effective till November 2001).

4.6.2 Scrutiny of records of 2 works departments, namely, Roads and Bridges (R&B) and Public Health Engineering (PHE) departments, out of 8 in the State, revealed that these departments procured 74158.78 cubic metres of stone during the period October 1997 to September 2001 from various suppliers at rates other than the SOR resulting in excess payment as shown below:

Table 4.12

| department | Quantity of stone purchased | Amount actually paid | Cost of stone calculated at SOR-1998 | Excess payment |
|--------------|-----------------------------|----------------------|--------------------------------------|----------------|
| | <i>(in cubic metres)</i> | | <i>(Rupees in lakh)</i> | |
| PHE | 7625.24 | 23.00 | 7.07 | 15.93 |
| R&B | 66533.54 | 142.26 | 61.68 | 80.58 |
| Total | 74158.78 | 165.26 | 68.75 | 96.51 |

4.6.3 Further as per the analysis of rate, the cost of stone is made up of only two elements, namely, labour cost and royalty. Therefore, cost of stone, exclusive of carriage, cannot vary from place to place in the State as wage rates and rate of royalty are uniform throughout the State.

4.6.4 The departments stated (March and September 2002) that the rates were inclusive of carriage and therefore these were higher than the SOR. The reply of the departments is not acceptable as:

- i. Sales Tax at 8 per cent was paid by the departments on the total amount of the individual bills, which proves the fact that there was no carriage component.

- ii. Separate carriage bills for transportation of stone had been debited to the works head.

Non-deduction of royalty at enhanced rate

4.6.5 In addition to the excess expenditure as stated above, scrutiny of contingent bills of R&B and PHE departments for the period April 2000 to November 2001 and August 1998 to September 2001 respectively revealed that they failed to deduct enhanced rate of royalty for the supplies made during the period January 1998 to September 2001 at the rate of Rs.50 per cubic feet with effect from 01 January 1998, up from Rs.15 per cubic feet in terms of notification issued by the Government in December 1997. This has resulted in short realisation of royalty to the tune of Rs.4.55 lakh (R&B Rs.4.20 lakh and PHE Rs.0.35 lakh).

4.6.6 The departments stated (March and September 2002) that royalty was recovered at the old rate because the estimates of the works were framed at the old rate. The reply was not tenable as for any supply, the rate of royalty should be the rate applicable on the date of supply and Audit has taken into account the dates of supply in the contingent bills.

SIKKIM PUBLIC WORKS DEPARTMENT (ROADS & BRIDGES)

4.7 Avoidable expenditure on muster roll labourers and supervisors

Engagement of muster roll labourers and supervisors in excess of norms specified by the MOST resulted in avoidable expenditure of Rs.13.79 crore.

4.7.1 The department has not notified any norms for engagement of road gangs, comprising of labourers and supervisors, for maintenance of roads in the State. According to the norms prescribed by the Ministry of Surface Transport (MOST), State Public Works department (PWD) may engage 0.30 labour and 0.04 supervisor* for maintenance of one kilometre road length. Scrutiny of records revealed that the labourers and supervisors engaged by the department on muster roll (MR) basis, was far in excess of the requirement with reference to existing road length as per MOST norms resulting in an avoidable expenditure of Rs.13.79 crore during the period 1997-98 to 2000-01, as under. Further, the excess showed an escalating trend – in 1997-98 there were 1275 and 837 excess labourers and supervisors and growing every year. By 2000-01 this number had risen to 1392 and 1213 respectively.

* Termed as Mate as per MOST norms

Table 4.13

| Year | 1997-98 | | 1998-99 | | 1999-00 | | 2000-01 | |
|--|---------|-----|---------|-----|---------|------|---------|------|
| | *Lab | Sup | Lab | Sup | Lab | Sup | Lab | Sup |
| Men-in-position (Nos.) | 1808 | 908 | 1830 | 958 | 1886 | 1152 | 1949 | 1287 |
| Requirement as per MOST norms (Nos.) | 533 | 71 | 528 | 70 | 533 | 71 | 557 | 74 |
| Excess (Nos.) | 1275 | 837 | 1302 | 888 | 1353 | 1081 | 1392 | 1213 |
| Total road length (Km.) | 1775.35 | | 1760.35 | | 1776.35 | | 1857.45 | |
| Total avoidable expenditure (Lab+Sup) (Rs.in lakh) | 311.41 | | 322.98 | | 360.29 | | 384.76 | |

*Lab: Labour; Sup: Supervisor

4.7.2 Besides, the employment of labourers and supervisors on MR was in the face of a series of circulars issued by the State Home department since December 1994 - the latest one being February 2001, imposing a ban on engagement of MR. Despite the ban, the department during the period continued to engage fresh labourers (141) and supervisors (379) on MR.

4.7.3 While accepting the audit observation relating to excess supervisors, the department stated (March 2002) that efforts would be taken to retrench the excess numbers. Regarding the issue of excess labourers, it stated that the employment was based on field requirement keeping in view the climatic conditions and terrain of the State. Even if this was the case, the reply was not acceptable as the department had not notified any standard norms for deployment of road gangs. Besides, the MOST norms were also applicable for hilly areas. Mizoram, a state with similar climate and physical features like Sikkim, had adopted MOST norms. Further, the deployments were not with reference to the specific requirement as Audit came across 16 cases where individuals were employed as MR supervisors / labourers on the recommendations of public representatives.

4.7.4 In a further reply (September 2002) while reiterating its earlier contention, the department added that labourers engaged included those for maintenance of bridges and rest houses also apart from road maintenance. The reply was not acceptable as separate provision under the budget existed for maintenance and repair of rest houses and dak bungalows while the bridges, wherever existing, were included within the road length reckoned by audit for arriving at the requirement of MR labourers / supervisors.

4.8 Avoidable expenditure and loss of hire charges

Despite availability of machinery for road carpeting, the department incurred avoidable expenditure of Rs.12.15 lakh on manual carpeting and also suffered a revenue loss of Rs.11.29 lakh as hire charges on machinery.

4.8.1 Mixing of bitumen with stone chips in road carpeting works is performed in two ways:

- a. By using firewood for boiling bitumen and mixing the same with pebbles manually at Rs.768/- per 10 square metres.
- b. By using bitumen boiler for boiling of bitumen and asphalt mixer / hot mix plant for mixing of boiled bitumen with pebbles at Rs.750/- per 10 square metres.

4.8.2 Though the Mechanical Division of the Sikkim Public Works Department (Roads and Bridges) maintains 3 bitumen boilers, 5 asphalt mixers and 1 hot mix plant for the purpose of carpeting works of roads, the department made payments totaling Rs.4.02 crore during February to October 2001 for carpeting 522882.09 square metres of road manually, thereby incurring avoidable expenditure of Rs.12.15 lakh, being the difference of cost between manual carpeting and machine carpeting. In addition, the department would also have earned hire charges to the tune of Rs.11.29 lakh had it used the road machinery in the carpeting works. Further, had the department used road machinery, it would also have prevented degradation of forest, as 817003.26 cubic feet of firewood was used as fuel in the manual carpeting works.

4.8.3 In reply, the department stated (March/September 2002) that it was forced to use firewood based manual carpeting due to non-availability of kerosene required for running the machines and enclosed a letter from the Food and Civil Supplies and Consumer Affairs department (FCSCAD) in support of its contention. It was only as late as December 2001 that the department wrote to the FCSCAD requesting separate quota of kerosene. It may be mentioned that the suggestion from the FCSCAD (January 2002) that the department could make direct procurement of kerosene from the wholesale dealers at Jalpaiguri or from Exim India, further confirms that it did not explore the possibility of procuring kerosene from other sources.

**URBAN DEVELOPMENT
AND HOUSING DEPARTMENT**

4.9 Blocking of Government fund on acquisition of land

Delay in implementation of a project led to blocking of fund of Rs.31.12 lakh for four and a half years apart from defeating the programme objective of setting up a rural marketing centre.

4.9.1 The State Government approved (July 1997) a proposal to acquire land at Dumra Busty, South Sikkim for setting up a rural marketing centre to improve the economic condition of the rural cultivators and also a satellite township to ease the growing pressure on Namchi town. Accordingly, land measuring 34.5480 hectares was earmarked for the purpose for acquisition by the Urban Development and Housing department (UDHD).

4.9.2 During August 1997, UDHD acquired 15.71 hectares of land at a cost of Rs.31.12 lakh. Thereafter, there was no evidence of any progress till December 1998, when a meeting was convened by the Chief Secretary to discuss the project. As a follow up to the meeting, the Commissioner-cum-Secretary, UDHD initiated action (December 1998) to find out the size of adjacent land - government as well as private, which would be required for acquisition in addition to the land acquired earlier, for establishment of the proposed township. Despite the survey of 60 acres of land in the area during January / March 1999 by a Kolkata based firm engaged by the department at a cost of Rs.1.64 lakh, there was no further acquisition of land and the project was completely stalled since August 1997.

4.9.3 Thus, the intention of the Government to provide the rural cultivators with a marketing facility as well as establishment of a satellite township had not fructified due to poor follow up action by the department. This not only led to blocking of Government funds of Rs.31.12 lakh for a period of four and a half years, but also cost the exchequer Rs.17.48 lakh on account of opportunity cost of borrowing, calculated at the average rate of interest applicable during the period.

4.9.4 In reply, the Commissioner-cum-Secretary, UDHD while admitting the delay in taking up follow-up action, stated (May 2002) that the land had been acquired as a matter of policy directive and strategic planning and as the Government ultimately stood to gain from the acquisition due to the scarcity and increase in value of land. The delay in implementation of the project due to non-acquisition of more land was attributed to frequent transfer of officers.

4.9.5 The reply of the department was not tenable as the land was acquired with the objective of establishing a marketing centre for rural cultivators which had not materialised so far.

4.10 Unfruitful expenditure due to faulty implementation of scheme

The benefits derived after spending Rs.77.68 lakh under the EIUS Scheme during 1998-99 to 2001-02 (upto December 2001) were uncertain and achievements reported to the Central Government were wrong.

4.10.1 Mention was made in para 3.9.8(a) of the Audit Report 1997-98 about expenditure of Rs.41.27 lakh incurred by the Urban Development and Housing department (UDHD) under the programme Environmental Improvement of Urban Slums (EIUS) during 1993-98 without conducting any survey to identify slum areas and the basic amenities to be provided to the slum dwellers. A substantial amount was spent on developed areas of Gangtok, which was also not in accordance with the programme objectives. In its submission to the PAC, the department stated (June 2000) that the works had been executed mostly in slum areas and a detailed survey had also been taken up which was almost complete. In view of this reply, the PAC made no recommendations.

4.10.2 Audit of the UDHD during January 2002 disclosed that no such survey to identify slum areas and the basic amenities to be provided to slum dwellers was conducted by the department. To a specific request (June 2002) by the Accountant General for a copy of the Survey Report, the Commissioner-cum-Secretary replied (June 2002) that the survey taken up by the department to identify families living below the poverty line (BPL) was abandoned due to a similar exercise being undertaken by the Planning and Development department (PDD). It was not clear to Audit how a BPL survey conducted by the PDD would serve the purpose of the UDHD for undertaking environmental improvement of urban slums.

4.10.3 Scrutiny of records further revealed that the department persisted with undertaking projects in developed areas of the State, which was not the objective of the EIUS programme. These projects, such as, protective works, throwing of spoils, construction of footpath and drainage, etc. were also not covered by the programme. In the absence of any master/perspective plans, the department took up these works in an ad hoc manner. Against this backdrop, the extent of benefits derived from the expenditure of Rs.77.68 lakh incurred during 1998-99 to 2001-02 (upto December 2001) under the EIUS programme was uncertain. The department reported an achievement of 3000 for the period 1998-2000 against the target prescribed by the Government of India of covering 3000 slum dwellers during 1998 to 2000 which was likewise suspect considering that no survey to identify the slum dwellers and the nature of basic amenities to be provided had been carried out.

4.10.4 In reply, the Commissioner-cum-Secretary, UDHD stated (September 2002) that as Sikkim does not have slums as in the rest of the country, it undertook works to provide basic services for improvement of environmental conditions of areas as per the broad objectives provided under the National Slum Policy (NSP). It was further stated that there was no wrong reporting to the Government of India as the works were carried out in areas where the objectives of the NSP were fulfilled and a State Slum Policy had been submitted for approval of Government based on which it would undertake survey to identify slum areas.

4.10.5 The reply corroborated the audit observation that no survey had ever been carried out and the department was yet to formulate any master plan/policy for implementing the scheme in the State. It further called to question the necessity of implementing the Scheme in the State as in the department's own perception, there was no slum area in the State.

CHAPTER-V

STORE AND STOCK (AUDIT REVIEW)

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CHAPTER - V

STORE AND STOCK

SECTION - A

(AUDIT REVIEWS)

RURAL DEVELOPMENT DEPARTMENT

5.1 Review on Material Management

Highlights

Material management in the Rural Development department was distinguished by deficiencies in procurement planning, procurement of stock despite availability of huge balances, rush of expenditure at the end of the year, purchase at higher rates, non-adjustment of advances paid to the STCS and non-adherence to accounting procedure.

Funds ranging from Rs.5.23 crore in 2000-01 to Rs.9.49 crore in 1999-2000 remained in inventory at the year end.

(Paragraph 5.1.10)

As much as 38 per cent of the total expenditure on purchases during 1997-98 to 2001-02 was incurred on the last working day of respective financial years.

(Paragraph 5.1.15)

Due to purchase of GCI sheets from TISCO, the department had to incur avoidable expenditure of Rs.10.82 lakh on transportation during 1997-99.

(Paragraph 5.1.20)

Advances amounting to Rs.2.59 crore remained un-adjusted with the STCS as at the end of 2000-01.

(Paragraph 5.1.22)

Introduction

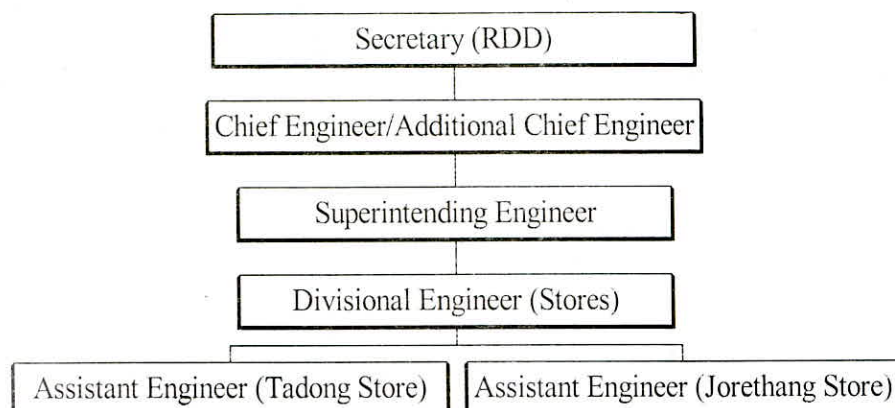
5.1.1 The Rural Development department (RDD) is engaged in implementing various State and Central Government schemes for the development of rural areas. The stores division of RDD is under the overall control of the Secretary, RDD and its direct administration is vested with Chief Engineer (CE)/Additional

CE who is responsible for arranging purchase, custody and issue of materials as well as maintenance of its accounts.

Organisational set up

5.1.2 There are two stores depots under the stores division of RDD. The organisational hierarchy in relation to Store administration was as under:

Chart- 5.1



Audit Coverage

5.1.3 A review of the material management of the RDD spanning the period 1997-98 to 2001-02 was conducted during February-March 2002 through test check of records in the office of the Secretary, RDD, stores division and its two depots at Tadong and Jorethang. The results of the review are brought out in the succeeding paragraphs.

Procurement planning and financial arrangement

5.1.4 The procurement of materials by RDD is being made in two ways, by debiting the works directly or by routing the purchases through 'stock suspense'. However, no separate records were maintained in the depots to depict the transactions under these two categories separately. The bulk of the purchases were made by direct debit to the works as shown below:

Table-5.1

(Rupees in lakh)

| Year | Total expenditure on purchases by RDD | Purchases made by debiting works directly | Stock Suspense purchases | Works purchases (3) as a percentage of total purchases (2) |
|--------------|---------------------------------------|---|--------------------------|--|
| (1) | (2) | (3) | (4) | (5) |
| 1997-98 | 1552.63 | 1483.73 | 68.90 | 95.56 |
| 1998-99 | 1510.84 | 1444.64 | 66.20 | 95.62 |
| 1999-00 | 1506.43 | 1442.30 | 64.14 | 95.74 |
| 2000-01 | 617.93 | 568.10 | 49.83 | 91.94 |
| 2001-02 | 1631.05 | 1585.79 | 49.54 | 96.96 |
| Total | 6818.88 | 6524.56 | 298.61 | 95.62 |

Source: departmental records & Detailed Appropriation Accounts

Persistent savings under stock suspense

5.1.5 The year wise budget provision and expenditure under 'stock suspense' being operated by the department during 1997-98 to 2001-02 were as under:

Table -5.2

| Year | Budget provision | Expenditure | (Rupees in lakh) Savings(-) / Excess(+) |
|--------------|------------------|---------------|--|
| 1997-98 | 80.00 | 68.90 | (-) 11.10 (14) |
| 1998-99 | 80.00 | 66.20 | (-) 13.80 (17) |
| 1999-00 | 80.00 | 64.13 | (-) 15.87 (20) |
| 2000-01 | 50.00 | 49.83 | (-) 00.17 (1) |
| 2001-02 | 50.00 | 49.54 | (-) 0.46 (1) |
| Total | 340.00 | 298.60 | (-) 41.40 (12) |

Figures in parenthesis indicate percentages.

Source: departmental records & Detailed Appropriation Account

5.1.6 From the above it would be seen that there were persistent savings during the period 1997-98 to 2001-02 aggregating Rs.41.40 lakh.

5.1.7 The department stated in their reply (July 2002) that there is no basis for allocation of budget under stock suspense and it is being done on a lump sum basis by Finance department from year to year.

