



# **REPORT**

**OF THE**

## **COMPTROLLER AND AUDITOR GENERAL OF INDIA**

***FOR THE YEAR 1978-79***

**GOVERNMENT OF SIKKIM**

PROCEEDINGS OF THE

ROYAL ASIATIC SOCIETY

OF INDIA  
HOLDEN-SERVICES  
CONSTITUTION AND

OF THE

REPORT



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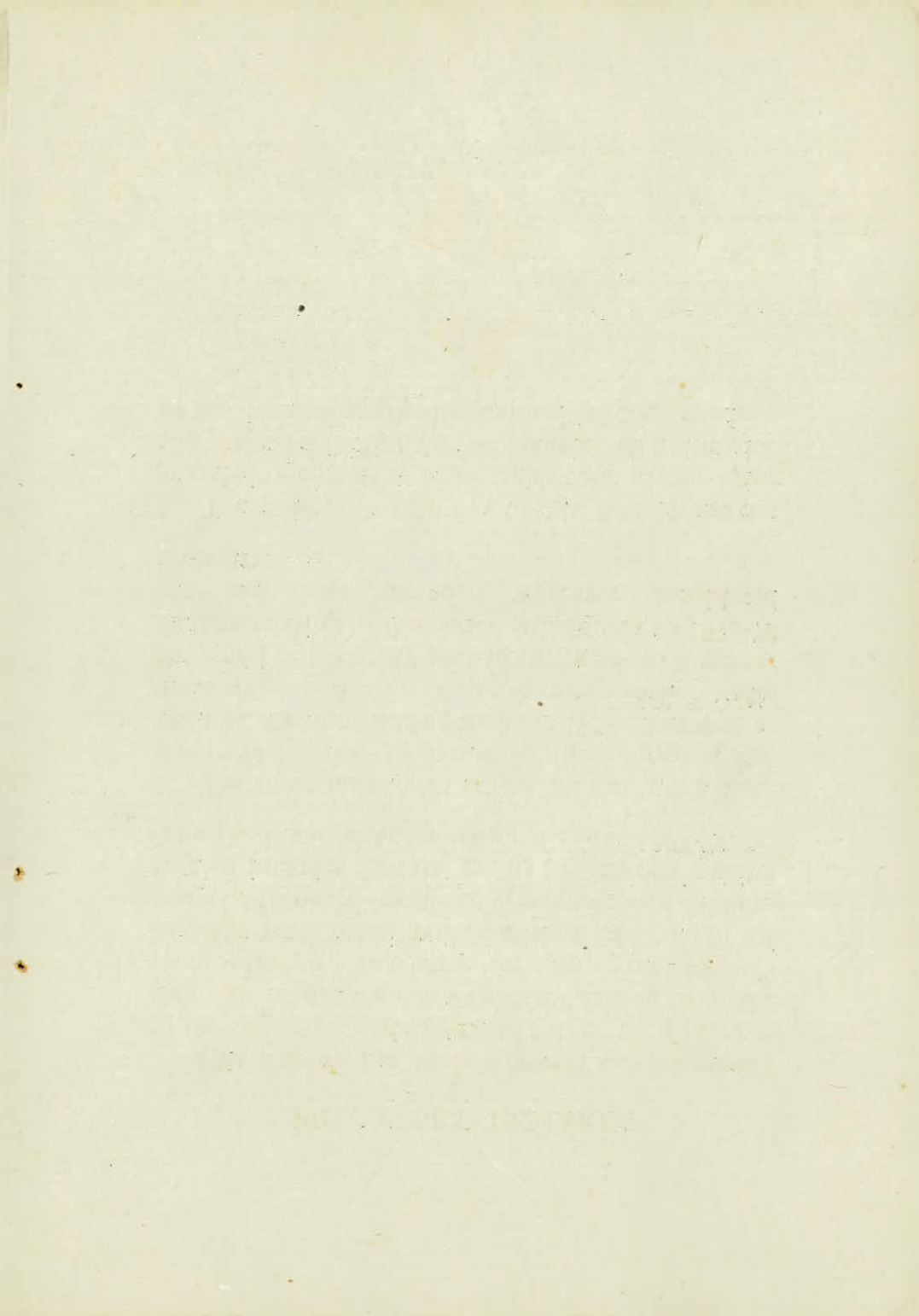


## PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1978-79 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1978-79.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1978-79 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1978-79 have also been included, wherever considered necessary.

3. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.





# CHAPTER I

## GENERAL

### 1.1 Summary of transactions

The receipts and expenditure of the Government of Sikkim for the year 1978-79 are given below, with corresponding figures of the preceding year :—

(1)	1977-78 (2)	1978-79 (3)
	<i>(in lakhs of rupees)</i>	
(1) Revenue —		
Revenue receipts	21,20.26	29,27.28
Revenue expenditure	17,37.07	22,79.15
Revenue surplus (+)	(+) 3,83.19	(+) 6,48.13
(2) Public Debt		
(i) Internal debt of the State Government (net)		
Increase (+)	(+) 4.80	(+) 55.57
(ii) Loans and Advances from the Central Government (net)		
Increase (+)	(+) 1,10.19	(+) 2,13.39
Total Public Debt (net)		
Increase (+)	(+) 1,14.99	(+) 2,68.96
(3) Capital Expenditure (net)		
Increase (—)	(—) 6,37.36	(—) 7,19.26

(1)	1977-78 (2)	1978-79 (3)
	<i>(in lakhs of rupees)</i>	
(4) Loans and Advances by the State Government (net) Increase (—)	(—) 17.17	(—) 13.76
(5) Contingency Fund (net) Increase (+)/Decrease (—)	(+) 10.51	(—) 31.72
(6) Public Account (net) Increase (+)/Decrease (—)	(+) 28.26	(—) 1,00.89
Net Surplus (+)/deficit (—)	<u>(—) 1,17.58</u>	<u>(+) 51.46</u>
Opening Cash Balance		
Net surplus (+)/deficit (—)	(+) 86.75	(—) 30.83
Net surplus (+)/deficit (—) as above	<u>(—) 1,17.58</u>	<u>(+) 51.46</u>
Closing Cash Balance	(—) 30.83	(+) 20.63