5.1.8 In the absence of any objective assessment of materials requirements under the stock suspense head it is not clear as to how purchases of different items are being made by the RDD. Therefore, the justification for purchases worth Rs.2.99 crore and reasons for savings of Rs.41.40 lakh under 'stock suspense' during the period 1997-98 to 2001-02 remained unexplained.

5.1.9 Para 105 of the Sikkim Public Works (SPWD) Code provides that purchases should be made in the most economical manner in accordance with assessed requirements and that materials should be purchased for works in progress and works sanctioned.

5.1.10 Scrutiny of the records revealed that there was no proper system for assessment of the annual purchase requirement of store materials, taking into account total requirements of the materials for the sanctioned and on going schemes, consumption thereagainst during preceding year and stocks already in hand. In the light of these deficiencies in procurement planning, the macro picture of the value of receipts and issues of all types of material in stores is shown below:

Table-5.3

| Year | Opening Balance | Receipt | Total Inventory | Issue | (Rupees in lakh) Closing Balance |
|---------|-----------------|---------|-----------------|---------|---------------------------------------|
| 1997-98 | 652.87 | 1345.13 | 1998.00 | 1280.24 | 717.76 |
| 1998-99 | 717.76 | 1615.68 | 2333.44 | 1678.94 | 654.50 |
| 1999-00 | 654.51 | 2341.20 | 2995.71 | 2046.89 | 948.82 |
| 2000-01 | 948.82 | 409.21 | 1358.03 | 834.73 | 523.30 |
| 2001-02 | 523.30 | 1349.24 | 1872.54 | 1180.96 | 691.58 |

Note: Since no priced ledgers are maintained in RDD stores, monetary value of store items has been arrived at by Audit on the basis of issue price

5.1.11 It would be seen from the above table that funds ranging from Rs.9.49 crore in 1999-00 to Rs.5.23 crore in 2000-01 remained in inventory at the year-end.

5.1.12 An analysis of stock position of GI fittings revealed that stock worth Rs.2.07 crore was available in stores as on first 01 April 1997. Despite this, additional purchases of GI fittings for Rs.1.27 crore were made during April 1997 to March 2002 against consumption worth Rs.1.34 crore during the same period, resulting in accumulation of stock worth Rs.2.00 crore. Thus Rs.1.27 crore of purchases were unwarranted and made without considering the existing stock position of GI fittings.

5.1.13 In case of GI pipes also, there were continued stock accumulations ranging in value from Rs.1.45 crore to Rs.5.20 crore during 1997-98 to 2001-02, which supported the audit finding that procurement planning was non-existent.

Rush of expenditure at the end of the year

5.1.14 The Sikkim Financial Rules stipulate that it is against the financial principles that money should be spent hastily merely because it is available. Rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. In contravention of these directions, the major chunk of expenditure incurred by the RDD on purchase of materials was during the last quarter and last month of the financial year as under:

Table -5.4

(Rupees in lakh)

| Year | Total Expenditure | Expenditure in | | | Percentage of expenditure over total expenditure | | |
|--------------|-------------------|----------------|----------------|------------------|--|---------------|------------------|
| | | Last Quarter | Closing Month | Last working day | Last Quarter | Closing Month | Last working day |
| 1997-98 | 1552.63 | 1173.54 | 724.54 | 722.52 | 75.58 | 46.66 | 46.54 |
| 1998-99 | 1510.84 | 1341.34 | 1041.34 | 841.34 | 88.78 | 68.92 | 55.69 |
| 1999-00 | 1506.43 | 535.26 | 450.49 | 450.49 | 35.53 | 29.90 | 29.90 |
| 2000-01 | 617.93 | 481.29 | 431.29 | 46.40 | 77.88 | 69.80 | 7.51 |
| 2001-02 | 1631.05 | 668.18 | 576.51 | 530.03 | 40.96 | 35.34 | 32.50 |
| Total | 6818.88 | 4199.61 | 3224.17 | 2590.78 | 61.59 | 47.28 | 38.00 |

Source: departmental records.

5.1.15 As much as 38 per cent of the total expenditure on materials purchased during 1997-98 to 2001-02 was incurred on the last working day of the respective financial years except in 2000-2001 which further confirmed the audit conclusion in the preceding paragraphs that there was no system of procurement planning followed in the department.

Purchase of Stores

Extra expenditure due to acceptance of higher purchase rate

5.1.16 The department invited (May 2001) proforma invoice for procurement of 3400 MT of GCI sheets (24 gauge and 8 feet long) from the State Trading Corporation of Sikkim (STCS) and the Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED) for implementation of Rural Housing Scheme. Despite the fact that the rates quoted by SIMFED (Rs.27,900/MT FOR

Gangtok and Rs.27,771/MT FOR Jorethang) were lower as compared to the rates quoted by STCS (Rs.28,166/MT FOR Gangtok and Rs.28,028.85/MT FOR Jorethang), the department purchased (June 2001) 1706 MT and 1694 MT of SAIL GCI sheets on FOR Gangtok and FOR Jorethang basis respectively from the STCS. Had these purchases been made through SIMFED, the department could have saved Rs 8.92 lakh.

5.1.17 The department stated (February 2002) that SAIL does not have any agency/authorised agent of their own to negotiate/quote the rate on their behalf in the State except STCS. As such, the rate offered by SIMFED for supply of SAIL GCI sheets required verification to confirm authenticity. The reply of the department was not credible as after decontrol of steel items, anybody could approach SAIL to procure steel items at its prevailing market price irrespective of its final usage. Since SIMFED was also working as a procurement agency on behalf of Government of Sikkim, the department should have explored the possibility of purchasing the materials through SIMFED being aware that the prices quoted by it were cheaper. Failure to do so resulted in an extra expenditure of Rs.8.92 lakh.

Avoidable expenditure on carriage of GCI sheets

5.1.18 The department placed an order (March 1998) for supply of 2200 MT of GCI sheets under Rural Housing Scheme (RHS) for the year 1997-98 with the STCS. The STCS called for quotations and the rate quoted by SAIL at Rs.24,800/- per MT (FOR Gangtok and Jorethang store) was found the lowest which the department did not accept on the plea that the quality of GCI sheets of SAIL was found unacceptable in the past. It instead negotiated and placed order with TISCO at Rs.24, 800/- per MT (FOR Siliguri). Similarly, the department procured 1802 MT GCI sheets under RHS during 1998-99 through STCS from TISCO at the negotiated rate of Rs.24,800 per MT.

5.1.19 STCS supplied 2200 and 850 MT of TISCO GCI sheets for 1997-98 and 1998-99 respectively while the balance 952 MT of GCI sheets for 1998-99 was ultimately procured from SAIL, despite the department's earlier rejection of SAIL steel on the grounds of quality.

5.1.20 Due to the FOR Siliguri rate quoted by TISCO, the department had to incur additional transportation cost of Rs.10.82 lakh as detailed below:

Table-5.5

| Year of implementation of the Scheme | Quantity delivered (In MT) | | Transportation Charge paid from Siliguri to (Rupees per MT) | | TOTAL (In rupees) |
|--------------------------------------|----------------------------|-----------------|---|-----------------|-------------------|
| | Tadong store | Jorethang Store | Tadong Store | Jorethang Store | |
| 1997-98 | 1100 | 1100 | 410.40 | 298.80 | 7,80,120 |
| 1998-99 | 425 | 425 | 410.40 | 298.80 | 3,01,410 |
| Total | | | | | 10,81,530 |

5.1.21 Further, the apprehensions of the department in respect of quality parameters of GCI sheets of SAIL are not based on concrete facts as GCI sheets of both TISCO and SAIL have matching ISI and BIS specifications.

Non-adjustment with STCS

5.1.22 During the period 1995-96 to 2000-01 the department made advances aggregating Rs.72.78 crore to STCS and the advances were adjusted to the tune of Rs.70.19 crore leaving an unadjusted advance of Rs.2.59 crore. The department took no further initiative for reconciliation of its accounts with STCS.

Non-adjustment of profit and loss on Stock

5.1.23 According to para 142 of the SPWD Code the difference between issue rates and cost of acquisition representing the profit/loss on stores should be assessed each year and adjustment of profit (to be credited to revenue) and loss (to be borne as storage loss) should be carried out to keep the store account on no-profit no-loss basis.

5.1.24 It was seen that no adjustment of profit and loss was carried out in any year under review since priced ledgers were not maintained in stores in violation of paras 137 to 141 of the SPWD Code. In the absence of such accounts, the financial results of the stores account remained unascertained. Further, the expenditure under stock head during 1997-98 to 2001-02 (upto February 2002) to the tune of Rs.25.38 lakh remained unadjusted.

Idle stores

5.1.25 Test check of records revealed that store materials valuing Rs.62.11 lakh procured during the period 1991-92 to 1997-98 were lying idle as on 31 March 2002 at Tadong and Jorethang Stores. It was not clear as to whether these materials were purchased for specific schemes and if so, whether these schemes were still in operation. It was also likely that their storage in open air and exposure to the vagaries of nature would deteriorate their condition and render them useless over a period of time.

5.1.26 While no reply was received against other materials, in respect of tanks the department stated (February 2002) that beneficiaries refused to accept the same stating that the tanks had developed rust and were unfit for preserving water. The manufacturers were notified to either replace or repair the same and payments to the suppliers have been withheld till that time. Reply is not tenable in view of the fact that these should not have been procured without assessing the demand for them.

Non / short recovery of storage / supervision charges

5.1.27 According to Para 137 of SPWD Code read with analysis of rates, storage charge at 5 per cent is to be recovered in case of sale of materials from stores in addition to issue rate fixed. Further, as per para 138 of SPWD Code, 10 per cent supervision charges should be recovered in respect of sale of stock materials to public.

5.1.28 It was seen that part of the assistance under Indira Awaas Yojana (IAY), in the form of 24 pieces of GCI sheets per beneficiary, is distributed by Jawahar Gram Samridhi Yojana (SGSY) Cell of Sikkim Rural Development Agency.

Scrutiny of records revealed that 94608 pieces of GCI sheets were distributed to 3942 beneficiaries having total issue price of Rs.3.19 crore during the period 1997-98 to 2001-2002. Against this, recoveries on account of storage charges and supervision charges to the tune of Rs.15.96 lakh and Rs.31.92 lakh respectively were to be effected from JGSY Cell. However, till August 2002, no charges have been recovered from JGSY Cell.

Other points of interest

5.1.29 Sikkim Financial Rules and SPWD Code stipulate that physical verification of all stores must be made at least once in a year. During the period 1997-98 to 2001-02, physical verification was conducted only once during November and December 2000 in Tadong Store. No physical verification was conducted in Jorethang Store during the period 1997-98 to 2001-02. Non-verification of stock on annual basis apart from violating the codal provisions also makes the depots vulnerable to serious defalcations/losses as there would be no control over the materials lying in the stores.

5.1.30 It was noticed that purchase orders and payment register and stock account were not maintained in the head office and divisions though stipulated in Appendix IV of SPWD Manual. In view of this, it was not possible for Audit to ascertain whether the materials indented and paid for had actually been received.

5.1.31 There is no provision in the SPWD Code for providing any material to public on loan basis. However it was noticed that material worth Rs.23.37 lakh was issued to various persons during the period 1997-98 to 2001-02 on loan basis, free of charge. Records related to the above issues revealed that there were shortages and damages of store materials valuing Rs.2.66 lakh. The department did not take any step either to ascertain the reason for shortage or to take action against the officials, if any, responsible for the loss and to effect recovery.

5.1.32 The department stated (February 2002) that the above case would be examined and responsibilities fixed accordingly.

CHAPTER-VI

REVENUE RECEIPTS

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CHAPTER VI

REVENUE RECEIPTS

6.1 Trend of Revenue Receipts

6.1.1 The tax and Non-tax revenue raised by the State Government, State's Share of divisible Union Taxes and Grants-in-aid from Government of India during the year 2001-02 alongwith the corresponding figures for the preceding two years are given below:

Table-6.1

(Rupees in lakh)

| | | 1999-00 | 2000-01 | 2001-02** |
|------------|---|------------------------|-----------------------|------------------------|
| I | Revenue raised by the State Government | | | |
| (a) | Tax Revenue | 4907.04 | 6538.96 | 8038.70 |
| (b) | Non-Tax Revenue* | 104274.77 (6478.44) | 28902.34 (6563.22) | 112820.79 (7111.59) |
| | Total | 109181.81 | 35441.30 | 120859.49 |
| II | Receipts from the Government of India | | | |
| (a) | State's share of divisible Union taxes | 9954.00 | 7220.00 | 8483.10 |
| (b) | Grants-in-aid | 32047.29 | 43598.36 | 51375.00 |
| | Total | 42001.29 | 50818.36 | 59858.10 |
| III | Total receipts of the State (I+II) | 151183.10 | 86259.66 | 180717.49 |
| IV | Percentage of I to III | 72 | 41 | 67 |

* Figures in brackets indicate net receipts after deducting, Rs.977.96 crore, Rs.223.39 crore and Rs.1057.09 crore on account of expenditure towards State Lotteries during 1999-00, 2000-01 and 2001-02 respectively. The steep increase in Non-Tax Revenue was due to increase in receipts from State Lotteries.

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

Tax revenue raised by the State

6.1.2 Receipts from tax revenue constituted 7 per cent of the total revenue raised by the State during 2001-02. An analysis of the tax revenue for the year 2001-02 and the preceding two years is given below:

Table-6.2

(Rupees in lakh)

| Sl. No. | Tax Revenue | 1999-00 | 2000-01 | 2001-02 | Increase (+) / Decrease (-) (in 2001-02 over 2000-01) | Percentage of variation |
|---------|--|----------------|----------------|----------------|--|-------------------------|
| 1 | State Excise | 1339.40 | 1761.13 | 1759.39 | (-) 1.74 | 0.10 |
| 2 | Taxes on Income other than Corporation Taxes | 1784.38 | 1928.57 | 2202.90 | (+) 274.33 | 14.22 |
| 3 | Sales Tax | 1363.75 | 2450.39 | 3496.63 | (+) 1046.24 | 42.70 |
| 4 | Taxes on vehicles | 169.04 | 154.40 | 196.69 | (+) 42.29 | 27.39 |
| 5 | Stamps & Registration Fees | 61.70 | 50.07 | 129.79 | (+) 79.72 | 159.22 |
| 6 | Land Revenue | 53.73 | 21.66 | 51.44 | (+) 29.78 | 137.49 |
| 7 | Other Taxes and Duties on Commodities and Services | 135.04 | 172.74 | 201.86 | (+) 29.12 | 16.86 |
| | Total | 4907.04 | 6538.96 | 8038.70 | (+) 1499.74 | 22.94 |

6.1.3 During 2001-02, tax revenue increased by Rs.15.00 crore (22.94 per cent). The increase of Rs.42.29 lakh under taxes on vehicles was due to the increase in fees on Registrations, Fitness, Driving Licence, Learner's Licence and replacement fees etc.

6.1.4 The reasons for variation in respect of the remaining heads of revenue have not been received (October 2002).

Non-tax revenue raised by the State

6.1.5 Lotteries, Road Transport Service, Power, Forest, Interest, Police and Plantations were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 2001-02 constituted 93 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1999-2000 to 2001-02 is given below:

Table-6.3

(Rupees in lakh)

| Sl. No | Non-Tax Revenue | 1999-00 | 2000-01 | 2001-02 | Increase (+) / Decrease (-) in 2001-02 with reference to 2000-01 | Percentage of variation |
|--------|----------------------------|----------------|----------------|----------------|--|-------------------------|
| 1 | Road Transport | 1189.16 | 1190.44 | 1555.96 | (+)365.52 | 31 |
| 2 | Power | 833.03 | 1003.91 | 1184.51 | (+)180.60 | 18 |
| 3 | Forestry and Wild Life | 489.69 | 639.32 | 664.77 | (+)25.45 | 4 |
| 4 | Interest Receipts | 51.33 | 448.17 | 601.84 | (+)153.67 | 34 |
| 5 | Plantations | 235.00 | 239.23 | 201.20 | (-) 38.03 | (-) 16 |
| 6 | Dividends and Profits | 72.39 | 1.58 | 1.06 | (-) 0.52 | (-) 33 |
| 7 | Police | 283.69 | 583.77 | 385.86 | (-)197.91 | (-) 34 |
| 8 | Public Works | 44.83 | 124.76 | 98.58 | (-)26.18 | (-) 21 |
| 9 | Tourism | 40.39 | 38.72 | 67.00 | (+)28.28 | 73 |
| 10 | Crop Husbandry | 20.29 | 47.36 | 42.98 | (-) 4.38 | (-) 9 |
| 11 | Stationery and Printing | 95.84 | 85.95 | 98.32 | (+) 12.37 | 14 |
| 12 | Village & Small Industries | 48.85 | 65.67 | 63.92 | (-) 1.75 | (-) 3 |
| 13 | Animal Husbandry | 15.54 | 15.80 | 23.52 | (+) 7.72 | 49 |
| 14 | Industries | - | - | 1.23 | (+) 1.23 | - |
| 15 | Medical and Public Health | 14.08 | 36.59 | 34.54 | (-) 2.05 | (-) 6 |
| 16 | State Lotteries* | 2790.25 | 1720.79 | 1730.89 | (+) 10.10 | 0.6 |
| 17 | Others | 254.08 | 321.16 | 355.41 | (+) 34.25 | (+) 11 |
| | Total | 6478.44 | 6563.22 | 7111.59 | 548.37 | 8.36 |

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

6.1.6 During 2001-02, non-tax revenue increased by Rs.548.37 lakh (8.36 per cent). The increase of Rs.25.45 lakh under 'Forestry and Wild Life' was due to strict implementation of Forest Acts & Rules and Rs 28.28 lakh under Tourism was due to receipt of lease rent of Hotel Norkhill and royalty raised from mountaineering expedition and Nathula environment fee while the decrease of Rs.1.98 crore under Police department was due to non receipt of reimbursement of expenditure from Government of India and decrease of Rs.26.18 lakh under 'Public Works' was due to the decrease in the sale of tender forms.

6.1.7 The reasons for variation in respect of the remaining heads of revenue though called for have not been received (October 2002).

6.2 Variation between the budget estimates and actuals

6.2.1 In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2001-02 was more than 10 per cent.

Table-6.4

(Rupees in lakh)

| Sl. No. | Head of Revenue | Budget estimates | Actuals | Variation Increase(+) / Decrease(-) (Percentage) |
|----------|---|------------------|-----------|--|
| A | Tax Revenue | | | |
| 1 | Land Revenue | 42.50 | 51.44 | (+) 8.94 (21) |
| 2 | Taxes on income other than corporation tax | 1900.00 | 2202.90 | (+) 302.90 (16) |
| 3 | Stamp & registration fees | 56.10 | 129.79 | (+) 73.69 (131) |
| 4 | Sales Tax | 2150.00 | 3496.63 | (+) 1346.63 (63) |
| 5 | Taxes on vehicles | 120.00 | 196.69 | (+) 76.69 (64) |
| 6 | Other Taxes & Duties on commodities and services. | 300.00 | 201.86 | (-) 98.14 (33) |
| B | Non-Tax Revenue | | | |
| 7 | Public Works | 83.00 | 98.58 | (+) 15.58 (19) |
| 8 | Medical and Public Health | 30.00 | 34.54 | (+) 4.54 (15) |
| 9 | Information and Publicity | 6.00 | 16.43 | (+) 10.43 (174) |
| 10 | Labours and Employment | 4.00 | 5.03 | (+) 1.03 (26) |
| 11 | Crop Husbandry | 28.00 | 42.98 | (+) 14.98 (54) |
| 12 | Animal Husbandry | 30.00 | 23.52 | (-) 6.48 (22) |
| 13 | Fisheries | 1.20 | 1.94 | (+) 0.74 (62) |
| 14 | Forestry and Wild Life | 415.00 | 664.77 | (+) 249.77 (60) |
| 15 | Food Storage and Warehousing | 3.50 | 6.16 | (+) 2.66 (76) |
| 16 | Other Rural Development Programme | 2.00 | 20.52 | (+) 18.52 (926.00) |
| 17 | Public Service Commission | 1.00 | 1.80 | (+) 0.80 (80) |
| 18 | Police | 474.77 | 385.86 | (-) 88.91 (19) |
| 19 | Water Supply and Sanitation | 29.00 | 42.70 | (+) 13.71 (47) |
| 20 | Minor Irrigation | 3.00 | 8.24 | (+) 5.24 (175) |
| 21 | Other General Economic Services | 3.00 | 3.47 | (+) 0.47 (16) |
| 22 | Miscellaneous General Services (State Lotteries) | 20647.54 | 107441.08 | (+) 86793.54 (420) |
| 23 | Social Security and Welfare | 2.04 | 24.78 | (+) 22.74 (1115) |
| 24 | Plantations | 300.00 | 201.20 | (-) 98.80 (33) |
| 25 | Power | 1500.00 | 1184.51 | (-) 315.49(21) |
| 26 | Tourism | 43.00 | 67.00 | (+) 24.00(56) |

6.2.2 The increase of Rs.25.45 lakh under 'Forestry and Wild Life' was due to strict implementation of forest Acts and Rules.

6.2.3 The reasons for variation in respect of the remaining heads of revenue though called for have not been received (October 2002).

6.3 Cost of collection

6.3.1 Expenditure incurred on collection of revenue under the principal heads during the years 1999-2000 to 2001-02 is given below:

Table-6.5

(Rupees in lakh)

| Sl. No. | Head of Revenue | Year | Gross collection | Expenditure on gross collection | Percentage of expenditure to gross collection | All India average percentage for the year 2001-2002 |
|---------|-------------------|---------|------------------|---------------------------------|---|---|
| 1 | State Excise | 1999-00 | 1339.40 | 119.81 | 09 | 3.10 |
| | | 2000-01 | 1761.13 | 106.57 | 06 | |
| | | 2001-02 | 1759.39 | 112.65 | 06 | |
| 2 | Sales Tax | 1999-00 | 1363.75 | 58.17 | 04 | 1.31 |
| | | 2000-01 | 2450.39 | 64.67 | 03 | |
| | | 2001-02 | 3496.63 | 71.83 | 02 | |
| 3 | Taxes on vehicles | 1999-00 | 169.04 | 27.05 | 16 | 3.48 |
| | | 2000-01 | 154.40 | 23.56 | 15 | |
| | | 2001-02 | 196.69 | 36.57 | 19 | |

6.3.2 It would be seen from the table that the percentage of expenditure to gross collection during 2001-02 as compared to the corresponding All India Average Percentage for 2000-01 was very high.

6.4 Outstanding Inspection Reports

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

6.4.2 The position of IRs in respect of revenue receipts issued to the end of December 2001 but remaining outstanding as at the end of June 2002 was as under:

Table-6.6

| Sl. No. | | At the end of | | |
|---------|--|---------------|-----------|-----------|
| | | June 2000 | June 2001 | June 2002 |
| 1 | Number of outstanding IRs. | 161 | 110 | 134 |
| 2 | Number of outstanding Audit objections | 377 | 281 | 296 |
| 3 | Money value of the objections (Rupees in crore) | 32.51 | 49.20 | 28.84 |

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

Table-6.7

| Sl. No. | Head of Receipts | No. of Inspection Reports | No. of Audit Objection | Amount (Rupees in crore) |
|---------|--|---------------------------|------------------------|--------------------------|
| 1 | Sales Tax | 8 | 21 | 7.44 |
| 2 | Income Tax | 8 | 35 | 12.54 |
| 3 | Forests | 45 | 101 | 0.03 |
| 4 | Land Revenue | 38 | 78 | 0.69 |
| 5 | Motor Vehicle | 8 | 13 | 0.25 |
| 6 | State Excise | 3 | 10 | 1.22 |
| 7 | Urban Development & Housing department | 9 | 13 | 0.49 |
| 8 | Power | 5 | 15 | 4.11 |
| 9 | Lotteries | 5 | 05 | 0.20 |
| 10 | Mines & Geology | 5 | 05 | 1.87 |
| | Total | 134 | 296 | 28.84 |

6.4.4 Out of 134 IRs pending settlement, even first replies had not been received (June 2002) in respect of 69 reports containing 215 audit objections.

6.4.5 The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State Government (November 2002).

6.5 Results of Audit

6.5.1 Test check of the records of Forest, Power, State Excise, Motor Vehicle, Income Tax, Urban Development and Housing, Tourism and State Lotteries departments conducted during the year 2001-02 revealed under-assessment/short levy/loss of revenue amounting to Rs.3.88 crore in 14 cases. A few illustrative cases involving Rs.2.23 crore highlighting important audit observation are mentioned in the following paragraphs.

POWER DEPARTMENT

6.6 Irregular exemption and loss of Government dues

The department irregularly waived electricity dues of consumers who were being billed as per the urban tariff rates resulting in a revenue loss of Rs.16.61 lakh.

6.6.1 The Power department issued a gazette notification (31 March 2000) notifying the waiver of all outstanding electricity arrears for all “rural domestic consumers” upto the month of February 1999, Cabinet approval for which was obtained belatedly in September 2000. The notification further defined “rural domestic consumers” as those consumers who were being charged as per the rural tariff rates notified by the department on July 3, 1999.

6.6.2 However, scrutiny of records of the electricity dues waived to the tune of Rs.2.00 crore revealed that the department extended the benefit of waiver worth Rs.16.61 lakh to the consumers residing in government quarters who were classified as urban consumers and were being billed by the department as per the urban tariff rates. The department's contention (May 2002) that these habitations were under the jurisdiction of the *panchayats* although a fact, was not germane to the issue as these government quarters were being billed at the rate applicable to urban areas and therefore, in terms of the department's notification of 31 March 2000 these cases should not have been considered.

6.6.3 Thus, irregular waiver of electricity dues allowed to the consumers residing in government quarters who were being billed as per urban tariff rates not only violated the intent of the Government to grant relief only to rural consumers but also resulted in a revenue loss of Rs.16.61 lakh.

6.7 Short levy of demand and energy charges

The department failed to realise demand and energy charges to the tune of Rs.22.04 lakh from the Sikkim Distilleries Limited for the period 1990 to 2001.

6.7.1 In case of High Tension and Low Tension industrial supplies, there is a two-part power tariff comprising demand and energy charges. The demand charge is calculated based on the actual connected load and not the installed transformer capacity in all cases where industrial units have made capital investment in their sub-stations. However, in case of units where sub-stations have been built by Power department at government cost, the demand charges will be on the basis of installed transformer capacity.

6.7.2 Mention was made in the Audit Report of 1995-96 in respect of the Sikkim Distilleries Limited (SDL) that the department during 1991-92 to 1995-96 raised the demand charges on connected load even though the transformer were installed by the department itself, which resulted in short levy of demand and energy charges. Subsequent to this the department raised (October 1996) arrear bills amounting to Rs.9.31 lakh for the period 1990-91 to 1994-95 to make up for short billing earlier being the difference of charges as per connected load and installed capacity.

6.7.3 While the department failed to realise the arrear amount levied as above despite PAC's recommendation (September 1999) that the amounts due to the Government were to be realised promptly by special and periodical drives, it continued to short-levy demand and energy charges on SDL during 1996-97 to 2000-01 as per connected load of 150 KVA instead of installed transformer capacity of 315 KVA, resulting in further short realisation of Rs.12.73 lakh. Thus, till 2000-2001 demand and energy charges to the tune of Rs.22.04 lakh remained unrealised from SDL (excluding surcharge).

6.7.4 The matter was reported to the department (January 2002); reply was not received (October 2002).

TOURISM DEPARTMENT

6.8 Loss of Government revenue

The lackadaisical approach of the department in handling the affairs of Hotel Norkhill caused the Government a loss of Rs.19 lakh.

6.8.1 During the audit of Tourism department it was noticed that department had leased out Hotel Norkhill, a Government property, to Shri "X" for a period of 20 years from 01 October 1976 to September 1996 at an initial rent of Rs.0.50 lakh *per annum* which was gradually increased to Rs.1.50 lakh *per annum* by the end of the lease period. As a decision to call for competitive offers to run the Hotel was taken only on 02 October 1996, the lessee "X" was allowed to manage the Hotel for a further period of eight months under the previous terms and conditions, till the finalisation of a fresh lease agreement. In the mean time, the lease was put to tender (February 1997) against which 30 offers were received.

6.8.2 The highest offer being not in order, the contract was awarded to Shri "X", as under the previous agreement he had the first right to refusal, at the second highest offer of Rs.30 lakh *per annum* with 10 *per cent* increase compounded every three years. An agreement to this effect was signed effective June 1997 for a period of 24 years. Had the department taken timely action, the process could have been completed earlier and the lease agreement could have been made effective with enhanced lease rent from the date of expiry (01 October 1996) of the old agreement instead of from June 1997. The lackadaisical approach of the department thus caused the Government a loss of Rs.19 lakh* in lease rent.

6.8.3 The department's reply (January 2002) that the delay was due to time taken in completing official formalities relating to calling of tenders, obtaining legal advice etc., is not tenable as it had ample time to anticipate these requirements and take timely action. It was observed that the department initiated the proposal only on 23 July 1996 – just over two months before expiry of the lease on 30 September 1996. The department's further reply (March 2002) that the increase of revenue from Rs.1.50 lakh to Rs.30 lakh *per annum* was itself remarkable and the Government exchequer gained 20 times more was beside the point and cannot be accepted as a convincing reason for its lapse in initiating timely action as a result of which the department lost the opportunity of entering into a new agreement at a higher lease rent 8 months earlier than it actually did.

* Rs.30 lakh *per annum* for 8 months minus Rs.1 lakh realised for the period at the old rate.

Besides, the offer of Rs.30 lakh was received through open competitive tender and not by any special effort of the department.

TRANSPORT DEPARTMENT

6.9 Abnormal delay in repair of vehicles and revenue loss

Abnormal delay in the repair of vehicles which was far in excess of industry norms resulted in a revenue loss of Rs.99.63 lakh.

6.9.1 Sikkim Nationalised Transport Division maintains a full-fledged central workshop at Jalipool for carrying out major repairs of its fleet. Despite it being pointed out earlier in the Audit Report 1994-95 and again through an Inspection Report in October 1999, the department had not considered it necessary to fix any norms of the time required by the workshop to undertake various types of repairs although this was a critical requirement as prolonged detention of vehicles affects the level of fleet availability which in turn directly impacts on the profitability of the department and thwarts the revenue realisation efforts of the State.

6.9.2 In the absence of any departmental norms, Audit adopted the standards fixed by the Association of State Road Transport Undertakings (ASRTU) to evaluate the efficiency of the Jalipool workshop. For major engine repairs of heavy vehicles, the ASRTU norms work out to 22* days. During April 1999 to September 2001, major engine repairs of 135 buses and trucks were carried out in the workshop out of which in 126 cases (93 per cent) the detention ranged from 4 to 1230 days in excess of ASRTU norms as under:

Table 6.8

| Sl. No. | Period of detention in excess of norms | Type of fleet | |
|---------|--|---------------|-----------|
| | | Buses | Trucks |
| 1. | 4 to 200 days | 41 | 43 |
| 2. | 201 to 400 days | 15 | 11 |
| 3. | 401 to 600 days | 09 | 02 |
| 4. | 601 to 800 days | 02 | - |
| 5. | 801 to 1000 days | 01 | - |
| 6. | 1001 to 1200 days | 01 | - |
| 7. | 1201 days and above | 01 | - |
| | Total | 70 | 56 |

* 104 man hours (for places other than hill stations) + 25 per cent (for hill stations)
6 i.e. man hours available in a day.

6.9.3 In 114 cases, the delay was in excess of the ASRTU norm by hundred *per cent* and over. The abnormal holdup at the workshop far in excess of industry norms adversely affected fleet deployment and resulted in an estimated revenue loss of Rs.99.63* lakh to the department/State.

6.9.4 The department while accepting (June 2002) that some delays in repair had occurred due to non-availability of skilled manpower in workshop and over-age of the vehicle, further argued that ASRTU norms for 22 days were meant for engine and gearbox overhauling only, whereas repairs carried out by Jalipool workshop included complete renovation of body, repainting besides major overhauling of engine and gearbox. Even after considering departmental reply, detention of 42 vehicles (33 *per cent*) beyond 200 days was incomprehensible.

6.10 Loss due to non-imposition of enhanced fees/tax

Failure of the department to impose tax/fees at enhanced rate resulted in a loss of Government revenue to the tune of Rs.7.47 lakh.

6.10.1 Sub section (2) of section 1 of Motor Vehicles Act, 1988 stipulates that the Act extends to whole of India.

6.10.2 The Central Motor Vehicles Rules 1989 framed under the aforesaid Act was last amended under notification dated 28 March 2001, by the Ministry of Surface Transport (Transport Division), Government of India. The amendment, *inter alia*, was for upward revision of the rates of taxes/fees etc., effective from the date of notification.

6.10.3 However, till 28 August 2001 the Motor Vehicles department, Government of Sikkim continued to levy various taxes/fees on the basis of rates provided in previous notification dated 31 January 2000.

6.10.4 The non-imposition of enhanced fees/taxes with effect from 28 March 2001 to 28 August 2001 led to a loss of revenue of Rs.7.47 lakh.

6.10.5 The department's reply (April 2002) that the revised Motor Vehicles ~~rates~~ could be introduced in Sikkim from September 2001 only due to late receipt of the revised notification is not acceptable as all notifications from Government of India are endorsed to concerned departmental head of the State Government well in time, in accordance with standard prescribed procedure. Further, there was no

BUSES

Actual delay = 12,251 days (Total delay reduced by holidays on an average)

Average distance covered per day per bus = 78.19 km.

Average revenue earned per km. per bus = Rs.7.71

Loss of revenue = 12,251 days x 78.19 km. x Rs.7.71 = Rs.73.85 lakh. – (A)

TRUCKS

Actual delay = 5,819 day (Total delay reduced by holidays on an average)

Average distance covered per day per truck = 31.64 km.

Average revenue earned per km. per truck = Rs.14.00

Loss of revenue = 5,819 days x 31.64 km. x Rs.14.00 = Rs.25.78 lakh. – (B)

Total loss of revenue (A)+(B) = Rs.99.63 lakh.

exception clause in the Notification for non-imposition of fees/tax due to its late receipt.

6.11 Non-realisation of commission from Railways

Due to failure of the department either to enter into agreement with appropriate authority or to pursue the matter, Government revenue to the tune of Rs.27.34 lakh remained unrealised.

6.11.1 An agreement was entered into (23 November 1996), valid for five years, between Government of Sikkim and Eastern Railway (ER), Calcutta for setting up a computerised Railway booking office at Gangtok. As per the agreement, the ER was to pay Government of Sikkim 4 *per cent* commission on the total sale proceeds of tickets sold from Gangtok booking office and for this, claims should be preferred by the Secretary, Sikkim Nationalised Transport (SNT) on behalf of the State Government within six months of its becoming due. However, considering the fact that computerised booking system in Gangtok was installed by ER and the nearest Rail head to Sikkim fell under North East Frontier Railway (NFR) in whose account income earned from PRS Gangtok was being credited, tripartite agreement was essential between NFR, ER and Government of Sikkim to enable the Government of Sikkim to claim the commission from the Railways.

6.11.2 Scrutiny of records revealed that the commission accrued on sale of tickets between January 1997 to March 2001 had not been reimbursed by the ER. The department stated (April 2002) that the commission could not be claimed/ realised from the concerned authority (NF Railway) as the agreement was entered with the ER who installed the computerised booking system in the State. It was further stated that tripartite agreement with NF Railway, Eastern Railway and Government of Sikkim was entered into in January 2002.

6.11.3 Thus, due the failure of the department to enter into tripartite agreement in time or to pursue the matter effectively with ER, the authority liable to make commission payments as per the agreement, Government revenue amounting to Rs.27.34 lakh on account of accrued commission remained unrealised (April 2002).