## 1.2 Revenue surplus/deficit

### (i) Revenue receipts

The actuals of revenue receipts for 1978-79 compared with the budget estimates, along with the corresponding figures for 1976-77 and 1977-78, are shown below :—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
1	2	3	4	5
<i>( in lakhs of rupees )</i>				
1976-77	18,73.16	19,19.30	+ 46.14	3
1977-78	19,00.43	21,20.26	+ 2,19.83	12
1978-79	30,30.76*	29,27.28	— 1,03.48	3

\* Includes Rs. 3 lakhs from additional taxation (increase in rate of State Excise duty by 7 per cent over the prevailing rate).

## (ii) Expenditure on revenue account

The expenditure on revenue account during 1978-79 as compared with the budget estimates and the budget estimates *plus* supplementary provision, along with the corresponding figures for 1976-77 and 1977-78, is shown below :—

Year	Budget	Budget plus supple- mentary	Actual	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in lakhs of rupees)					
1976-77	13,40.53	14,54.11	15,03.34	+ 49.23	3
1977-78	14,98.00	20,02.51	17,37.07	—2,65.44	13
1978-79	22,95.86	25,98.35	22,79.15	—3,19.20	12

The shortfall of Rs. 3,19.20 lakhs during 1978-79 over the Budget *plus* Supplementary provision was mainly under Miscellaneous General Services (Rs. 1,51.44 lakhs) due to non-utilisation of lump provision made for payment of arrears under revised pay scales as the requirement of funds for the purpose was met largely out of savings in the provision under the respective Grants, Education (Rs. 36.42 lakhs) due to less expenditure on Government secondary schools, special education and scholarships and Social Security and Welfare (Rs. 19.64 lakhs), reasons for which have not been intimated May 1980).

(iii) The year ended with a revenue surplus of Rs. 6,48.13 lakhs against the surplus of Rs. 7,34.90 lakhs anticipated in the budget. In 1977-78, the State had a revenue surplus of Rs. 3,83.19 lakhs.

### 1.3 Revenue receipts

(i) The revenue receipts during 1978-79 (Rs. 29,27.28 lakhs) were more by Rs. 8,07.02 lakhs than those in 1977-78 (Rs. 21,20.26 lakhs). The increase is analysed below :—

	<i>Receipts</i>		<i>Increase(+)</i>
	<i>1977-78</i>	<i>1978-79</i>	<i>Decrease(-)</i>
<i>(in lakhs of rupees)</i>			
(a) Receipts from the Government of India—			
(i) Statutory grants (non-Plan) under proviso to Article 275 (1) of the Constitution	2,26.95	4,20.52	(+) 1,93.57
(ii) Block grants for State Plan schemes	10,93.50	14,06.57	(+) 3,13.07
(iii) Grants for Centrally sponsored Plan schemes	3.88	5,00.18	(+) 4,96.30
(iv) Other non-Plan grants	2,49.37	11.63	(-) 2,37.74
TOTAL (a)	15,73.70	23,38.90	(+) 7,65.20



	<i>Receipts</i>		<i>Increase(+)</i>
	<i>1977-78</i>	<i>1978-79</i>	<i>Decrease(-)</i>
<i>(in lakhs of rupees)</i>			
(b) Revenue raised by the State Government			
(i) State taxes and duties classed as tax revenue	2,08.15	2,26.67	(+) 18.52
(ii) Receipts from road transport services, interest receipts, receipts from forest produce, power projects, etc., classed as non-tax revenue	3,38.41	3,61.71	(+) 23.30
TOTAL—(b)	5,46.56	5,88.38	(+) 41.82
TOTAL—(a) and (b)	21,20.26	29,27.28	(+) 8,07.02

(ii) The receipts from the Government of India during 1978-79 formed about 80 per cent of the total revenue receipts of the State against 74 per cent during 1977-78.

(iii) Arrears in collection of revenue

According to the information furnished by the Finance Department, the arrears in collection of revenue at the end of March 1979 were Rs. 46.65 lakhs comprising mainly Taxes on income levied under State laws (Rs. 21.19 lakhs) and State Excise duties (Rs. 12.25 lakhs).

#### 1.4 Expenditure on revenue account

(i) The following table compares the expenditure on revenue account during 1978-79 under broad headings with the provision of funds made thereunder (and also the expenditure during 1977-78 shown within brackets) :—

Sector of expenditure	PLAN		Actuals	Variation (increase + decrease—)
	Budget	Budget plus supplementary		
(1)	(2)	(3)	(4)	(5)
	(in lakhs of rupees)			
A. General Services	59.00	89.30	81.02 (37.56)	—8.28
B. Social and Community Services	1,61.10	1,89.31	1,90.50 (1,50.75)	+1.19
C. Economic Services	6,78.47	7,13.35	6,63.50 (5,64.04)	—49.85
<b>TOTAL</b>	<b>8,98.57</b>	<b>9,91.96</b>	<b>9,35.02</b> <b>(7,52.35)</b>	<b>—56.94</b>

Sector of expenditure	NON-PLAN		Actuals	Variation (increase + decrease—)
	Budget	Budget plus supplementary		
(1)	(2)	(3)	(4)	(5)
	(in lakhs of rupees)			
A. General Services	3,14.60	4,26.43	2,87.09 (2,15.20)	—1,39.34
B. Social and Community Services	2,56.12	3,02.61	2,10.57 (1,85.75)	—92.04
C. Economic Services	8,26.57	8,77.35	8,46.47 (5,83.77)	—30.88
<b>TOTAL</b>	<b>13,97.29</b>	<b>16,06.39</b>	<b>13,44.13</b> <b>(9,84.72)</b>	<b>—2,62.26</b>



The main heads accounting for the shortfall have been mentioned below paragraph 1.2(ii). Shortfall in non-Plan expenditure was 16 per cent of the provision.