6.11.4 In a further reply the department stated (May 2002) that various formalities like submission of balance sheet, bills etc. led to non-realisation of commission and added that the matter was being pursued constantly. The fact remains that Government dues of Rs.27.34 lakh which accrued from January 1997 to March 2001 were yet to be realised (September 2002), a pointer to the lackadaisical functioning of the department.

CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

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CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Introduction

7.1.1 Autonomous bodies and authorities are set up to discharge generally non-commercial functions 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 Sikkim State Co-operative Societies Act, Registration of Companies Act, Sikkim, 1961, etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

7.1.2 During 2001-2002, financial assistance of Rs.14.96 crore was released to various autonomous bodies and others, broadly grouped as under:

Table-7.1

(Rupees in crore)

| Sl. No. | Name of institutions | Amount of assistance paid |
|---------|--|---------------------------|
| 1. | Universities and Educational Institutions | 2.60 |
| 2. | Zilla Parishad and Panchayati Raj Institutions | 1.85 |
| 3. | Development Agencies | 9.32 |
| 4. | Hospitals and other Charitable Institutions | 0.25 |
| 5. | Other Institutions | 0.94 |
| | Total | 14.96 |

The total figure of Rs.14.96 crore is based on departmental figures. It differs with the figure of Rs 12.07 crore shown in the Detailed Appropriation Accounts 2001-02 of the State Government. The difference is under reconciliation.

7.2 Delay in furnishing utilisation certificates

7.2.1 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.

7.2.2 Of the 268 utilisation certificates due in respect of grants and loans aggregating Rs.14.96 crore paid during the period 2001-2002, only 101 certificates for Rs.8.33 crore had been received by the grant releasing departments

by 30 September 2002 and 167 certificates for an aggregate amount of Rs.6.63 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Table-7.2

(Rupees in lakh)

| Department | Number of certificates | Amount |
|--|------------------------|---------------|
| Health and family Welfare | 5 | 9.05 |
| Rural Development | 32 | 376.47 |
| Ecclesiastical | 9 | 6.80 |
| Art and Culture | 13 | 11.10 |
| Sports and Youth Affairs | 8 | 1.70 |
| Education | 7 | 59.63 |
| Co-operation | 72 | 47.87 |
| Tourism | 11 | 6.57 |
| Agriculture | 4 | 0.03 |
| Horticulture | 1 | 1.80 |
| Irrigation | 1 | 1.58 |
| Animal Husbandry and Veterinary Services | 2 | 70.00 |
| Urban Development and Housing | 2 | 70.00 |
| Total | 167 | 662.60 |

7.3 Audit arrangement

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

Table-7.3

| Sl. No. | Name of body | Period of entrustment | Date of entrustment |
|---------|--|-----------------------|---------------------|
| 1. | Sikkim Khadi and Village Industries Board | 2000-01 to 2004-05 | 15.12.99 |
| 2. | Sikkim Co-operative Milk Producers' Union Limited | 1998-99 to 2002-03 | 17.9.98 |
| 3. | Sikkim Co-operative Supply and Marketing Federation Ltd. | 2000-01 to 2004-05 | 02.11.2000 |
| 4. | Panchayati Raj Institutions | 2001-02 to 2005-06 | 27.08.2001 |

7.3.2 The primary audit of all local bodies and authorities other than Panchayat Raj Institutions and Educational Institutions is conducted by the State Government. The audit of Co-operative Societies is also conducted by the State Government. Only 4 bodies/authorities attracted audit under Section 20 (1) of the Comptroller and Auditor General's (DPCs) Act 1971 as below:

Table-7.4

| Sl. No | Name of body | Annual accounts received upto | Annual accounts audited upto |
|--------|---|--|------------------------------|
| 1 | Sikkim Khadi and Village Industries Board | 1994-95 | 1994-95 |
| 2 | Sikkim Co-operative Milk Producers' Union Limited | 1999-2000 | 1998-99 |
| 3. | Sikkim Co-operative Supply and Marketing Federation Ltd | 2000-01 | 1999-2000 |
| 4. | Panchayati Raj Institutions | Entrusted with effect from August 2001 | - |

7.3.3 Against the 18 institutions which attracted audit under Section 14 of the Comptroller and Auditor General's (DPCs) Act 1971, the position of accounts audited as of September 2002 was as below:

Table-7.5

| Sl. No | Name of Body | Annual accounts finalised upto | Annual Accounts audited |
|--------|--|--|-------------------------|
| 1 | State Leprosy Officer, East, Gangtok | 2001-02 | 2001-02 |
| 2 | Distt. Leprosy Officer, Gangtok | 2001-02 | 2001-02 |
| 3 | Distt. Leprosy Officer, West | 2001-02 | 2001-02 |
| 4 | Distt. Leprosy Officer, North | 2001-02 | 2001-02 |
| 5 | Distt. Leprosy Officer, South | 2000-01 | 2000-01 |
| 6 | Sikkim Renewable Energy Development Agency (SREDA) | 2000-01 | 2000-01 |
| 7 | Sikkim Institute of Higher Nyingma Studies (SHEDA) | 2001-02 | 2001-02 |
| 8 | Sikkim Research Institute of Tibetology | 2001-02 | 2001-02 |
| 9 | Institute of Hotel Management | 2000-01 | 2000-01 |
| 10. | Society for Prevention and Control of Blindness | 2001-02 | 2001-02 |
| 11. | National Aids Control Project | 2001-02 | 2001-02 |
| 12. | Sikkim Institute of Rural Development | 2000-01 | 2000-01 |
| 13. | Tashi Namgyal Academy | 2000-01 | 2000-01 |
| 14. | Sikkim Rural Development Agency | 2000-01 | 2000-01 |
| 15. | Council of Science & Technology | 1999-2000 | 1999-2000 |
| 16. | Paljor Namgyal Girls Senior Secondary School | 2000-01 | 2000-01 |
| 17. | Sikkim State Illness Assistance Fund Association | Established in November 98 and no annual account prepared so far | - |
| 18. | Sikkim Urban Development Agency | Established in May 98 and no annual account prepared so far | - |

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

CHAPTER-VII (AUDIT PARAGRAPHS)

SIKKIM STATE CO-OPERATIVE SUPPLY AND MARKETING FEDERATION LIMITED

7.4 Loss to Government due to irregular purchase procedure

Non-adoption of established purchase procedure and blatant disregard of codal provision in the purchase of HDPE pipes by the SIMFED resulted in a loss of Rs. 12.15 lakh to the State exchequer.

7.4.1 Irrigation and Flood Control Department (IFCD) placed an indent on Sikkim State Co-operative Supply and Marketing Federation (SIMFED) on 01 November 1999 for supply of 15,000 mtrs of HDPE 90 mm dia pipes. On 16 November 1999, IFCD communicated to SIMFED its revised requirement comprising HDPE pipes of 90 mm dia (6750 mtrs), 160 mm dia (1900 mtrs) and 225 mm dia (725 mtrs). On the same day (16 November 1999), SIMFED placed a supply order worth Rs.38.65 lakh with a Siliguri based supplier after collecting rates from five suppliers (including the supplier 'X' from whom purchased) through verbal requisition. The purchases were made without inviting quotations or giving wide publicity in newspapers so that competitive rates could be obtained.

7.4.2 It was seen (March 2001) that similar type and size of pipes were also procured by the State Trading Corporation of Sikkim (STCS) during 1999-2000 from a Bhutan based manufacturer at a much lower rate through its dealer operating in Gangtok. While collecting quotation from the local suppliers, SIMFED had excluded this dealer from its list of potential suppliers and it had also not cross-checked the rates it had obtained with the STCS to ascertain their reasonableness. Had SIMFED purchased the pipes at the rates of STCS, the cost would have been Rs.26.50 lakh only. Violation of purchase procedures by SIMFED resulted in a loss of Rs.12.15 lakh to the State exchequer.

7.4.3 In its reply (July 2002), the SIMFED while skirting the issue of not calling for quotations through wide publicity or the exclusion of the manufacturer's Gangtok based dealer from its potential suppliers, however, enclosed a copy of letter from the manufacturer of the pipes supplied by supplier 'X' which stated

that the higher rate charged was due to the superior grade of material used in the HDPE pipes. The reply appears to be an afterthought as the same manufacturer had notified lower rates to the State Finance Department during March 2000 (rates effective June 1998) for similar size and pressure class of HDPE pipes, with the advice to ensure that its agent/dealer supply the material without any deviation from its notified price list. Further, no mention of grading of pipes on the basis of quality of material used was ever made by the manufacturer earlier. Besides, since the IFCD did not stipulate the grade of pipes it required, and the quality of pipes supplied by STCS to other departments was acceptable to them, there was no reason why SIMFED should not have purchased the same grade of pipes for IFCD at lower rates.

7.5 Loss to Government due to imprudent purchase of pesticides

The practice of local procurement of pesticides at higher rates instead of direct procurement from the manufacturers not only defeated the objective for which SIMFED was set up but also caused loss of Rs.7.43 lakh to the Government.

7.5.1 The Sikkim State Co-operative Supply and Marketing Federation Limited (SIMFED) functions as a canalising agency for bulk procurement of various agricultural and horticultural inputs required by the Agriculture / Horticulture Departments.

7.5.2 It was seen in Audit (March 2001) that during 1997-98 to 1999-2000, the Manager-I, SIMFED made purchases worth Rs.76.59 lakh (net amount after deducting discount) from various local suppliers towards supply of pesticides indented by the Agriculture and Horticulture Departments when these purchases could have been made directly from the manufacturers at Rs. 69.16 lakh only. Thus, the local procurement at higher rates instead of bulk procurement from the manufacturers not only defeated the objective for which the Federation was set up but also caused a loss of Rs.7.43 lakh to the Government.

7.5.3 The Managing Director (MD), SIMFED stated (July 2001) that local purchases were resorted to as the suppliers offered credit facility which was required as the indenting departments do not pay advance with the orders placed with the SIMFED and the bills of suppliers were settled after six to ten months. The reply is not tenable as the SIMFED did not explore the possibility of obtaining similar credit facility from manufacturers. Besides, to tide over this problem, SIMFED could have insisted from the indenting departments 80 per cent advance payment with every order as was the practice followed by the State Trading Corporation of Sikkim, an agency performing similar functions as the SIMFED. If the purchases were to be made locally, the services of SIMFED would not be required as in that case the departments could themselves handle their procurement tasks without the help of a specialised agency.

7.5.4 The reply of the MD, SIMFED (July 2002) that request for advance payment for supply of pesticides was turned down by the departments, despite orders of the Government in this regard, on the ground that payment could be made only after testing the chemicals was not acceptable as in that case SIMFED should have declined to make the supply thereby protecting its own interest as well as the interest of the Government.

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

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CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government Companies and Statutory Corporations

8.1 Introduction

8.1.1 As on 31 March 2002, there were 9[#] Government Companies (6 working Companies and 3 non-working Companies) and 3 Statutory Corporations (3 working Statutory Corporations) as against the 8 Government Companies (5 working Companies and 3 non-working Companies) and the same number of Statutory Corporations (3 working Statutory Corporations) as on 31 March 2001 under the control of the State Government. The Companies Act, 1956 is not extended to the State of Sikkim. The Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Auditors who are directly appointed by the Board of Directors of the respective Companies. The audit of these Companies had been taken up by the Comptroller and Auditor General of India (CAG) on the request of the State Government under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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.

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

Table-8.1

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

[#] One company, Sikkim Power Development Corporation was formed in December 1998 but audit was entrusted to CAG only in May 2001

8.1.4 There is one departmentally managed undertaking viz Sikkim Tea Board under the Industries Department.

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

8.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

8.2.1 As on 31 March 2002, the total investment in 9 Public Sector Undertakings (6 Government Companies and 3 Statutory Corporations) was Rs. 119.87 crore (equity : Rs. 56.11 crore and long-term loans* : Rs. 63.76 crore) as against a total investment of Rs. 51.97 crore (equity: Rs. 49.58 crore and long term loans : Rs. 2.39 crore) in 8 PSUs (5 Government Companies and 3 Statutory Corporations) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs:

Working Government Companies

8.2.2 Total investment in 6 Government Companies as on 31 March 2002 was Rs. 108.74 crore (equity: Rs. 45.52 crore and long term loans: Rs. 63.22 crore) as against total investment of Rs. 42.97 crore (equity: Rs. 40.58 crore and long term loans: Rs. 2.39 crore) as on 31 March 2001 in the 5 Government Companies.

8.2.3 Increase in investment of Rs. 65.77 crore was due to investment of Rs. 52.51 crore (equity : Rs. 2.50 crore and loan : Rs. 50.01 crore) in newly formed Sikkim Power Development Corporation, and additional equity and loans of Rs. 13.82 crore received during 2001-02 in 4 working Companies and decrease of Rs. 0.56 crore due to proforma correction of Finance Accounts.

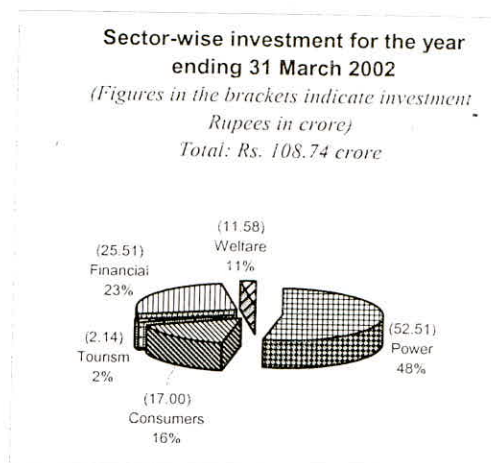
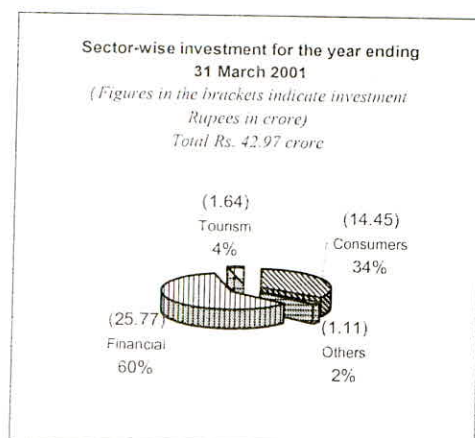
8.2.4 The summarised Statement of Government investment in working Government Companies in the form of equity and loans is detailed in APPENDIX-XI.

Sectorwise investment in Government Companies

8.2.5 As on 31 March 2002, in total investment of working Government Companies, 42 per cent comprised equity capital and 58 per cent comprised loans compared to 94 per cent and 6 per cent respectively as on 31 March 2001. The sector-wise investment (equity including share application money and long term loans) for the years ended 31 March 2001 and 31 March 2002 is given in two separate pie charts below:

* Long term loans are excluding interest accrued and due on such loans.

Chart-8.1



Working Statutory Corporations

8.2.6 The total investment in 3 working Statutory Corporations at the end of March 2001 and March 2002 was as follows:

Table-8.2

| Name of Corporation | (Rupees in crore) | | | |
|--|-------------------|------|-----------|------|
| | 2000-2001 | | 2001-2002 | |
| | Capital | Loan | Capital | Loan |
| State Bank of Sikkim (SBS) | 0.53 | Nil | 0.58 | - |
| Sikkim Mining Corporation (SMC) | 7.36 | Nil | 8.88 | 0.54 |
| State Trading Corporation of Sikkim (STCS) | 1.11 | Nil | 1.11 | - |
| Total | 9.00 | - | 10.57 | 0.54 |

8.2.7 The summarised financial results of all the Statutory Corporations are given in **APPENDIX-XI** and financial position and working results of individual Statutory Corporation are given in **APPENDIX-XIV** and **XV**.

8.3 Budgetary outgo, Subsidies, Guarantees and Waiver of dues

8.3.1 The details regarding budgetary outgo, subsidies, guarantees, waiver of dues and conversion of loans into equity by State Government to working Government Companies and working Statutory Corporations are given in **APPENDIX-XI** and **XIII**

8.3.2 The budgetary outgo from the State Government to working Government Companies and working Statutory Corporations for the 3 years upto 2001-02 in the form of equity capital, loans and subsidy is given below:

Table-8.3

(Rupees in crore)

| | 1999-2000 | | | | 2000-2001 | | | | 2001-2002 | | | |
|----------------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|
| | Companies | | Corporations | | Companies | | Corporations | | Companies | | Corporations | |
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Equity capital | 1 | 0.50 | 1 | 0.23 | 4 | 3.98 | 1 | 0.68 | 5 | 4.50 | 1 | 0.50 |
| Loans | - | - | - | - | - | - | - | - | 1 | 0.30 | - | - |
| Grants | - | - | - | - | - | - | - | - | - | - | - | - |
| Subsidy | - | - | - | - | - | - | - | - | - | - | - | - |
| | 1 | 0.50 | 1 | 0.23 | 4 | 3.98 | 1 | 0.68 | 5 | 4.80 | 1 | 0.50 |

8.3.3 During the year 2001-02, the Government had guaranteed loan/advance aggregating Rs. 1.17 crore obtained by one working Company and one Statutory Corporation. However, at the end of the year, guarantees amounting to Rs.73.07 crore against 3 Government Companies (Rs. 65.00 crore) and 2 Statutory Corporations (Rs. 8.07 crore) were outstanding. There was no case of loans written off, interest waived, moratorium on loan repayment, conversion of loans into equity capital in any Company or Corporation during the year.

8.4 Finalisation of accounts by working PSUs

8.4.1 Accountability of Public Sector Undertakings to Legislature is to be achieved through the submission of audited annual accounts within the time schedule to the Legislature. However, as could be noticed from **APPENDIX-XII**, out of 6 working Government Companies, only 2 Companies had finalised their accounts for the year 2001-02 and out of 3 Statutory Corporations, none of the Corporations had finalised their accounts for the year 2001-02 within the stipulated period.