(ii) Significant variations in expenditure during 1978-79 over the previous year, under broad sectors, are analysed in Appendix I.

### 1.5 Capital expenditure

(i) The capital expenditure during the three years ending 1978-79 as compared with the budget estimates and the budget estimates plus supplementary provision is shown below :—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
					(in lakhs of rupees)
1976-77	5,06.76	5,92.56	4,54.82	—1,37.74	23
1977-78	5,28.74	6,98.21	6,37.36	—60.85	9
1978-79	8,73.22	9,14.72	7,19.26	—1,95.46	21

(ii) The following table compares the expenditure on capital account during 1978-79 under broad headings with the provision of funds made thereunder (and also with the expenditure during 1977-78 shown within brackets) :—

Sector of expenditure	PLAN				
	Budget	Budget plus supplementary	Actuals	Variation	
				Increase(+)	Decrease(—)
(1)	(2)	(3)	(4)	(5)	
					(in lakhs of rupees)
A. General Services	41.41	41.41	52.10	(+)	10.69
			(45.27)		

Sector of expenditure	Budget	Budget plus supplementary	Actuals	Variation
				Increase(+) Decrease(-)
(1)	(2)	(3)	(4)	(5)
<i>(in lakhs of rupees)</i>				
B. Social and Community Services	1,58.95	1,77.95	1,44.03 (1,35.80)	-33.92
C. Economic Services	5,18.57	5,38.57	4,72.30 (3,28.57)	-66.27
<b>TOTAL</b>	<b>7,18.93</b>	<b>7,57.93</b>	<b>6,68.43</b> <b>(5,09.64)</b>	<b>-89.50</b>

## NON-PLAN

Sector of expenditure	Budget	Budget plus supplementary	Actuals	Variation
				(Decrease)
(1)	(2)	(3)	(4)	(5)
<i>(in lakhs of rupees)</i>				
A. General Services	39.29	41.79	7.70 (4.39)	34.09
B. Social and Community Services	25.00	25.00	19.77 (17.73)	5.23
C. Economic Services	90.00	90.00	23.36 (1,05.60)	66.64
<b>Total</b>	<b>1,54.29</b>	<b>1,56.79</b>	<b>50.83</b> <b>(1,27.72)</b>	<b>1,05.96</b>

Shortfall in Plan expenditure amounted to 12 per cent of the provision whereas in non-Plan expenditure it was 70 per cent of the provision. The shortfall under 'Social and Community Services' was mainly under Education, reasons for which have not been intimated (May 1980). The shortfall under 'Economic Services' resulted mainly from non-utilisation of Rs. 90 lakhs for dairy development programme, reportedly owing to non-receipt of funds from the Government of India.

(iii) Significant variations in expenditure during 1978-79 over the previous year, under broad sectors, are analysed in Appendix II.

(iv) An analysis of the capital expenditure during and to end of 1978-79 is given below :—

<i>Capital expenditure</i>	<i>During 1978-79</i>	<i>Progressive total to end of 1978-79</i>
	<i>(in lakhs of rupees)</i>	
(a) Public Works	59.80	1,87.03
(b) Social and Community Services	1,63.80	4,85.57
(c) Economic Services—		
(i) General Economic Services	12.23	36.76
(ii) Agriculture and Allied Services	44.24	2,20.77
(iii) Industry and Minerals	49.00	1,33.71
(iv) Water and Power Development	54.05	1,50.76
(v) Transport and Communications	3,36.14	8,43.36
Total capital expenditure	<u>7,19.26</u>	<u>20,57.96</u>

Further details are given in Statement Nos. 2 and 12 of Finance Accounts 1978-79.



(v) The capital expenditure (Rs. 7,19.26 lakhs) and the net outgo under loans and advances (Rs. 13.76 lakhs) mentioned in paragraph 1.6 during 1978-79 were met out of revenue surplus and loans from the Central Government.

### 1.6 Loans and advances by the State Government

(i) The disbursement of loans and advances by the State Government during 1978-79 as compared with the budget estimates and the budget estimates *plus* supplementary provision along with the corresponding figures for 1976-77 and 1977-78 are given below :—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in lakhs of rupees)					
1976-77	43.20	49.45	38.49	— 10.96	22
1977-78	32.90	35.20	31.44	— 3.76	11
1978-79	28.50	32.90	19.73	— 13.17	40

The shortfall was attributed mainly to payment of less festival advance to Government servants owing to receipt by them of interim relief.

(ii) The budget estimates and the actuals of recoveries of loans and advances for the three years ending 1978-79 are given below :—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
(in lakhs of rupees)				
1976-77	12.46	9.07	— 3.39	27
1977-78	20.15	14.27	— 5.88	29
1978-79	11.20	5.97	— 5.23	47

(iii) The outstanding balances under loans and advances at the end of last three years are analysed below :—

Category	Amount outstanding on 31st March		
	1977	1978	1979
	(in lakhs of rupees)		
(I) Loans for Economic Services—			
(a) General Economic Services	19.40	19.25	19.25
(b) Agriculture and Allied Services	41.55	40.32	40.96
(c) Industry and Minerals	62.30	66.70	66.11
(d) Transport and Communications	11.25	18.70	24.67
(II) Loans to Government servants, etc.	22.28	29.18	37.17
(III) Loans for miscellaneous purposes	63.74	63.54	63.29
TOTAL	2,20.52	2,37.69	2,51.45

No interest recoveries were made on any of the outstanding loans during the year. Full details of overdues of principal and interest are awaited (July 1980).

Further details of loans and advances are given in Statement Nos. 4 and 17 of the Finance Accounts 1978-79.

### 1.7 Debt position

(i) The outstanding public debt of the State Government at the end of 1978-79 was Rs. 5,93.13 lakhs. An analysis of the debt compared with the corresponding amounts at the end of the preceding two years is given below :—

	<i>Public debt as on 31st March</i>		
	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>(in lakhs of rupees)</i>		
(a) Loans and advances from the Central Government	2,04.18	3,14.37	5,27.76
(b) Loans from the Life Insurance Corporation of India and other Institutions	5.00	9.80	65.37
TOTAL	<u>2,09.18</u>	<u>3,24.17</u>	<u>5,93.13</u>

(ii) Loans aggregating Rs. 2,38.60 lakhs were obtained from the Central Government during 1978-79 and repayment of Rs. 25.21 lakhs towards principal was made. Interest of Rs. 18.72 lakhs was also paid to the Government of India during 1978-79 on various outstanding loans.

#### (iii) Other debt and obligations

In addition to public debt, the balances in the Provident Fund accounts of Government servants and the balances at the credit of certain deposits constitute a liability of the Government. Taking the public debt and this liability together, the debt position of the Government was as follows :—

	<i>Total debt as on 31st March</i>		
	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>(in lakhs of rupees)</i>		
Public debt	2,09.18	3,24.17	5,93.13
Provident Funds	15.67	21.42	29.01
Civil deposits	71.80	74.89	90.07
TOTAL	<u>2,96.65</u>	<u>4,20.48</u>	<u>7,12.21</u>



### 1.8 Guarantees given by the State Government

A guarantee up to Rs. 10 lakhs was given by the State Government in July 1976 to the State Bank of Sikkim for giving an 'advance' (overdraft) to the Sikkim Consumers' Co-operative Society. The amount of overdraft outstanding against the society as on 31st March 1979 was Rs. 4.04 lakhs. Further, the guarantee up to Rs. 10 lakhs given by the State Government to the State Bank of Sikkim in August 1975 for repayment of the overdraft availed of by the Sikkim Mining Corporation continued to be operative in 1978-79. There was, however, no overdraft outstanding against the Corporation.

No guarantee was invoked during the year.

### 1.9 Investments

The table below indicates the position of investments made by the Government during and to end of 1978-79 and the dividend/interest received during 1978-79 :—

Category of concerns	During 1978-79		To end of 1978-79		Dividend/Interest received during 1978-79 with percentage of return on cumulative investment within brackets (in lakhs of rupees)
	Number of concerns	Investments (in lakhs of rupees)	Number of concerns	Investments (in lakhs of rupees)	
(i) Statutory Corporations	4	38.00	5	1,26.55	1.56 (1)
(ii) Companies	2	28.85	5	1,04.79	33.62 (32)
(iii) Bank and Co-operative societies	—	—	4	15.46	—
TOTAL	6	66.85	14	2,46.80	35.18 (14)

**CHAPTER II**  
**APPROPRIATION AUDIT AND CONTROL**  
**OVER EXPENDITURE**

**2.1 Summary**

(a) The following table compares the total expenditure during the year with the totals of grants and charged appropriations :—

(1)	<i>Grants/Charged appropriations</i>	<i>Expendi- ture</i>	<i>Saving</i>	<i>Perce- tage</i>
(1)	(2)	(3)	(4)	(5)
<i>(in lakhs of rupees)</i>				
<i>Voted—</i>				
Original	33,78.40			
	37,86.06	31,85.61	6,00.45	16
Supplementary	4,07.66			
<i>Charged—</i>				
Original	44.78			
	66.97	57.54	9.43	14
Supplementary	22.19			
<b>TOTAL</b>	38,53.03	32,43.15	6,09.88	16

The saving of Rs. 6,09.88 lakhs was the result of saving of Rs. 6,22.10 lakhs in twentyseven grants (Rs. 3,49.77 lakhs) and nine appropriations (Rs. 5.49 lakhs) in the Revenue Section and in thirteen grants (Rs. 2,62.60 lakhs) and three appropriations (Rs. 4.24 lakhs) in the Capital Section partly counterbalanced by excess of Rs. 12.22 lakhs in three grants (Rs. 7.96 lakhs) and one appropriation (Rs. 0.18 lakh) in the Revenue Section and in four grants (Rs. 3.96 lakhs) and one appropriation (Rs. 0.12 lakh) in the Capital Section.

(b) Further details are given below :—

	Revenue (1)	Capital (2)	Loans and advances (3)	Public debt (4)	Total (5)
	(in lakhs of rupees)				
Authorised to be spent (grants and charged appropriations)					
Original	24,53.16	9,23.22	28.50	18.30	34,23.18
Supplementary	3,72.49	41.50	4.40	11.46	4,29.85
<b>TOTAL</b>	<b>28,25.65</b>	<b>9,64.72</b>	<b>32.90</b>	<b>29.76</b>	<b>38,53.03</b>
Actual expen- diture (grants and charged appropriations)	24,78.53	7,19.25*	19.73	25.64	32,43.15
Saving	3,47.12	2,45.47	13.17	4.12	6,09.88

## 2.2 Excess over grants/charged appropriation requiring regularisation

(a) *Grants* : The excess of Rs. 7,96,014 in three grants in the Revenue Section and of Rs. 3,96,039 in four grants in the Capital Section, the details of which are given below, requires regularisation under Article 205 of the Constitution :—

### Revenue Section

Serial number	Number and name of grant	Total grant Rs.	Actual ex- penditure Rs.	Excess Rs.
(1)	(2)	(3)	(4)	(5)
1.	11—Excise (Abkari)	5,74,000	5,75,574	1,574
2.	12—Finance Depart- ment	7,60,000	7,97,249	37,249

\*Difference from Rs. 7,19.26 lakhs in paragraphs 1.1 and 1.5 (i) by Rs. 0.01 lakh due to rounding.



Excess in the above two grants was attributed to more expenditure on payment of arrears arising out of revision of pay and allowances of officers and staff.