8.4.2 During the period from October 2001 to September 2002, 4 working Government Companies finalised accounts for previous years. Similarly, during this period only 2 working Statutory Corporation finalised account for previous year.

8.4.3 The accounts of 4 working Government Companies and 3 working Statutory Corporations were in arrears for the period from 1 year to 2 years as on 30 September 2002 as detailed below:

Table-8.4

| Sl. No. | | Period upto which accounts finalised | Period for which accounts in arrears 2001-2002 | No. of years for which accounts in arrears |
|---------|---|--------------------------------------|--|--|
| I | A. Name of the Company | | | |
| | i. Sikkim Time Corporation Ltd. | 2000-2001 | 2001-2002 | 1 |
| | ii. SC, ST and OBC Development Corporation Ltd. | 2000-2001 | 2001-2002 | 1 |
| | iii. Sikkim Tourism Development Corporation | 2000-2001 | 2001-2002 | 1 |
| | iv. Sikkim Jewels Ltd | 2000-2001 | 2001-2001 | 1 |
| II | B. Name of the Statutory Corporation | | | |
| | i. State Bank of Sikkim | 2000-2001 | 2001-2002 | 1 |
| | ii. Sikkim Mining Corporation | 2000-2001 | 2001-2002 | 1 |
| | iii. State Trading Corporation of Sikkim | 1999-2000 | 2000-2001 2001-2002 | 2 |

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

8.5 Financial Position and working results of working PSUs

8.5.1 The summarised financial results of working PSUs (Government Companies and Statutory Corporations), as per latest finalised accounts are given in APPENDIX-XII. Besides, statement showing financial position and working results of individual working Statutory Corporations for the latest three years for which accounts are finalised are given in APPENDIX-XIV and XV respectively.

8.5.2 According to latest finalised accounts of 6 working Government Companies and 3 working Statutory Corporations, 2 Companies and 2 Corporations had incurred an aggregate loss of Rs. 0.70 crore and Rs. 2.49 crore respectively, 3 Companies and a Corporation earned an aggregate profit of Rs. 0.20 crore and Rs. 0.31 crore respectively. One company, the Sikkim Power Development Corporation is at the implementation stage.

8.6 Working Government Companies

Profit earning working companies and dividend

8.6.1 As per latest finalised accounts, 3 Companies viz. Sikkim Time Corporation Limited (SITCO), Sikkim Industrial Development Corporation Ltd. (SIDICO) and Sikkim Tourism Development Corporation (STDC) which finalised their accounts for 2001-02 (one Company) and 2000-2001 (two Companies) earned profit of Rs. 0.20 crore. None of the Companies declared dividend during the year for which accounts were finalised.

Loss incurring working companies

8.6.2 Of the 2 loss incurring working Companies, 1 Company had accumulated loss aggregating Rs. 1.17 crore which represented 27.67 per cent of its paid up capital.

Working Statutory Corporations

Profit earning Statutory Corporation

8.6.3 As per latest finalised accounts, State Trading Corporation of Sikkim (STCS) which finalised its accounts for 1999-2000, earned a profit of Rs. 0.31 crore but had not declared any dividend.

Loss incurring Statutory Corporation

8.6.4 Of the 2 loss incurring working Statutory Corporations, one Corporation viz. State Bank of Sikkim had accumulated loss aggregating Rs. 21.41 crore which exceeded its aggregate paid up capital by Rs. 20.83 crore.

Operational performance of working Statutory Corporations

8.6.5 The operational performance of the working Statutory Corporations for the last 3 years for which required information had been furnished by only 2 Corporations is given in **APPENDIX-XVI**. It will be observed that in case of Sikkim Mining Corporation, percentage of capacity utilisation which was 73 in 2000-01 came down to 56 in 2001-02.

Return on Capital Employed

8.6.6 As per the latest finalised accounts (up to September 2002), the capital employed¹ worked out to Rs. 88.33 crore in 6 working Companies and the total return² thereon amounted to Rs 0.33 crore which is 0.37 *per cent* as compared to total return of Rs 0.34 crore in 5 Companies (0.71 *per cent*) in 2000-01. Similarly, the capital employed and total return thereon in case of working Statutory Corporations as per the latest finalised accounts (up to September 2002) worked out to Rs. 147.75 crore and Rs. 0.31 crore (0.21 *per cent*), respectively, against the total return of Rs. 0.20 crore (0.14 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of each Government Companies and Corporations are given in **APPENDIX-XII**.

8.7 Non-working PSUs

Investment in non-working PSUs

8.7.1 As on 31 March 2002, the total investment in 3 non-working PSUs (Government Companies) was Rs. 1.27 crore (equity: Rs. 1.27 crore) and no change from the position obtained as on 31 March 2001.

8.7.2 The classification of non-working PSUs is as under:

Table-8.5

(Rupees in crore)

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

* The operational function has been leased out.

8.7.3 Of the above non-working PSUs, 2 Government Companies were under closure for 3 years and a substantial investment of Rs. 0.58 crore was involved in these companies.

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

² For calculating total return on capital employed, interest on borrowed funds is added to net profit / subtracted from the loss as disclosed in the profit and loss account.

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

8.7.4 The details regarding budgetary outgo, grants/subsidies, guarantees issued waiver of dues and conversion of loans into equity by the State Government to 3 non-working PSUs are given in **APPENDIX -XI** and **XIII**.

8.7.5 The State Government had not given any budgetary support during 2001-02 to these non-working PSUs.

Total establishment expenditure of non-working PSUs

8.7.6 The year-wise details of total establishment expenditure of 2 non-working PSUs and the source of financing them during the last 4 years up to 2001-02 (reporting years) could not be analysed due to non-finalisation of accounts by the respective PSUs. One PSU viz. Sikkim Livestock Processing and Development Corporation is under lease.

Finalisation of accounts by non-working PSUs

8.7.7 The accounts of 3 non-working Companies were in arrears for the periods ranging from 1 year to 8 years as on 30 September 2002 as could be noticed from **APPENDIX-XII**.

Financial position and working results of non-working PSUs

8.7.8 The summarised financial results of non-working Government Companies as per latest finalised accounts are given in **APPENDIX-XII**.

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

Table-8.6

| <i>(Rupees in crore)</i> | | | | |
|---|----------------------------|-----------------------|--|--|
| Name of the Company (Year of Accounts) | Paid-up capital | Net- worth | Cash loss (-) / Cash profit (+) | Accumulated loss (-) / accumulated profit (+) |
| A. Non-working Companies | | | | |
| i. Sikkim Flour Mill Ltd. (1994-95) | 0.60 | 0.47 | - | (-) 0.13 |
| ii. Sikkim Livestock Processing and Development Corporation (2000-01) | 0.69 | 0.24 | (-) 0.08 | (-) 0.45 |
| iii. Chanmari Workshop and Automobiles Ltd (1994-95) | 0.002 | 0.18 | (-) 0.14 | (-) 0.02 |

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

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

Table-8.7

| Sl. No. | Name of Statutory Corporation | Year up to which SARs placed in Legislature | Years for which SARs not placed in Legislature | | |
|---------|--|---|---|--|---|
| | | | Year of SAR | Date of issue to the Government | Reasons for delay in placement in Legislature |
| i. | Sikkim Mining Corporation (SMC) | 1996-97 | 1997-98 1998-99 | 22.06.2000 04.07.2002 | Not intimated by the Government |
| ii. | State Bank of Sikkim (SBS). | 1994-95 | 1995-96 1996-97 1997-98 1998-99 1999-2001 | 27.07.2000 -do- -do- 20.12.2001 09.04.2002 | -Do- |
| iii. | State Trading Corporation of Sikkim (STCS) | 1996-97 | 1997-98 | 03.11.2000 | -Do- |

8.9 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

During the year 2001-02, there has been no privatisation (partial or complete) of any activity of these Companies or Corporations, and the Government has also not gone for disinvestments of shares in any Company/Corporation.

8.10 Results of audit by Comptroller and Auditor General of India

8.10.1 During the period from October 2001 to September 2002, the audit of 4 accounts of 4 working Companies and 3 accounts of 2 working Statutory Corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Table-8.8

| Details | No. of accounts | | | | Rupees in lakh | | | |
|------------------------|----------------------|-------------|------------------------|-------------|----------------------|-------------|------------------------|-------------|
| | Government Companies | | Statutory Corporations | | Government Companies | | Statutory Corporations | |
| | Working | Non-working | Working | Non-working | Working | Non-working | Working | Non-working |
| (i) Decrease in profit | 1 | | | | 2.88 | | | |
| (ii) Increase in loss | 1 | | 1 | | 6.67 | | 780.86 | |

8.10.2 Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above Companies and Corporations are mentioned below:

(i) As per the settlement arrived at in march 1992 with the UCO Bank on 'overdraft account', the State Bank of Sikkim was to pay Rs. 7.36 crore in 5 annual instalments. In the event of default the UCO bank was to have a right to claim interest at commercial rate.

Except for the first instalment of Rs. 3.57 crore (April 1992), no payment has been made by the Bank. As a result, the outstanding balance with accrued interest for the period 01.05.1993 to 31.03.2000 at the rate of 16.5 per cent per annum compounded quarterly amounts to Rs. 7.81 crore. No provision has been made in the accounts for this liability resulting in understatement of loss by Rs. 7.81 crore.

(SBS Annual Account 1999-2000)

(ii) As per directives of Income and Sales Tax Department, Government of Sikkim, provision for income tax was to be made. Non-provision of this liability has resulted in overstatement of profit by Rs. 2.88 lakh and 6.67 lakh with a corresponding understatement of liabilities for SIDICO and SJL respectively

(SIDICO Annual Account 2000-01)

(SJL Annual Account 2000-01)

(iii) Sikkim Power Development Corporation Ltd has received various machineries from Power Department, Government of Sikkim. The value of these machines was not reflected in the accounts, which resulted in understatement of fixed assets and share capital/loan, by the value of these machines.

(SPDC Annual Account 2001-02)

8.11 Response to Inspection Reports, Draft Paragraphs and Reviews

8.11.1 Audit observations noticed during audit and not settled on the spot are communicated to Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of the PSUs are required to furnish replies to the Inspection Reports within a period of 6 weeks. Inspection Reports up to March 2002 pertaining to 10 PSUs disclosed that the 173 paragraphs relating to 53 Inspection Reports remained outstanding at the end of September 2002. Of these, 16 Inspection Reports containing 59 paragraphs had not been replied for the period ranging from 1 to 12 years.. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2002 are given in APPENDIX-XVII.

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

8.12.1 The reviews and paragraphs of the Commercial Chapter of Audit Report, Government of Sikkim pending for discussion by Public Accounts Committee as at the end of March 2002 were as below:

Table-8.9

| Period of Audit Report | Total number of reviews and paragraphs in the Commercial Chapter | | No. of reviews and paragraphs pending discussion | |
|------------------------|--|------------|--|------------|
| | Reviews | Paragraphs | Reviews | Paragraphs |
| 1999-2000 | - | 2 | - | 2 |
| 2000-2001 | - | 3 | - | 3 |

STATE TRADING CORPORATION OF SIKKIM

8.13 Unauthorised retention of funds and loss of interest

STCS retained Government funds amounting to Rs.2.05 crore over a period ranging from 3 to more than 10 years without authorisation thereby causing loss of interest of Rs.1.56 crore to the Government

8.13.1 The Government of India subsidised road freight incurred on the purchase of controlled items like cement and steel during the years 1979 to 1988. This subsidy was reimbursed by the Government of India to the supplier, who in turn, was to pass it on to the purchaser.

8.13.2 The State Trading Corporation of Sikkim (STCS), the canalising agency for procurement of materials for the State Government departments, received Rs.2.01 crore during March 1992 to October 1998 from Government of India as freight reimbursement subsidy for cement purchased during 1979 to 1988. It also received (March 1994) Rs.4.14 lakh on subsidy for GCI sheets purchased during 1988-1989 to 1991-1992.

8.13.3 Instead of passing on this amount to the concerned State Government departments for crediting into Government account, STCS retained the money unauthorisedly. After a period ranging from 3 to more than 10 years from the dates of receipt of the amount of Rs.2.05 crore, STCS credited the accounts of the concerned departments in its books by Rs.1.31 crore (31 March 1998) and Rs.0.61 crore (31 March 1999) respectively. While the balance amount of Rs.13.23 lakh had yet not been credited, the physical transfer of money of Rs.1.92 crore and its credit into Government accounts, however, was yet to take place even as of August 2002. Thus the amount of Rs.2.05 crore received as road freight subsidy from the Government of India remained blocked with the STCS and also outside Government account for more than 3 to 10 years. Besides the irregularity of retaining the money without a valid authorisation, the retention of fund by the STCS also caused loss of interest of Rs.1.56 crore to the Government on account of cost of borrowing, calculated at 12 per cent per annum.

8.13.4 In reply (August 2002), the Managing Director, STCS stated that it had since been decided to transfer the entire amount of freight subsidy to the Finance Department, Government of Sikkim and Audit would be intimated as soon as the transaction was over. While intimation about the transfer was not received as of October 2002, the issue of loss of interest to the Government on account of retention of fund by the STCS had not been addressed.

8.14 Loss due to maintaining branch office at Kolkata

The volume of business transacted through the branch at Kolkata was insignificant, resulting in a loss of Rs.45.78 lakh during the period 1998-99 to 2000-01 alone.

8.14.1 The State Trading Corporation of Sikkim (STCS), a canalising agency for State Government purchases, was set up in 1972 by a proclamation of the Chogyal with its head office at Gangtok and a branch office at Kolkata.

8.14.2 Scrutiny of records revealed that most of the business of the Corporation is carried out by the Head office. The quantum of purchases placed through its branch office at Kolkata, as seen from commission earned, is negligible at approximately 1* *per cent* of the total transaction of STCS. The branch office maintained a guesthouse and was mostly engaged in performing protocol activities on behalf of State Government, a role totally unrelated to its principal function of a procurement agent for the Government.

8.14.3 Scrutiny of the transactions of the Kolkata branch from 1998-99 to 2000-01 revealed that the commission earned by the branch was insufficient to meet even its operational expenditure. The income and expenditure of the branch office for the last 3 years was as follows:

Table 8.10

(Rupees in lakh)

| Year | Commission income | Net expenditure | | | Total | Loss |
|-----------|-------------------|---------------------|-----------------|----------------------|-------|-------|
| | | Salary & allowances | Office expenses | Guest house expenses | | |
| 1998-1999 | 7.61 | 9.07 | 7.00 | 6.66 | 22.73 | 15.12 |
| 1999-2000 | 2.31 | 8.66 | 4.42 | 6.87 | 19.95 | 17.64 |
| 2000-2001 | 7.65 | 9.83 | 4.42 | 6.42 | 20.67 | 13.02 |
| Total | 17.57 | 27.56 | 15.84 | 19.95 | 63.35 | 45.78 |

8.14.4 Total income of Rs.17.57 lakh earned during the period was just 28 *per cent* of the net expenditure of the branch. The branch office at Kolkata was opened in pre-merger days when a lot of liasoning work was to be performed by it, which has become unnecessary now after Sikkim's integration in India. Thus continuing the operation at the branch office at Kolkata was unjustified in the face of the losses borne by the Corporation on this account every year and therefore, its continuance needs to be reviewed by the management.

8.14.5 The Department (August 2002) while agreeing in principle to close down the branch office resolved to adopt few austerity measures immediately to contain further losses. Final reply on the decision taken in this regard was not received (October 2002).

* $\frac{(7.61 \text{ lakh} \times 100)}{897.94 \text{ lakh (total income)}} = 0.85 \text{ per cent}$

**TOURISM DEPARTMENT / SIKKIM TOURISM
DEVELOPMENT CORPORATION**

8.15 Loss due to retention of sale proceeds by agents

Due to the absence of a formal agreement with booking agent for sale of heli-service tickets and the laidback approach of the STDC in not terminating the arrangement with the agency forthwith, the Government/STDC suffered a loss of Rs.7.67 lakh


8.15.1 M/s RNC Enterprise, Gangtok was entrusted by the Tourism Department with effect from 01 December 1998 to function as the booking agent for the heli-service without any formal written agreement specifying the terms for sale of tickets, mechanism for deposit of sale proceeds, Agent's commission to be paid and without obtaining any bank guarantee to ensure realisation of dues from the Agent in case of default.

8.15.2 The Department in February 1999 handed over the management of the heli-service to the Sikkim Tourism Development Corporation (STDC). STDC continued with the existing arrangement even though the Agent owed Rs.1,35,900/- on account of ticket sales up to January 1999 to the Tourism Department. It was noticed that the Agent was not remitting the entire amount of the sale proceeds every month to STDC from the start itself. However, only in June 1999 did the General Manager, STDC write to the Agent asking him to furnish a bank guarantee of Rs.1,00,000/- and to deposit the outstanding sale proceeds of Rs.62,100/- for period upto 31 May 1999, though the actual dues till that date were Rs.2,36,050/-. Although the matter regarding furnishing of the bank guarantee and remittance of the balance sale proceeds was taken up with the Agent again by the Tourism Department and STDC in July 1999 and October 1999 respectively, the Agent not only failed to clear the earlier dues or furnish a bank guarantee but continued to be irregular in remitting the current dues also. Despite being aware that there was no formal agreement to pursue the matter effectively with the Agent, STDC did not terminate the arrangement forthwith but allowed the Agent to sell tickets till as late as June 2000. From July 2000, STDC took over this task.

8.15.3 A check of the records revealed that M/s RNC Enterprise remitted an amount of Rs 14.44 lakh towards sale proceeds during the period December 1998 to October 2000 against a total collection of Rs 19.52 lakh and retained Rs.5.08 lakh with it. Surprisingly, Tourism Department and STDC paid a sum of Rs.0.56 lakh as agency commission during this period even though there was no agreement to this effect and despite being all along aware that the Agent was not remitting the full sale proceeds to them. Thus, due to the absence of a formal agreement and the STDC's apathy in not terminating the arrangement with the agency forthwith, the Government / STDC suffered a loss of Rs.7.67 lakh (Rs.5.08 lakh plus interest thereon upto May 2002 plus agency fee paid).