<i>Serial number</i>	<i>Number and name of grant</i>	<i>Total grant</i> Rs.	<i>Actual expenditure</i> Rs.	<i>Excess</i> Rs.
(1)	(2)	(3)	(4)	(5)
3.	16—Forest, Fisheries and Soil Conservation	2,32,12,000	2,39,69,191	7,57,191

Excess was due to more expenditure on payment of arrears arising out of revision of pay and allowances of officers and staff and taking up of more rehabilitation work of degraded forests than anticipated.

### Capital Section

1.	6—Co-operation	5,32,000	8,23,062	2,91,062
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Excess was attributed to payment of additional marketing grants to marketing co-operatives.

2.	9—Power and Irrigation	61,96,000	62,99,490	1,03,490
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Excess occurred under 'Construction of staff quarters for Irrigation Department', reasons for which have not been intimated (May 1980).

3.	22—Land Revenue	..	210	210
4.	29—Tourism	12,40,000	12,41,277	1,277

(b) *Excess over charged appropriations* : There was excess of Rs. 17,533 in one appropriation in Revenue Section and Rs. 12,240 in Capital Section as detailed below, which also requires regularisation :—

<i>Serial number</i>	<i>Number and name of appropriation</i>	<i>Total appropriation</i>	<i>Actual expenditure</i>	<i>Excess</i>
(1)	(2)	(3) Rs.	(4) Rs.	(5) Rs.

### Revenue Section

1.	20—Administration of Justice	4,60,000	4,77,533	17,533
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Reasons for the excess have not been intimated (May 1980).

### Capital Section

2.	21—Police	93,000	1,05,240	12,240
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Excess was stated to have occurred owing to inclusion of the supplementary demand for appropriation of Rs. 0.13 lakh, pertaining to Capital Section, wrongly under the Revenue Section in the Appropriation Act No. 1 of 1978-79.

### 2.3 Supplementary grants/charged appropriations

(a) During the year, supplementary provision of Rs. 4,29.85 lakhs (about 13 per cent of the original provision) was obtained under 24 grants (Rs. 4,07.66 lakhs) and four charged appropriations (Rs. 22.19 lakhs).

(b) The details of significant cases of unnecessary and excessive supplementary grants/charged appropriation are given below :—

#### (i) *Unnecessary supplementary grants* :

In the following cases, the supplementary grants of Rs. 1,16.25 lakhs remained wholly unutilised as the expenditure

did not come up even to the original provision :—

<i>Serial Number and number name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i>	<i>Expen- diture</i>	<i>Saving</i>
(1)	(2)	(3)	(4)	(5)

*(in lakhs of rupees)*

### Revenue Section

1. 9—Power and

Irrigation	1,78.24	14.25	1,66.93	25.56
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Saving to the extent of Rs. 6.62 lakhs was attributed to less purchase of stock materials than anticipated. Reasons for the balance saving have not been intimated (May 1980).

2. 14—Other Ex-  
penditure of  
the Finance

Department	67.88	1,02.00	14.52	1,55.36
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Saving was stated to be due mainly to non-utilisation of funds meant for payment of arrears under revised pay scales as the requirement was met largely out of savings in the provision under the respective grants.

(ii) *Supplementary grants/charged appropriation which proved excessive :*

In the following four cases, the supplementary grant/charged appropriation proved excessive. Against the supplementary provision of Rs. 76.72 lakhs in three cases in the Revenue Section and of Rs. 9.96 lakhs in one charged appropriation in the



Capital Section, Rs. 25.81 lakhs and Rs. 5.82 lakhs respectively were actually utilised. The details are given below :—

<i>Serial number</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i>	<i>Expenditure</i>	<i>Saving</i>
(1)	(2)	(3)	(4)	(5)	(6)

(in lakhs of rupees).

### Revenue Section

1.	3—Agriculture	1,46.81	9.92	1,48.98	7.75
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Saving occurred mainly under “Subsidy grant” for agriculture (Rs. 4.28 lakhs) and “Other Expenditure” relating to industries (Rs. 2.46 lakhs), reasons for which have not been intimated (March 1980).

2.	8—Education	1,76.26	54.10	1,93.94	36.42
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Saving occurred mainly under “Government Junior High Schools” (Rs. 12.34 lakhs), “Government Higher Secondary and High Schools” (Rs. 10.20 lakhs) and “Special Education” (Rs. 6.89 lakhs), reasons for which have not been intimated (March 1980).

3.	24—Medical and Public Health	1,32.80	12.70	1,38.76	6.74
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Saving was mainly attributed to arrears under “Salaries” remaining unpaid due to non-finalisation of pay fixation cases (Rs. 3.39 lakhs), less numbers joining literacy classes under “Functional Literacy for Adult Women” (Rs. 3.01 lakhs) and non-receipt/late receipt of bills from suppliers under “Centralised purchase of dietary materials” (Rs. 1.81 lakhs).

**Capital Section (Charged)**

<i>Serial number</i>	<i>Number and name of appropriation</i>	<i>Original appropriation</i>	<i>Supplementary appropriation</i>	<i>Expenditure</i>	<i>Saving</i>
(1)	(2)	(3)	(4)	(5)	(6)

*(in lakhs of rupees)*

1.	14—Other Expenditure of the Finance Department	17.18	9.96	23.00	4.14
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Saving was attributed mainly to non-repayment of principal (of loans for State Plan Schemes) due for two quarters.

**2.4 Unutilised provision**

Rupees 6,22.10 lakhs remained unutilised as mentioned in paragraph 2.1 (a). In 7 grants in the Revenue Section and 8 grants in Capital Section, the savings (more than Rs. 5 lakhs in each case) were more than 10 per cent of the total provision. The details are given in Appendix III.

**2.5 Advances from the Contingency Fund**

(i) A Contingency Fund of Rs. 50 lakhs has been placed at the disposal of the Governor to enable advances to be made from it for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature.

(ii) In all, twelve sanctions were issued by the Government during 1978-79 advancing Rs. 40.38 lakhs (actual drawal : Rs. 36.11 lakhs of which Rs. 32.21 lakhs remained unrecouped till the close of the year) from the Fund. An analysis of the sanctions for advances and expenditure thereagainst indicated the following:—

(a) In the following cases, the sanctions proved unnecessary as they were not operated :

<i>Serial number</i>	<i>Head of account</i>	<i>Purpose for which advance was sanctioned</i>	<i>Amount of advance sanctioned</i>
(1)	(2)	(3)	(4)
<i>(in lakh rupees)</i>			
1.	305-Agriculture	(a) Implementation of minikit programme for rice	1.00 (July 1978)
		(b) Purchase of materials and supplies	0.92 (February 1979)
2.	314-Community Development (Medical Department)	Training and employment under the Multipurpose Workers Scheme	0.55 (November 1978)

(b) In the following cases, the amounts sanctioned proved to be substantially in excess of the immediate requirements :—

<i>Serial number</i>	<i>Head of account</i>	<i>Purpose for which advance was sanctioned</i>	<i>Amount of advance sanctioned</i>	<i>Amount drawn</i>
(1)	(2)	(3)	(4)	(5)
<i>(in lakhs of rupees)</i>				
1.	277-Education	Implementation of Technology Programme	0.84 (February 1979)	0.45 (March 1979)
2.	321-Village and Small Industries	Establishment of District Industries Centre, Major Works	2.00 (August 1978)	0.60 (December 1978)



**2.6 Non-receipt of explanations for savings/excesses**

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those in important heads in particular. As in the previous years, in many cases the reasons for variations were not furnished in time to Audit by the Controlling Officers. Such delay in the submission of material for Appropriation Accounts results in the Report being incomplete in certain essential respects.

As regards the Appropriation Accounts for 1978-79, explanations for variations were not received (May 1980) in the case of 70 out of 147 heads. These formed 48 per cent of the number of heads, the variations in which were required to be explained.

CHAPTER III  
RESULTS OF AUDIT

Section I—Civil Departments

VARIOUS DEPARTMENTS

**3.1.1 Irregularities in the maintenance of cash books**

In the course of test-check of cash books maintained at their head offices by the departments of Education (period 26th April 1975 to 31st March 1978), Power (period 26th April 1975 to 31st March 1976), Panchayat and Rural Works (period 1st April 1977 to 31st March 1978), Sikkim Nationalised Transport (period 26th April 1975 to 31st March 1978) and Sikkim Livestock Development Corporation (period 27th November 1976 to 31st July 1978), as also by some of their field units, a number of irregularities were noticed. These are summarised below, the names of the departments concerned being indicated in brackets.

(i) The pages of the cash books (supplied from Gangtok) had not been machine numbered and certificate as to the number of pages contained in the cash book not recorded in any case, though required to be done in order to prevent manipulation and fraud.

( All departments )

In the case of Sikkim Nationalised Transport Department and Panchayat and Rural Works Department, the pages of the cash book did not bear any number whatsoever.

(ii) The cash book is required to show transactions relating to both payments and receipts. However, in several cases, no entries had been made on the receipt side of the cash book. As a result there was no indication as to the source(s) of funds for making the payments.

(Education (Head Office), Power, Panchayat and Rural Works)

(iii) In respect of Mangan Sub-depot of Sikkim Nationalised Transport, it was found (November 1978) that no cash book had been maintained. Only a register showing the daily receipts and payments without requisite supporting data was maintained to show the cash receipts and remittances into the bank. Even this register was incomplete since 26th July 1977 and could not be verified during audit in November 1978.

(iv) (a) In the case of Tashi Namgyal Higher Secondary School (Department of Education) and Namchi Sub-depot of Sikkim Nationalised Transport, there was considerable time lag between the dates on which receipts were issued and deposit of the related money into the bank.

(b) In the case of Gangtok Depot of Sikkim Nationalised Transport, it was found (December 1978) that on a number of occasions in 1977-78, although the sale proceeds of tickets of a particular day had been entered on the receipt side of the cash book, the related amounts (Rs. 1,133) had not been deposited into the bank in full nor had the balance been carried forward in the cash book.

(v) In many cases, payments had been recorded in the cash book as having been made much in advance of the actual dates of disbursements.

( Power, Panchayat and Rural Works )

(vi) The entries in the cash book as well as overwritings, corrections and alterations of figures therein had not been attested by the officer-in-charge. Possibility of manipulations, etc., cannot be ruled out in such cases.

( Power, Sikkim Nationalised Transport, Sikkim Livestock Development Corporation )

(vii) Payees, acknowledgements had not been received in several cases.

( Education, Power, Panchayat and Rural Works, Sikkim Livestock Development Corporation )



(viii) Amounts recorded on the payment side had in most cases not been totalled and the cash book not closed daily, though required to be done. Consequently, the cash balance on any particular day could not be ascertained.

( All departments except Sikkim Livestock Development Corporation )

(ix) (a) Physical verification of cash balance had not been carried out periodically in some cases.

( Education ( head office ), Jorethang Depot of Sikkim Nationalised Transport )

(b) Physical verification of cash in respect of Siliguri Depot of Sikkim Nationalised Transport conducted by the Chief Accounts Officer on 15th October 1977 disclosed a shortage of Rs. 8,901.25. The department stated (December 1979) that the shortage was due to the cash collected by the Transport Officer having been kept in the personal custody of the Transport Officer and the Superintendent of Transport. Keeping of cash in the personal custody of officers, instead of in the cash chest, was irregular.

(x) Stock registers of cheque books and receipt books had not been maintained in one depot. Registers for undisbursed pay and allowances had also not been maintained.

( Sikkim Nationalised Transport )

The defects mentioned above were communicated to the departments between December 1976 and March 1979. It was, however, found during test-check by Audit subsequently that these had not been rectified in several cases. It was only in September 1979 that detailed instructions regarding handling of cash and maintenance of cash books were issued by the Government.

Replies from the departments about investigation into/rectification of the defects pointed out are awaited (May 1980).