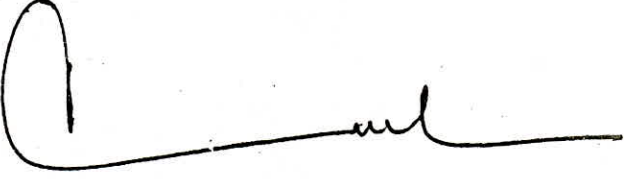
8.15.4 In reply, the STDC stated (June 2002) that M/s RNC Enterprise was made handling agent for the heli-service without undergoing normal procedure in order to avoid delay and as the firm was the authorised agent of Jet Airways/Indian Airlines in Sikkim, the Tourism Department found no reasons why the firm should not be entrusted with the agency work. The STDC further stated that legal action was being initiated against the Agent. The reply was however silent as to why no formal agreement was entered into with the Agency in the absence of which the legal action contemplated by the STDC may not be effective.

Gangtok
The


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

Countersigned

New Delhi
The


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

APPENDICES

APPENDIX – I

(Ref: Paragraph No 2.3.5 Page 30)

Statement showing unnecessary supplementary provision

(Rupees in lakh)

| Sl No | Grant No and Name of Grant | Original Provision | Supplementary provision | Total Provision | Expenditure during the year | Savings |
|-------|---------------------------------------|--------------------|-------------------------|-----------------|-----------------------------|----------------|
| 1 | 2-Animal Husbandry | 1598.55 | 239.77 | 1838.32 | 1164.72 | 673.60 |
| 2 | 7-Education | 14936.65 | 124.30 | 15060.95 | 13790.23 | 1270.72 |
| 3 | 12-FCS&CA | 1449.50 | 58.34 | 1507.84 | 823.91 | 683.93 |
| 4 | Judiciary | 400.59 | 2.00 | 402.59 | 333.82 | 68.77 |
| 5 | 23-Land Revenue | 2102.80 | 229.74 | 2332.54 | 1892.40 | 440.14 |
| 6 | 29-Personnel, Adm. Reforms & Training | 134.66 | 5.20 | 139.86 | 114.72 | 25.14 |
| 7 | 30-Planning & Devp. | 869.28 | 130.93 | 1000.21 | 789.50 | 210.71 |
| 8 | 31-Police | 4869.59 | 567.80 | 5437.39 | 4381.51 | 1055.88 |
| 9 | 35-Roads & Bridges | 7134.66 | 1466.83 | 8601.49 | 6193.73 | 2407.76 |
| 10 | 42-UD&H | 1480.90 | 43.00 | 1523.9 | 1256.08 | 267.82 |
| | Grand Total | 34977.18 | 2867.91 | 37845.09 | 30740.62 | 7104.47 |

APPENDIX-II

(Ref: Paragraph No. 2.3.9 Page 31)

Statement showing surrender less than actual savings

(Rupees in crore)

| Sl. No. | Grant No | Name | Actual savings | Amount actually surrendered | Less Amount surrendered |
|----------------|----------|------------------------------------|----------------|-----------------------------|-------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| REVENUE | | | | | |
| 1 | 1 | Agriculture | 5.29 | 4.08 | 1.21 |
| 2 | 2 | Animal Husbandry | 6.74 | 6.40 | 0.34 |
| 3 | 3 | Building & Housing | 0.18 | 0.14 | 0.04 |
| 4 | 4 | Co-operation | 0.05 | 0.03 | 0.02 |
| 5 | 5 | Culture | 0.27 | 0.12 | 0.15 |
| 6 | 7 | Education | 5.84 | 1.72 | 4.12 |
| 7 | 8 | Election | 0.16 | 0.14 | 0.02 |
| 8 | 9 | Excise | 0.06 | 0.05 | 0.01 |
| 9 | 11 | Fisheries | 0.15 | 0.05 | 0.10 |
| 10 | 13 | Forestry & Wildlife | 1.06 | 0.40 | 0.66 |
| 11 | 14 | Health & Family Welfare | 3.88 | 1.81 | 2.07 |
| 12 | 15 | Home | 0.40 | 0.06 | 0.34 |
| 13 | 16 | Horticulture | 0.11 | 0.05 | 0.06 |
| 14 | 17 | Industries | 0.25 | 0.22 | 0.03 |
| 15 | 18 | Information & Public Relations | 0.09 | 0.08 | 0.01 |
| 16 | 22 | Labour | 0.10 | 0.09 | 0.01 |
| 17 | 23 | Land Revenue | 4.21 | 1.21 | 3.00 |
| 18 | 34 | Law | 0.03 | 0.01 | 0.02 |
| 19 | 29 | Personnel, Adm. Reforms & Training | 0.25 | 0.08 | 0.17 |
| 20 | 30 | Planning & Development | 2.12 | 0.86 | 1.26 |
| 21 | 31 | Police | 9.16 | 6.16 | 3.00 |
| 22 | 32 | Power | 0.65 | 0.60 | 0.05 |
| 23 | 33 | Printing & Stationary | 0.26 | 0.25 | 0.01 |
| 24 | 34 | Public Health Engineering | 0.02 | 0.01 | 0.01 |
| 25 | 35 | Roads & Bridges | 11.46 | 2.17 | 9.29 |
| 26 | 39 | Social Welfare | 1.04 | 0.83 | 0.21 |
| 27 | 40 | Sports & Youth Affairs | 0.15 | 0.14 | 0.01 |
| 28 | 41 | Tourism | 0.91 | 0.65 | 0.26 |
| 29 | 42 | Urban Development & Housing | 0.51 | 0.49 | 0.02 |
| | | Total (Revenue) | 55.40 | 28.90 | 26.50 |
| CAPITAL | | | | | |
| 1 | 7 | Education | 6.87 | 3.98 | 2.89 |
| 2 | 11 | Fisheries | 0.32 | 0.01 | 0.31 |
| 3 | 16 | Horticulture | 0.20 | 0.18 | 0.02 |
| 4 | 32 | Power | 6.52 | 5.57 | 0.95 |
| 5 | 34 | Public Health Engineering | 1.27 | 1.25 | 0.02 |
| 6 | 35 | Roads & Bridges | 12.61 | 2.75 | 9.86 |
| 7 | 36 | Rural Development | 0.35 | 0.20 | 0.15 |
| 8 | 37 | Science & Technology | 0.06 | 0.05 | 0.01 |
| 9 | 39 | Social welfare | 0.27 | 0.25 | 0.02 |
| 10 | 40 | Sports & Youth Affairs | 1.06 | 0.01 | 1.05 |
| | | Total (Capital) | 29.53 | 14.25 | 15.28 |
| | | Grand Total | 84.93 | 43.15 | 41.78 |

APPENDIX – III

(Ref: : Paragraph No. 2.3.10 Page 31)

Statement showing surrender in excess of actual savings

(Rupees in lakh)

| Sl.No. | Grants No | Name | Actual savings | Amount actually Surrendered | Excess Amount Surrendered |
|----------------|-----------|-----------------------------------|----------------|-----------------------------|---------------------------|
| REVENUE | | | | | |
| 1 | 6 | Ecclesiastical | 2.19 | 2.55 | 0.36 |
| 2 | 36 | Rural Development | 145.55 | 157.23 | 11.68 |
| CAPITAL | | | | | |
| 3 | 14 | Health & Family Welfare | 16.34 | 17.40 | 1.06 |
| 4 | | Public Service Commission Charged | 9.27 | 9.50 | 0.23 |
| 5 | 42 | Urban Development & Housing | 216.76 | 220.02 | 3.26 |
| | | Total | 390.11 | 406.70 | 16.59 |

APPENDIX-IV

(Ref.: Paragraph No. 2.3.11 Page 31)

Statement showing persistent Savings

(Rs. in lakh)

| Sl. No | GRANT & NAME | 1999-00 | 2000-01 | 2001-02 |
|--------|---|-------------|--------------|------------|
| | REVENUE | | | |
| 1 | 8- Election | 23.00 (11) | 16.29 (20) | 16.17 (21) |
| 2 | 12- Food & Civil Supply & Consumers Affairs | 331.70 (10) | 988.25 (71) | 683.81(46) |
| 3 | 14- Health & Family Welfare | 640.64 (16) | 1141.02 (26) | 387.65 (9) |
| 4 | 22- Labour | 12.50 (14) | 12.16 (13) | 9.55 (19) |
| 5 | Public Service Commission | 6.65 (16) | 10.92 (25) | 9.27 (20) |
| 6 | 41- Tourism | 348.18 (52) | 62.16 (12) | 91.35 (16) |

(Figures in brackets indicate percentage to total provision)

APPENDIX – V

(Ref: Paragraph No. 2.3.12 Page 31)

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

(Rupees in lakh)

| Sl. No | Grant No and Name of Grant / Appropriation | Amount of Saving (percentage of saving to the provision) | Reasons for saving |
|----------------|--|--|--|
| REVENUE | | | |
| 1 | 1-Agriculture | 529.05(23) | Mainly due to non-implementation of programme under mass management (100% CSS) in the Horticulture Deptt. (Rs. 246.02 lakh) & in non-implementation of programme in Co-Operation Deptt. (Rs. 98.00 lakh) Reasons for the balance not stated. |
| 2 | 2- Animal Husbandry | 673.60(37) | Mainly due to surrender of entire provision of Rs. 625.00 lakh under Poultry Development due to non-receipt of fund from GOI. |
| 3 | 8-Election | 16.17(21) | Mainly due to non-posting of staff. |
| 4 | 12-F&CS&CA | 683.81(46) | Mainly due to withdrawal of subsidy for rice during the year. |
| 5 | 20-Irrigation & Flood control | 217.79(12) | Reasons not stated. |
| 6 | 21-Judiciary | 68.77(17) | Mainly due to not agreeing to the proposal for utilization of the provision for fast track court by GOI, non-filling of vacant post and adjustment of expenditure on computerization against fund received from GOI. |
| 7 | 23-Land Revenue | 421.36(18) | Mainly due to less receipt of contribution from GOI (Rs. 272 lakh) under CRF. Reasons for balance not stated. |
| 8 | 29-Personnel, Adm. Reforms & Training | 25.14(18) | Reasons not intimated. |
| 9 | 30- Planning & Development | 212.31(39) | Due to postponement of meeting of State Planning commission. Reasons for Rs. 127.68 lakh not stated. |
| 10 | 31-Police | 915.83(18) | Mainly due to late sanction of the schemes by Ministry of Home Affairs, non-receipt of medical claims. |
| 11 | 33-Printing & Stationery | 25.25 (11) | Due to non-filling of vacant posts, curtailment of tours as per instructions of the Govt. |
| 12 | 35-R&B | 1146.16(44) | Mainly due to inability for book adjustment due to non-receipt of expenditure statement from BRTF, purchase of stock material from project itself instead of stock, transfer and retirement of some officials. |
| 13 | 41-Tourism | 91.35(16) | Mainly due to un-utilisation of fund by implementing agencies, non-clearance of project site by Govt., non-receipt of fund from GOI. |

| Sl.No | Grant No and Name of Grant / Appropriation | Amount of Saving (percentage of saving to the provision) | Reasons for saving |
|----------------|--|--|---|
| 1 | 2 | 3 | 4 |
| CAPITAL | | | |
| 1 | 1-Agriculture | 15.21(49) | Savings was mainly due to settlement of old O/s liability of power printing & stationery department, and SCCS Ltd. by including the same in the supplementary demand for grant under revenue section. |
| 2 | 7-Education | 686.78(25) | Mainly due to revision of plan in the ongoing construction of building less receipt of central assistance late commencement of work. |
| 3 | 16-Horticulture | 20.01(48) | Mainly due to non-finalization of project on infrastructure development during the year |
| 4 | 17-Industries | 100(18) | Reasons not intimated. |
| 5 | 23-Land Revenue | 18.77(89) | Mainly due to non-availability of land for the construction of VLO qtrs. |
| 6 | 31- Police | 140.05(45) | Mainly due to late sanction of scheme under modernization of Police force by Ministry of Home Affairs. |
| 7 | 32-Power | 652.31(11) | Mainly due to non-receipt equal amount of provision from GOI, non-finalisation of revised estimate during the year. |
| 8 | 34-PHE | 125.30(11) | Mainly due to non-receipt of provision (100 lakh) and financing of water treatment plant from the central resources instead of state's own resources. |
| 9 | 35-R&B | 126.60(21) | Due to non-execution of new schemes, non-sanction of expenditure by govt. for the remaining Rs. 609.08 lakh book adjustment could not be carried out due to non-receipt of expenditure statement from BRTF. |
| 10 | 39-Social Welfare | 27.24(11) | Mainly due to late-finalisation of tender. |
| 11 | 40-Sports & Youth Affairs | 106.50(11) | Reasons not intimated. |
| 12 | 42-UD&H | 216.76(27) | Mainly due to non-receipt of Central share during the year. |

APPENDIX-VI

(Ref: Paragraph No. 2.3.14 Page 32)

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

(Rupees in lakh)

| Sl. No. | Grant No. & Head of Account | Total Grant (Original plus supplementary) | Actual Expenditure | Excess | Amount of re-appropriation |
|---------|---|---|--------------------|--------|----------------------------|
| 1 | 5- Culture 4202-Capital Outlay on Education, Sports, Arts & Culture 04- Art & culture 800- Office Expenses | 210.00 | 218.55 | 8.55 | 2.29 |
| 2 | 10- Finance 2071- Pension & other Retirement benefits 102- Commuted value of pension | 350.00 | 377.80 | 27.80 | 5.10 |
| 3 | 23- Land Revenue 2053- District Administration 093- District Administration 0043- West District | 40.70 | 41.83 | 1.13 | 4.11 |

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

(Rupees in lakh)

| Sl. No | Grant No. & Head of Account | Total Grant (Original plus supplementary) | Actual expenditure | Actual Savings | Amount of Appropriation |
|--------|---|---|--------------------|----------------|-------------------------|
| 1 | 1-2401-Crop Husbandry 01-Direction & Administration 0040- Directorate of Agriculture | 129.70 | 123.70 | 6.00 | 7.79 |
| 2 | 3- Building & Housing 2059- Public works 80-General 001- Direction & Administration | 309.20 | 290.58 | 18.62 | 19.68 |
| 3 | 6- Ecclesiastical 2250- Other Social Service | 138.85 | 136.66 | 2.19 | 2.55 |
| 4 | 10- Finance 2049- Interest payment 03- Interest or small savings, Provident Fund etc 104-interest on provident fund | 2050 | 1950 | 100.00 | 288.12 |
| 5 | 12- Food, Civil Supply & Consumers Affairs 2408-Food, Storage & ware Houses 01- Food 001-Direction and Administration | 127.32 | 116.16 | 11.16 | 13.52 |
| 6 | 13-Forest & Wildlife 2406- Forestry & Wildlife 01- Forestry 102-social & farm forestry | 525.06 | 510.58 | 14.48 | 17.11 |
| 7 | 21 – Judiciary 0045- Civil Court, Mangan | 12.75 | 11.24 | 1.51 | 2.68 |
| 8 | 23 – Land Revenue 2245-Relief on account of Naturals calamity. 800 – Other Expenditure 0071- Protective works, Jhora Training & soils conservation work | 673.40 | 240.84 | 432.56 | 435.84 |

| Sl. No. | Grant No. & Head of Account | Total grant (Original plus supplementary) | Actual Expenditure | Actual Savings | Amount of Appropriation |
|---------|---|---|--------------------|----------------|-------------------------|
| 9 | 27- Motor vehicles 2041- Taxes on Vehicles 101- Collection Charges 0040- Regional Transport Gangtok | 26.16 | 25.30 | 0.86 | 2.32 |
| 10 | 30- Planning & Development 092- other offices 0041- District offices schemes under decentralization | 10.00 | 7.60 | 2.4 | 5.00 |
| 11 | 31- Police (i) 101- Criminal Investigation & vigilance 104- special Police 0044- Armed Police (ii) 109- District Police 0050- East District | 958.25 401.99 | 927.65 396.37 | 30.60 5.62 | 36.80 7.96 |
| 12 | 36- Rural Development 2215- Water Supply (i) 01- Water Supply 001- Direction & Administration 0041- Rural Development Deptt. (ii) 102- Rural Water Supply Programmes | 313.25 135.00 | 311.10 134.56 | 2.15 0.44 | 5.79 7.00 |
| 13 | 39- Social Welfare 2225- Welfare of SC, ST, & OBC (i) 794- Special Central Assistance for Tribal Sub plan. (ii) 2235- Social security & Welfare 01- Social welfare 02- 001- Direction & Administration | 457.88 38.03 | 444.10 33.14 | 13.78 4.89 | 22.08 7.23 |
| 14 | 39-Social Welfare 2236-Nutrition 80-General 001-D&A | 35.12 | 29.47 | 5.65 | 6.88 |
| 15 | 40-Sports & Youth Affairs 2204- Sports & Youth Affairs 001-D&A | 85.90 | 80.17 | 5.73 | 7.55 |
| 16 | 42-Urban Development & Housing 4217-Capital Outlay on Urban Development 03-Integrated Development of Small & Medium Towns 051-Construction | 798.00 | 551.14 | 216.86 | 220.02 |

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

(Rupees in lakh)

| Sl. no | Grant No. & Head of Account | Total grant (Original plus supplementary) | Actual Expenditure | Excess | Amount of Appropriation |
|--------|--|---|--------------------|--------|-------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1 | 7- Education 2202- General Education 01- Elementary Education 101- Govt. Primary School 43- Pre Primary School | 23.00 | 26.97 | 3.97 | 6.50 |
| 2 | 10- Finance 2049- Interest payment 108- Interest on insurance and pension fund | 46.00 | 53.61 | 7.61 | 26.45 |
| 3 | 23- Land Revenue 2245- Relief on a/c of Natural calamity 106- Repairs & Restoration of damaged Roads & Bridges | 0.10 | 102.15 | 102.05 | 109.00 |
| 4 | 16- Horticulture 2401- Crop Husbandry 0041- Directorate of Horticulture | 236.68 | 261.25 | 24.57 | 26.43 |