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**DEPARTMENT OF INDUSTRIES**
**3.1.2 Recovery of loans advanced to the cottage and small scale industrial units**

The Government had been advancing loans for development of cottage and small scale industries in Sikkim up to a maximum of Rs. 0.50 lakh in the case of individuals and unregistered bodies and Rs. 2.00 lakhs in the case of registered bodies under the Sikkim Durbar Rules, 1964 which continue to be in force in the State. According to these rules, the loan is required to be repaid with interest in instalments fixed in the sanctioning order, repayment of the first instalment with interest becoming due 24 months after the date on which the loan was fully disbursed to the loanee. The loanee is also required under the rules to execute securities in the prescribed manner and furnish monthly statements of accounts to the competent authority showing how the loan had been spent.

According to the department, the loans advanced during 1975-76 to 1977-78 were as follows :—

	<i>Amount</i> <i>(in lakhs of rupees)</i>
1975-76	2.91
1976-77	3.47
1977-78	5.98
	<hr/>
Total	12.36

According to the information furnished by the department (June 1979), the position of recovery of loans *vis-a-vis* the

amounts due for recovery (including interest) was as follows :—

	<i>Opening balance of dues</i>	<i>Amount due dur- ing the year</i>	<i>Total dues</i>	<i>Recovery during the year (per- centage of recovery to total dues in brackets)</i>	<i>Dues at the end of the year</i>
	<i>(in lakhs of rupees)</i>				
1975-76	2.01	1.84	3.85	0.64 (17)	3.21
1976-77	3.21	1.88	5.09	0.88 (17)	4.21
1977-78	4.21	2.29	6.50	1.97 (30)	4.53
1978-79	4.53	4.39	8.92	1.95 (22)	6.97

Thus, about 78 per cent of the dues were yet to be recovered.

The sum of Rs. 6.97 lakhs due at the end of 1978-79 included Rs. 1.92 lakhs due from 8 loanees who had taken loans aggregating Rs. 3.25 lakhs between December 1967 and September 1974. The amount due from these loanees had increased to Rs. 2.29 lakhs at the end of August 1979.

No loan ledgers had been maintained for the period prior to 1st June 1976 nor were complete documents in support of the transactions on record while those for the period from 1st June 1976 had not been maintained properly as authenticated particulars of amounts of loans and dates of payments, details of amounts due and realised, etc., were not available therein. No monthly statements of accounts from the loanees showing how the loan was utilised were on record, nor was there any record of efforts made to get them. There was no other system also by which the department could verify and ensure that the loan had been utilised for the purpose for which it was sanctioned.



The department stated (November 1979) that for loans advanced prior to 1976 it was experiencing difficulties in the matter of recoveries due to lack of proper documentation relating to the loans because of the administrative set-up of the Trade, Industries and Commerce Department being different then. It could not, however, be explained why even the current records had not been maintained properly.

The department added that legal action had been initiated in eight major cases of default; further developments are awaited (May 1980).

## EDUCATION AND PUBLIC WORKS DEPARTMENTS

### 3.1.3 Outstanding advances

#### Education Department

(a) According to the register of advances maintained by the department, a sum of Rs. 14.26 lakhs in all had been advanced to various officials of the department (Rs. 11.66 lakhs) and also to the State Trading Corporation (Rs. 2.60 lakhs) during 1975-76 to 1977-78 as detailed below for various purposes like purchases, advance of travelling allowance for tours, youth welfare, sports and games, educational seminars, etc.

<i>Year</i>	<i>Amount</i> <i>(in lakhs of rupees)</i>
1975-76	1.28
1976-77	8.95
1977-78	4.03
	<hr/>
TOTAL	14.26

The payments as recorded in the advances register had not been attested by the disbursing officer in token of actual disbursement nor had any acquittances from the payees been kept on record.



Documents for adjustment of the advances are required to be submitted by the payees within prescribed/reasonable period. Out of the above amount, such documents for Rs. 0.17 lakh only had been received by the department but the advances had not been adjusted (August 1978). No documents had been received in respect of the balance amount, reasons for which were not on record nor stated (May 1980). Adequate efforts had also not been made to get the documents submitted by the officials. The advances register also showed that second advances had been given to the officials of the department on several occasions even where the advance(s) given earlier was (were) still outstanding.

The matter was referred to the Government in June 1979; reply is awaited (May 1980).

### PUBLIC WORKS DEPARTMENT

(b) Advances were also given by the Public Works Department to various officials for purposes like tours, purchases, expenses on taking delivery of machinery, inauguration of bridges, construction of playground, etc. The year-wise break-up of the outstanding advances as on 31st March 1979 was as follows :—

<i>Year</i>	<i>Amount</i>	<i>Number of officials</i>
	<i>(in lakh rupees)</i>	
1975-76	0.03	2
1976-77	0.20	8
1977-78	0.07	6
1978-79 (up to February 1979)	0.20	14
TOTAL	0.50	30

In this case also, reasons for non-submission of documents for adjustment were not on record nor stated; adequate efforts had also not been made to get the documents submitted by the officials, etc. In November 1979, the department stated that advances for Rs. 0.11 lakh had since been adjusted. Information regarding adjustment of the balance amount of Rs. 0.39 lakh is awaited (May 1980).

## SECTION II

### RECEIPTS

#### 3.2.1 Trend of major revenue receipts

The figures of revenue collected, as per accounts, during the last three years under the main receipt heads were as follows :—

	1976-77	1977-78	1978-79
	<i>(in lakhs of rupees)</i>		
Taxes on income other than			
Corporation Tax	14.15	18.82	12.11
Land Revenue	4.92	13.26	4.87
State Excise	79.91	1,14.97	1,45.13
Sales Tax	36.61	47.36	43.69
Taxes on Vehicles	4.41	5.16	5.63
Entertainment Tax	2.63	2.67	9.10

**3.2.2 Cost of collection of revenue receipts**

The expenditure incurred on collection of revenue under the receipt heads mentioned above during the last three years was as follows :—

Figures in brackets indicate the percentage of cost of collection.