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

(Rupees in lakh)

| Sl. No | Grant No. & Head of Account | Total Grant (Original plus supplementary) | Actual expenditure | Amount of Re-appropriation |
|--------|--|---|-----------------------------|----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| 1 | 7- Education 2202- General Education i) 0048- Junior High Schools ii) 104-Teachers & other Services ii) 0052- High & Higher secondary schools iii) 106- Text book | 1824.20 3202.36 20.00 | 1746.52 3175.83 17.67 | 3.60 17.09 2.05 |
| 2 | 13- Forestry & wildlife 2406- Forestry & wildlife 01- Forestry 001- D&A 0041- Divisional Forest Officer (West) ii) 004- Research | 104.93 50.58 | 104.35 47.91 | 11.90 1.63 |
| 3 | 29- Personnel, Administrative Reforms & Training 2070- Other administrative Service 0046- Accounts & Administrative Training Institute | 46.33 | 32.05 | 1.05 |

APPENDIX VII

(Ref.: Paragraph No. 2.3.16 Page 32)

Statement showing trend of recoveries and credits

(Rupees in lakh)

| Sl. no | Grant No. and Name of the Grant | Budget Estimate | Actuals | Actuals compared with the Budget Estimate More(+) / Less(-) |
|--------|---------------------------------|-----------------|----------------|---|
| 1 | 3-Building & Housing | 20.00 | 75.21 | (+) 55.21 |
| 2 | 13-Forestry & Wildlife | 100.00 | 103.60 | (+) 3.60 |
| 3 | 20-Irrigation & Flood Control | 60.00 | 27.29 | (-) 32.71 |
| 4 | 23-Land Revenue | 725.00 | 641.60 | (-) 83.40 |
| 5 | 32-Power | 20.00 | 0.00 | (-) 20.00 |
| 6 | 35-Roads & Bridges | 250.00 | 47.49 | (-) 202.51 |
| 7 | 36-Rural Development | 50.00 | 107.34 | (+) 57.34 |
| | Total | 1225.00 | 1002.53 | (-) 222.47 |

APPENDIX VIII

(Ref: Paragraph No. 3.1.8 Page 35)

Statement showing details of test check of total expenditure under IAY

(a) District-wise/Year-wise sample of total expenditure

(Rupees in lakh)

| | 1997-98 | | 1998-99 | | 1999-00 | | 2000-01 | | 2001-02 | |
|--------------|--------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | Expenditure | | Expenditure | | Expenditure | | Expenditure | | Expenditure | |
| | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked |
| East | 21.70 | 5.89 | 47.28 | 11.87 | 45.63 | 11.57 | 89.11 | 24.18 | 65.34 | 16.97 |
| West | 30.57 | 7.94 | 36.68 | 11.19 | 35.79 | 9.78 | 60.80 | 15.78 | 50.20 | 17.98 |
| North | 7.74 | 3.04 | 13.56 | 3.40 | 17.10 | 5.82 | 30.40 | 11.04 | 21.98 | 7.40 |
| South | 26.89 | 7.20 | 32.10 | 9.31 | 27.20 | 10.34 | 95.22 | 43.33 | 99.79 | 39.71 |
| TOTAL | 86.90 | 24.07 | 129.62 | 35.77 | 125.72 | 37.51 | 275.53 | 94.33 | 237.31 | 82.06 |

(b) District-wise/Year-wise sample of total beneficiaries

(Rupees in lakh)

| | 1997-98 | | 1998-99 | | 1999-00 | | 2000-01 | | 2001-02 | |
|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | Beneficiaries | | Beneficiaries | | Beneficiaries | | Beneficiaries | | Beneficiaries | |
| | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked |
| East | 145 | 40 | 215 | 54 | 270 | 71 | 408 | 112 | 455 | 119 |
| West | 209 | 53 | 147 | 51 | 203 | 54 | 391 | 101 | 459 | 172 |
| North | 54 | 21 | 54 | 16 | 108 | 29 | 217 | 75 | 168 | 57 |
| South | 182 | 49 | 127 | 43 | 171 | 69 | 523 | 268 | 672 | 278 |
| TOTAL | 590 | 163 | 543 | 164 | 752 | 223 | 1539 | 556 | 1754 | 626 |

(c) District-wise/Year-wise sample of total Gram Panchayats

(Rupees in lakh)

| | 1997-98 | | 1998-99 | | 1999-00 | | 2000-01 | | 2001-02 | |
|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | Gram Panchayats | | Gram Panchayats | | Gram Panchayats | | Gram Panchayats | | Gram Panchayats | |
| | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked | Total | Test checked |
| East | 48 | 13 | 48 | 17 | 48 | 12 | 48 | 12 | 48 | 13 |
| West | 49 | 13 | 49 | 15 | 49 | 14 | 49 | 19 | 49 | 26 |
| North | 20 | 06 | 20 | 05 | 20 | 06 | 20 | 07 | 20 | 08 |
| South | 42 | 15 | 42 | 14 | 42 | 19 | 42 | 32 | 42 | 25 |
| TOTAL | 159 | 47 | 159 | 51 | 159 | 51 | 159 | 70 | 159 | 72 |

APPENDIX, – IX

(Ref: Paragraph 3.3.3 Page 59)

Statement showing details of vehicles purchased and condemned after signing of MOU

(Rupees in lakh)

| Sl. No. | Name of Department | No. of vehicles purchased | Condemned | Net vehicles | Cost of vehicles |
|--------------|-------------------------------|---------------------------|-----------|--------------|------------------|
| 1 | Agriculture | 7 | 0 | 7 | 30.96 |
| 2 | AH & VS | 3 | 3 | 0 | 12.19 |
| 3 | Building & Housing | 5 | | 5 | 20.50 |
| 4 | CM Secretariat | 0 | | 0 | 0.00 |
| 5 | Co-operation | 8 | 3 | 5 | 23.58 |
| 6 | Culture | 1 | | 1 | 2.11 |
| 7 | Ecclesiastical | 1 | | 1 | 4.63 |
| 8 | Education | 3 | 1 | 2 | 9.63 |
| 9 | Election | 0 | | 0 | 0.00 |
| 10 | Excise | 3 | | 3 | 13.07 |
| 11 | Finance | 11 | 5 | 6 | 39.01 |
| 12 | Food & Civil Supply | 4 | 2 | 2 | 13.59 |
| 13 | Forest & Env. & Wildlife | 13 | 2 | 11 | 40.68 |
| 14 | Health & Family Welfare | 5 | 8 | -3 | 23.99 |
| 15 | Home | 10 | | 10 | 48.23 |
| 16 | Horticulture | 0 | | 0 | 0.00 |
| 17 | Industries | 3 | | 3 | 11.72 |
| 18 | Transport | 6 | | 6 | 20.30 |
| 19 | Science & Technology | 0 | 1 | -1 | 0.00 |
| 20 | Tourism | 3 | 0 | 3 | 11.98 |
| 21 | UD & HD | 3 | 1 | 2 | 11.43 |
| 22 | Social Welfare | 10 | 1 | 9 | 37.55 |
| 23 | Youth Affairs & Sports | 2 | 0 | 2 | 9.63 |
| 24 | Sikkim Legislative Assembly | 8 | 3 | 5 | 35.32 |
| 25 | Information & Public Relation | 2 | | 2 | 3.77 |
| 26 | Irrigation & Flood Control | 4 | | 4 | 14.51 |
| 27 | Labour | 2 | 1 | 1 | 4.52 |
| 28 | Land Revenue | 6 | 5 | 1 | 20.39 |
| 29 | Law Parliament Affairs | 6 | | 6 | 14.59 |
| 30 | Mines & Geology | 2 | | 2 | 8.57 |
| 31 | Personnel, A.R. & Training | 0 | | 0 | 0.00 |
| 32 | Planning and Development | 6 | 3 | 3 | 23.23 |
| 33 | Sikkim Police | 33 | 12 | 21 | 113.94 |
| 34 | Power | 12 | | 12 | 49.00 |
| 35 | Printing & Stationery | 1 | | 1 | 4.49 |
| 36 | Public Health Engineering | 2 | | 2 | 10.01 |
| 37 | Raj Bhawan | 0 | | 0 | 0.00 |
| 38 | Roads & Bridges | 15 | | 15 | 57.93 |
| 39 | Rural Development | 9 | 4 | 5 | 24.09 |
| 40 | Information & Technology | 2 | | 2 | 8.94 |
| Total | | 211 | 55 | 156 | 778.08 |

APPENDIX-X

(Ref: Paragraph 3.3.6 Page 60)

Statement showing allotment of excess vehicles

(Rupees in lakh)

| Sl. No | Name of the Department | No. of officers below the rank of Jt. Secretary and posted at State headquarters | No. of Vehicles allotted to the officers below the rank of Jt. Secretary posted at State headquarters | Maximum No. of vehicles required as per norms at 1 vehicle per 3 officers | No. of vehicles in excess of prescribed norms | *Total expenditure on cost of vehicles, salaries of driver, POL and repair & maintenance of excess vehicles |
|--------|-------------------------|--|---|---|---|---|
| 1 | UDHD | 15 | 10 | 5 | 05 (100) | 27.82 |
| 2 | RDD | 06 | 06 | 2 | 04 (200) | 23.78 |
| 3 | AHVS | 05 | 06 | 2 | 04 (200) | 18.62 |
| 4 | Tourism | 06 | 04 | 2 | 02 (100) | 11.87 |
| 5 | Food and Civil Supplies | 04 | 03 | 2 | 01 (50) | 2.22 |
| 6 | Finance | 09 | 07 | 3 | 04 (133) | 22.99 |
| 7 | Horticulture | 11 | 09 | 4 | 05 (125) | 19.08 |
| 8 | Agriculture | 07 | 07 | 3 | 04 (133) | 17.72 |
| 9 | Land Revenue | 04 | 04 | 2 | 02 (100) | 11.01 |
| 10 | Education | 09 | 09 | 3 | 06 (200) | 22.13 |
| 11 | Planning & Development | 07 | 07 | 3 | 04 (133) | 19.26 |
| 12 | Sports & youth Affairs | 4 | 4 | 2 | 02 (100) | 10.70 |
| | Total | 87 | 76 | 33 | 43 (130) | 207.21 |

* Amount calculated from the date of purchase of the last vehicle bought by each Department in excess of norms.

* Figures in brackets represent excess in percentage

Source: Departmental information.

APPENDIX -

(Ref: Para

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

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

| Sl. No. | Sector and name of the Company | Paid-up-Capital* as at the end of the current year | | | | |
|---------|---|--|--------------------|-------------------|--------|---------|
| | | State Government | Central Government | Holding Companies | Others | Total |
| 1. | 2. | 3(a) | 3(b) | 3(c) | 3(d) | 3(e) |
| A. | Government Companies | | | | | |
| | I. Consumer Industries | 512.93 ³ | - | - | - | 512.93 |
| 1 | Sikkim Jewels Limited | | | | | |
| 2 | Sikkim Time Corporation Limited (SITCO) | 1105.04 ³ | - | - | - | 1105.04 |
| | Sector wise Total | 1617.97 | - | - | - | 1617.97 |
| | II. General Financial and Trading Institutions | 1572.50 ⁵ | - | - | 636.80 | 2209.30 |
| 3 | Sikkim Industrial Development and Investment Corporation Limited (SIDICO) | | | | | |
| | Sector wise Total | 1572.50 | | | 636.80 | 2209.30 |
| | III. Welfare | | | | | |
| 4 | Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited. | 228.60 | 32.18 | - | - | 260.78 |
| | Sector wise Total | 228.60 | 32.18 | | | 260.78 |
| | IV. Tourism | | | | | |
| 5 | Sikkim Tourism Dev. Corporation (STDC) | 214.40 | - | - | - | 214.40 |
| | Sector wise Total | 214.40 | | | | 214.40 |
| | V. Power | | | | | |
| 6 | Sikkim Power Development Corporation | 250.00 | - | - | - | 250.00 |
| | Sector wise Total | 250.00 | - | - | - | 250.00 |
| | Total A (All sector wise Government Companies) | 3883.47 | 32.18 | - | 636.80 | 4552.45 |
| B | Working Statutory Corporations | | | | | |
| | I. Financing | | | | | |
| 1. | (i) State Bank of Sikkim | 53.38 | - | - | 5.00 | 58.38 |
| | Sector wise total | 53.38 | - | - | 5.00 | 58.38 |
| | II. Miscellaneous | | | | | |
| 2. | Sikkim Mining Corporation (SMC) | 441.49 | 447.00 | - | - | 888.49 |
| 3. | State Trading Corporation of Sikkim (STCS) | 111.38 | - | - | - | 111.38 |
| | Sector wise total | 552.87 | 447.00 | | 5.00 | 999.87 |
| | Total B (All sector wise Statutory Corporations) | 606.25 | 447.00 | - | 5.00 | 1058.25 |
| | GRAND TOTAL (A+B) | 4489.72 | 479.18 | - | 641.80 | 5610.70 |
| C | Non-working Government Companies | | | | | |
| | I. Consumer Industries | | | | | |
| | Sikkim Flour Mills Ltd. | 27.90 | - | - | - | 27.90 |
| | Sector wise total | 27.90 | - | - | - | 27.90 |
| | II. Animal Husbandry | | | | | |
| 5 | Sikkim Livestock Processing and Development Corporation (SLPDC) | 35.00 | 34.00 | - | - | 69.00 |
| | Sector wise total | 35.00 | 34.00 | - | - | 69.00 |
| | III. Transport Department (SNT) | | | | | |
| | Chanmari Workshop and Auto Mobiles Ltd. | 30.00 | - | - | - | 30.00 |
| | Sector wise total | 30.00 | - | - | - | 30.00 |
| | Total C (All non working Government companies.) | 92.90 | 34.00 | - | - | 126.90 |
| D | Non-working Statutory Corporation | | | | | |
| | Nil | - | - | - | - | - |
| | Sector wise total | - | - | - | - | - |
| | GRAND TOTAL (C+D) | 92.90 | 34.00 | - | - | 126.90 |
| | GRAND TOTAL (A+B+C+D) | 4582.62 | 513.18 | - | 641.80 | 5737.60 |

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

Loans outstanding at the close of 2001-2002 represents long term loans only.

s Difference from 2000-01 is due to proforma correction made during 2001-02 in Finance Accounts.

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graph No.8.2.4,8.2.7, 8.3.1, 8.7.4 Page 122,123 & 127)

date paid-up capital, budgetary outgo, loans

as on 31 March 2002 in respect of

Statutory Corporations

| Equity/loans received out of Budget during the year | | Others loans received during the year | Loans # Outstanding at the close of 2001-2002 | | | Debt equity ratio for 2001-2002 (previous year) 4(f) /3(e) |
|---|-------|---------------------------------------|---|---------|---------|--|
| Equity | Loans | | Govt. | Others | Total | |
| 4(a) | 4(b) | 4(c) | 4(d) | 4(e) | 4(f) | 5. |
| 50.00 | - | 46.25 | | 82.38 | 82.38 | 0.16:1 |
| - | - | - | - | - | - | - |
| 50.00 | - | 46.25 | | 82.38 | 82.38 | - |
| 50.00 | 30.00 | 108.96 | 232.87 | 108.96 | 341.83 | 0.15:1 (0.09:1) |
| 50.00 | 30.00 | 108.96 | 232.87 | 108.96 | 341.83 | |
| 150.00 | - | 897.14 | - | 897.14 | 897.14 | 3.44:1 |
| 150.00 | - | 897.14 | - | 897.14 | 897.14 | - |
| 50.00 | - | - | - | - | - | - |
| 50.00 | - | - | - | - | - | - |
| 150.00 | - | - | - | 5001.00 | 5001.00 | 20:1 |
| 150.00 | - | - | - | 5001.00 | 5001.00 | 20:1 |
| 450.00 | 30.00 | 1052.35 | 232.87 | 6089.48 | 6322.35 | 1.39:1 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 50.00 | - | - | 54 | - | - | 0.06:1 |
| - | - | - | - | - | - | - |
| 50.00 | - | - | 54 | - | - | - |
| 50.00 | - | - | 54 | - | 54 | - |
| - | - | - | 286.87 | 6089.48 | 6376.35 | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 500.00 | - | - | - | - | - | - |
| 500.00 | 30.00 | 1052.35 | 286.87 | 6089.48 | 6376.35 | - |

APPENDIX -

(Ref: Paragraph
Summarised financial results of Government
for the latest year for which

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

| Sl. No | Sector and name of Company/Corporation | Name of Department | Date of Incorporation | Period of accounts | Year in which accounts finalised | Net Profit (+) / Loss (-) | Net impact of Audit comments |
|---|--|--------------------|-----------------------|--------------------|----------------------------------|---------------------------|------------------------------|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. |
| A. Working Government Companies | | | | | | | |
| I. Consumer Industries | | | | | | | |
| 1 | Sikkim Jewels Limited (SJL) | Industries | July 1976 | 2000-2001 | 2001 | (-) 24.75 | 6.67 |
| 2 | Sikkim Time Corporation Limited (SITCO) | Industries | October 1976 | 2000-2001 | 2002 | (+) 2.57 | |
| | Sector wise total | | | | | (-) 22.18 | |
| II. General Financial and Trading Institutions | | | | | | | |
| 3 | Sikkim Industrial Development and Investment Corporation Limited (SIDICO) | Industries | March 1977 | 2001-2002 | 2002 | (+) 15.08 | 2.88 |
| | Sector wise total | | | | | (+) 15.08 | |
| III. Welfare | | | | | | | |
| 4 | Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited (SABCO) | Welfare | April 1996 | 2000-2001 | 2001 | (-) 45.36 | |
| | Sector wise total | | | | | (-) 45.36 | |
| IV. Tourism | | | | | | | |
| 5 | Sikkim Tourism Development Corporation | Tourism | February 1998 | 2000-2001 | 2001 | (+) 2.29 | |
| | Sector wise Total | | | | | (+) 2.29 | |
| V. Power | | | | | | | |
| 6 | Power Development Corporation | Power | Dec 1998 | 2001-2002 | 2002 | (*) | |
| | Sector wise Total | | | | | - | |
| | Total (A - Working Government Companies) | | | | | (-) 50.17 | |
| B. Working Statutory Corporation | | | | | | | |
| I. Financing | | | | | | | |
| 1 | State Bank of Sikkim (SBS) | Finance | June 1960 | 2000-2001 | 2001 | (-) 199.95 | 7.81 |
| | Sector wise total | | | | | (-) 199.95 | |
| II. Miscellaneous | | | | | | | |
| 2 | Sikkim Mining Corporation (SMC) | Mines and Geology | February 1960 | 2000-2001 | 2002 | (-) 49.34 | |
| 3 | State Trading Corporation of Sikkim (STCS) | Finance | March 1972 | 1999-2000 | 2002 | (+) 31.52 | |
| | Sector wise total | | | | | (-) 17.82 | |
| | Total (B - Working Statutory Corporation) | | | | | (-) 217.77 | |
| | GRAND TOTAL (A+B) | | | | | (-) 267.94 | |
| C. Non-working Government Companies | | | | | | | |
| I. Consumer Industries | | | | | | | |
| | Sikkim Flour Mills Limited (SFML) | Industries | July 1976 | 93-94 | 1994 | Nil | - |
| | Sector wise total | | | | | Nil | |
| II. Animal Husbandry | | | | | | | |
| | Sikkim Livestock Processing and Development Corporation Limited (SLPDC) | AH&VS | April 1998 | 2000-2001 | 2002 | (-) 7.61 | |
| | Sector wise total | | | | | (-) 7.61 | |
| III. Transport Department (SNT) | | | | | | | |
| | Channari Workshop and Auto Mobiles Ltd. | SNT | April 1988 | 1994-95 | 1997 | (-) 14.19 | - |
| | Sector wise total | | | | | (-) 14.19 | |
| | Total (C - Non-working Government Companies) | | | | | (-) 21.80 | |
| D. Non-working Statutory Corporation | | | | | | | |
| | Nil | - | - | - | - | - | - |
| | Sector wise total | | | | | - | |
| | GRAND TOTAL (C+D) | | | | | (-) 21.80 | |
| | GRAND TOTAL (A+B+C+D) | | | | | (-) 289.74 | |

* Project under implementation

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Nos.8.4.1, 8.5.1,8.6.6, 8.7.8 Page 124, 125, 126, 127,)

Companies and Statutory Corporations
accounts were finalised

| Paid-up capital | | Accumulated profit (+)/ Loss (-) | Capital employed* (A) | Total Return on capital employed | Percentage of total return on capital employed | Arrears of accounts in terms of years | Total turn over | No. of employees |
|-----------------|--|----------------------------------|-----------------------|----------------------------------|--|---------------------------------------|-----------------|------------------|
| 9. | | 10. | 11. | 12. | 13. | 14 | 15 | 16 |
| 499.65 | | (+) 64.74 | 281.85 | | | 1 year | 224.74 | 128 |
| 1097.54 | | (+) 578.31 | 779.44 | (+) 2.57 | 0.33 | 1 year | 355.76 | 314 |
| 1597.19 | | 643.05 | 1061.29 | (+) 2.57 | | | | |
| 1604.30 | | (-) 1034.01 | 871.53 | 28.55 | 3.28 | - | 104.37 | 33 |
| 1604.30 | | (-) 1034.01 | 871.53 | 28.55 | | - | | |
| 421.06 | | (-) 116.52 | 1174.05 | - | - | 1 year | \$2.03 | - |
| 421.06 | | (-) 116.52 | 1174.05 | | | | | |
| 320.72 | | (+) 5.80 | 475.93 | 2.29 | 0.48 | 1 year | 10.76 | 84 |
| 320.72 | | (+) 5.80 | 475.92 | 2.29 | 0.48 | - | | |
| 250.00 | | - | 5249.93 | - | | | - | 7 |
| 250.00 | | - | 5249.98 | | - | | | |
| 4193.27 | | (-) 501.68 | 8832.73 | 33.41 | 0.37 | | | |
| 58.38 | | (-) 2141.30 | 14207.82 | 457.43 | 3.22 | 1 year | 747.49 | 298 |
| 58.38 | | (-) 2141.30 | 14207.82 | 457.43 | 3.22 | | | |
| 838.50 | | (-) 465.08 | 158.42 | | | 1 year | 206.26 | 253 |
| 111.37 | | (+) 297.65 | 409.03 | 31.52 | 7.71 | 2 years | 777.61 | 81 |
| 949.87 | | (-) 167.43 | 567.45 | 31.52 | 5.55 | - | | |
| 1008.25 | | (-) 2308.73 | 14775.25 | 31.52 | 0.21 | - | | |
| 5201.52 | | (-) 2810.41 | 23608.20 | 64.93 | 0.27 | - | | |
| 60.16 | | (-) 12.76 | 84.50 | -- | - | 8 years | | |
| 60.16 | | (-) 12.76 | 84.50 | -- | - | | | |
| 69.00 | | (-) 45.33 | 145.72 | | | 1 years | | |
| 69.00 | | (-) 45.33 | 145.72 | | | - | | |
| 0.20 | | (-) 1.53 | 69.00 | - | - | 7 years Closed w.e.f 12.1999 | | |
| 0.20 | | (-) 1.53 | 69.00 | - | - | | | |
| 129.36 | | (-)59.62 | 299.22 | - | | - | | |
| - | | - | - | - | - | - | | |
| - | | - | - | - | - | - | | |
| 129.36 | | (-)59.62 | 299.22 | - | - | - | | |
| 5330.88 | | (-) 2870.03 | 23907.42 | 64.93 | 0.27 | | | |

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

APPENDIX -

(Ref: Para

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

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

| Sl. No. | Name of the Public Sector Undertaking | Subsidy received during the year | | | | Guarantees received during the year and outstanding at the end of the year* | | | | |
|---------|--|----------------------------------|------------------|--------|-------|---|--------------------------|---|--|--------------------|
| | | Central Government | State Government | Others | Total | Cash Credit from banks | Loans from other sources | Letters of credit opened by banks in respect of imports | Payment obligation under agreement with foreign consultants or contracts | Total |
| 1. | 2. | 3(a). | 3(b) | 3(c) | 3(d) | 4(a) | 4(b) | 4(c) | 4(d) | 4(e) |
| A. | Working Government Companies | | | | | | | | | |
| | i) SC,ST, OBC Development Corporation Ltd. | | | | | | (1000.00) | | | (1000.00) |
| | ii) SITCO | | | | | | 110.00 (500.00) | | | 110.00 (500.00) |
| | iii) Sikkim Power Development Corporation | | | | | | (5000.00) | | | (5000.00) |
| | Total - A | | | | | | 6500.00 | | | 6500.00 |
| B | Working Statutory Corporation | | | | | | | | | |
| | i) State Bank of Sikkim | | | | | | (800.00) | | | (800.00) |
| | ii) SMC | | | | | | 7.00 (7.00) | | | 7.00 (7.00) |
| | Total - B | | | | | | 807.00 | | | 807.00 |
| | Grand Total (A+B) | | | | | | 7307.00 | | | 7307.00 |

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

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graph No. 8.3.1, 8.7.4 Page 123, 127)

guarantees received, waiver of dues, loans on converted into equity during the year and outstanding at the end of March 2002

| Waiver of dues during the year | | | | Loans on which moratorium allowed | Loans converted into equity during the year |
|--------------------------------|-----------------|-----------------------|-------|-----------------------------------|---|
| Loans repayment written off | Interest waived | Penal interest waived | Total | | |
| 5(a) | 5(b) | 5(c) | 5(d) | 6. | 7. |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |

APPENDIX - XIV

(Ref: Paragraph No. 8.2.7, 8.5.1 Page 123,125)

Statement showing financial position of Statutory Corporations

| 1. State Bank of Sikkim | | | |
|---|---------------|-----------------------------------|-----------------------------------|
| (Rupees in crore) | | | |
| Particulars | 1999-2000 | 2000-2001 | 2001-2002 |
| A. Liabilities | | | Provisional figure not furnished |
| Paid up Capital | 0.53 | 0.53 | |
| Share application money | 0.05 | 0.05 | |
| Reserve funds and other reserves and surplus | 9.48 | 9.48 | |
| Deposits | 141.25 | 157.26 | |
| Borrowings | 3.84 | 3.59 | |
| i) others | | | |
| Other liabilities and provisions | 10.02 | 11.46 | |
| TOTAL - A | 165.17 | 182.37 | |
| B. Assets | | | |
| Cash and Bank Balances | 100.18 | 111.70 | |
| Investments | 0.25 | 0.25 | |
| Loans and Advances | 15.05 | 16.88 | |
| Net fixed assets | 0.60 | 0.58 | |
| Other assets | 8.99 | 10.66 | |
| Accumulated loss | 19.41 | 21.41 | |
| Miscellaneous expenditure | 20.69 | 20.89 | |
| TOTAL - B | 165.17 | 182.37 | |
| C. Capital Employed* | 96.10 | 142.07 | |
| 2. State Trading Corporation of Sikkim | | | |
| A. Liabilities | | | |
| Paid up Capital | 1.11 | Provisional figures not furnished | Provisional figures not furnished |
| Reserve and surplus | 2.98 | | |
| Trade dues and current Liabilities and provisions | 14.11 | | |
| TOTAL A | 18.20 | | |
| B. Assets | | | |
| Gross Block | 0.93 | Provisional figures not furnished | Provisional figures not furnished |
| Less: Depreciation | 0.45 | | |
| Net fixed assets | 0.48 | | |
| Current assets, loans and advances | 17.72 | | |
| TOTAL: B | 18.20 | | |
| C. Capital employed** | 4.09 | | |
| 3. Sikkim Mining Corporation | | | |
| A. Liabilities | | | |
| Paid up capital | 7.05 | 8.38 | Provisional figures not furnished |
| Reserve and Surplus | -- | 0.03 | |
| Borrowing | 1.51 | 1.54 | |
| i) Government | | | |
| Trade dues and Current Liabilities and provisions | 1.13 | 1.21 | |
| TOTAL A | 9.68 | 11.16 | |
| B. Assets | | | |
| Gross Block | 2.06 | 2.44 | |
| Less Depreciation | 1.09 | 1.20 | |
| Net fixed Assets | 0.97 | 1.24 | |
| Mine Development expenditure | 3.29 | 3.72 | |
| Current assets loans and advances | 1.27 | 1.55 | |
| Accumulated Losses | 4.15 | 4.65 | |
| TOTAL B | 9.68 | 11.16 | |
| Capital Employed ** | 1.13 | 1.58 | |

Figures are based on Annual Accounts of the Corporations which differ from those in Appendix 2 based on Finance Accounts. The difference is under reconciliation.

* Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.

** Capital employed represents net fixed assets (including Capital Work-in-Progress) plus working capital.

APPENDIX - XV

(Ref: Paragraph No.8.2.7, 8.5.1 Page 123,125)
Statement showing working results of Statutory Corporations

| State Bank of Sikkim (SBS) | | | |
|---|-----------|----------------------------------|----------------------------------|
| Particulars | 1999-2000 | 2000-2001 | 2001-2002 |
| (Rupees in crore) | | | |
| 1. Income | 5.74 | 7.47 | Provisional figure not furnished |
| a) Interest on loans | | | |
| b) Other income | 0.56 | 1.14 | |
| 2. Expenses | 4.30 | 8.61 | |
| a) Interest on long-term and short-term loans | 4.16 | 6.57 | |
| b) Provision for non-performing assets | 3.98 | 4.04 | |
| c) Other expenses | | | |
| Total-2 | 8.12 | 10.61 | |
| 3. Profit (+)/Loss (-) before tax (-2) | (-) 3.82 | (-) 2.00 | |
| 4. Prior period adjustments | - | - | |
| 5. Provision for tax | - | - | |
| 6. Profit (+)/Loss (-) after tax | (-) 3.82 | (-) 2.00 | |
| 7. Other appropriation | - | - | |
| 8. Amount available for dividend | - | - | |
| 9. Dividend paid/payable | - | - | |
| 10. Total return on Capital employed | 4.57 | | |
| 11. Percentage of return on Capital employed | - | 3.22 | |
| 2. Sikkim Mining Corporation (SMC) | | | |
| 1. Income | 1.32 | 2.06 | Provisional figure not furnished |
| a) Sales of concentrates | | | |
| b) Other income | 0.02 | 0.23 | |
| c) Increase (+)/Decrease (-) in stock of concentrates | 0.16 | (-) 0.10 | |
| Total-1 | 1.50 | 1.99 | |
| 2. Expenses | 1.36 | 1.45 | |
| a) Establishment charges | | | |
| b) Manufacturing expenses | 0.58 | 0.82 | |
| c) Other expenses | 0.16 | 0.21 | |
| Total-2 | 2.10 | 2.48 | |
| 3. Profit (+)/Loss (-) before tax | (-) 0.60 | (-) 0.49 | |
| 4. Provision before tax | - | - | |
| 5. Prior period adjustment | 0.01 | - | |
| 6. Other appropriation | - | - | |
| 7. Amount available for dividend | - | - | |
| 8. Dividend for the year | - | - | |
| 9. Total return on Capital employed | 0.51 | (-) 0.40 | |
| 10. Percentage of return on Capital employed | (-) 45.15 | (-) 25.35 | |
| 3. State Trading Corporation of Sikkim (STCS) | | | |
| 1. Income | 7.78 | Provisional figure not furnished | Provisional figure not furnished |
| a) Sale of trading goods | | | |
| b) Other income | 0.99 | | |
| c) Increase (+)/Decrease (-) in stock | 0.36 | | |
| Total-a | 9.13 | | |
| b) Expenses | 6.99 | | |
| i) Establishment charges | | | |
| ii) Purchase of trading goods | 1.67 | | |
| iii) Other expenses | 0.06 | | |
| Total-b | 8.72 | | |
| Profit (+)/Loss (-) before tax | 0.40 | | |
| 4. Provision for tax | 0.08 | | |
| 5. Prior period adjustment | 0.01 | | |
| 6. Other appropriation | - | | |
| 7. Amount available for dividend | - | | |
| 8. Dividend for the year | - | | |
| 9. Total return on Capital employed | 0.40 | | |
| 10. Percentage of return on Capital employed | 9.77 | | |

APPENDIX – XVI
(Ref: Paragraph No. 8.6.5 Page 126)
Statement showing operational performance of Statutory Corporations

| Sl. No. | Particulars | 1999-2000 (Provisional) | 2000-2001 (Provisional) | 2001-2002 |
|---------|--|----------------------------|----------------------------|-----------------|
| | State Bank of Sikkim | | | |
| 1 | Earning per share (Rs.) | Not furnished by the Bank | | |
| 2 | Number of Branches | 22 | 22 | 22 |
| 3 | Number of Employees | 310 | 298 | 298 |
| 4 | Profit per Employee (Rs. in lakh) | (-) 1.24 | (-) 0.67 | (-) 0.62 |
| 5 | Deposits (Rs. in crore) | | | |
| | Government | 81.80 | 73.35 | 112.57 |
| | Others | 59.45 | 83.91 | 109.17 |
| | TOTAL | 141.25 | 157.26 | 221.74 |
| 6 | Advances (including bills) | | | |
| | Government | 15.05 | 16.88 | 22.71 |
| | Other | | | |
| | TOTAL | 15.05 | 18.88 | 22.71 |
| 7 | Debts written off | NIL | Nil | |
| | Sikkim Mining Corporation | | | |
| 1 | Total mining area in possession | 27 (Hec.) | 27(Hec.) | 34.8(Hec) |
| 2 | Mining area excavated | 9.8 (Hec) | 9.8 (Hec) | 9.8 (Hec) |
| 3 | Number of Employees | 227 | 241-- | 253 |
| 1 | Installed capacity | | | 100TPD |
| | (a) Ore | 100 TPD | 100TPD | |
| | (b) Waste Rock | | | |
| | (c) Others | | | |
| | TOTAL | 100 TPD | 100 TPD | 100TPD |
| 2 | Targets | | | |
| | (a) Ore | 16700 MT | 23040 MT | 23341 |
| | (b) Waste Rock | NIL | NIL | NIL |
| | (c) Others | NIL | NIL | NIL |
| | TOTAL | 16700 MT | 23040 MT | 23341 MT |
| 3 | Actual Production of waste Rock | | | |
| | (a) Own | 1751 MT | 1871MT | 827MT |
| | (b) Contractual | NIL | | 827MT |
| | TOTAL | 1751 MT | 1871MT | 827MT |
| 4 | Actual production | 15901MT | 22018MT | 16759MT |
| 5 | Percentage of capacity utilisation | 53 | 73 | 56 |
| 6 | Production of by products if any | | | |
| | (i) Targets (MT) | NIL | NIL | NIL |
| | (ii) Production (MT) | NIL | NIL | NIL |
| | (iii) Capacity utilisation in per cent | | | |

APPENDIX – XVII

(Referred to in paragraph No. 8.11.1 Page 129)

Statement showing Department wise outstanding Inspection Reports (IRs)

| Sl. No. | Name of Department (Administrative Department) | No. of PSUs | No. of outstanding I.R | No. of outstanding paragraphs | Years from which paragraphs outstanding |
|---------|---|-------------|------------------------|-------------------------------|---|
| 1 | Industries | 04 | 27 | 53 | 1979-80 |
| 2 | AH and VS | 01 | 03 | 16 | 1994-95 |
| 3 | SNT | 01 | 03 | 13 | 1993-94 |
| 4 | Welfare | 01 | 04 | 12 | 1999-2000 |
| 5 | Finance | 02 | 13 | 63 | 1987-1988 |
| 6 | Mines and Geology | 01 | 01 | 02 | 2001-02 |
| 7 | Tourism | 01 | 02 | 14 | 2001-02 |
| | Total | | 53 | 173 | |