	1976-77	1977-78	1978-79
	<i>(in lakhs of rupees)</i>		
Taxes on income other than Corporation Tax	0.55 (3.8)	0.54 (2.9)	0.77 @ (6.4)
Land Revenue	5.68 + (115.4)	—*	—*
State Excise	3.17 (3.9)	3.46 (3.0)	3.48 (2.4)
Sales Tax	1.01 (2.7)	0.73 (1)	(1.11) (2.5)
Taxes on Vehicles	1.02 (23.1) +	2.51 @ (48.6) +	1.01 (17.9) +
Entertainment Tax	0.06 (2.3)	0.08 (3.0)	0.13 (1.4)

\* Figures for collection charges not available.

@ Reasons for increase in cost of collection are awaited from Government (May 1980).

+ Reasons for abnormally high percentage of collection cost are awaited from the Government (May 1980).



### DEPARTMENT OF EXCISE (ABKARI)

#### 3.2.3 State excise revenue

##### (a) Collection of revenue

The receipts under state excise for the years 1975-76 to 1978-79 were as follows :—

<i>Year</i>	<i>Rs.</i>
1975-76	56,41,002
1976-77	79,91,134
1977-78	1,14,96,800
1978-79	1,45,13,247

##### (b) Short realisation of duty on imported India Made Foreign Liquor

During the course of audit of Excise Department (April 1978), it was noticed from the Demand and Collection Register of imported India Made Foreign Liquor (IMFL) that duty of Rs. 8,865 against permits issued between 29th June 1976 and 10th November 1976 to three importers for import of IMFL was not realised. On this being pointed out by Audit (April 1978), the department stated (November 1979) that the amount had been realised in August and September 1978.

### DEPARTMENT OF INCOME AND SALES TAX

#### 3.2.4 Sales Tax

##### (a) Collection of revenue

Receipts under sales tax during the years 1975-76 to 1978-79 were as follows :—

<i>Year</i>	<i>Rs.</i>
1975-76	23,37,409
1976-77	36,60,652
1977-78	47,35,777
1978-79	43,68,561



Arrears of revenue amounting to Rs. 80,448 were pending collection as on 31 March 1979 out of which Rs. 30,000 had been realised (June 1979) leaving a balance of Rs. 50,448. There were 301 assesseees during the year ending 31 March 1979 and assessments in respect of 92 assesseees only were completed leaving a balance of 209 cases pending as on 31 March 1979.

(b) Non-levy of sales tax

(i) The levy and collection of sales tax in the State continues to be governed by a notification issued in August 1947 as amended from time to time. Notification issued on 21 April 1970 provided for levy of sales tax on all finished products of the Sikkim Distilleries at the rate of 5% with effect from 1 April 1970. Scrutiny of assessment records of the Senior Income Tax and Sales Tax Officer (August 1978) revealed that although Sikkim Distilleries regularly exported Sikkim Made Foreign Liquor (SMFL) to other States in India, no sales tax was charged on the finished goods though there was no notification exempting such goods from the levy of sales tax. Loss on account of non-levy of sales tax on Sikkim Made Foreign Liquor valued at Rs. 1.24 crores exported to other States in India during the period from 1 June 1977 to 31 July 1978 worked out to Rs. 6,21,005. On this being pointed out in audit (August 1978) the department stated (February 1979 and June 1979) that since the Government of West Bengal had allowed exemption of central sales tax on goods sold to dealers in Sikkim and other States had restricted the levy of central sales tax on such sale to 4% only even after the merger of the State of Sikkim with the Indian Union, the goods exported out of Sikkim were also exempted from sales tax on reciprocal basis although there was no authority or notification for allowing such exemption. It was further stated by the department (November 1979 and March 1980) that levy of sales tax on goods sold to other States would be effected after enforcement of Central Sales Tax Act in Sikkim in a few months' time. It was also added that in the Government notification

providing levy of sales tax on finished products of Sikkim Distilleries, there was no mention to charge sales tax on SMFL exported outside Sikkim and that no levy of tax was made in respect of inter-State sales as the Central Sales Tax Act 1956 was not extended to Sikkim.

(ii) Scrutiny of monthly statements of realisation of sales tax on Sikkim Made Foreign Liquor furnished by the Sikkim Distilleries also revealed that no sales tax was charged on direct sales of Sikkim Made Foreign Liquor in certain cases including despatches made to the Civil Supplies Depot. The amount of tax thus forgone worked out to Rs. 63,812 during the period from 24 April 1976 to 31 March 1979. On this being pointed out in audit (August 1978) the department admitted (February 1979 and June 1979) that no sales tax had been charged so far on such sales and intimated (November 1979) that instructions had been issued in April 1979 for charging sales tax on sales of SMFL to VIPs, Military run canteen and others in Sikkim.

The Government, thus, had forgone revenue to the tune of Rs. 6 to 7 lakhs per annum due to non-levy of sales tax.

## DEPARTMENT OF PUBLIC WORKS

### 3.2.5 Arrears in the collection of water charges

The Sikkim Public Works Department is responsible for administration and collection of water charges under the Gangtok Water Supply Scheme.

The Gangtok Water Supply Scheme covered the municipal limits as well as outlying areas of Gangtok town. Rates of water charges prescribed for this area were as follows :—

(i) Where meters are installed—Rs. 2 for the first 18,000 litres of water per month and Re. 1 for every additional 4,500 litres of water.



(ii) Tap system—Rs. 2 per tap per month.

It was found (July 1978) that the column meant for recording amount of charges due in the Register of assessment maintained in the office of the Chief Engineer, Sikkim Public Works Department was not filled in at all. An amount of Rs. 75,903 was outstanding on 31st March 1978 on account of water charges from private and Government buildings.

The matter was referred to the Department in July 1978 and to Government in August 1979. The Department stated (December 1979) that efforts were being made to recover the dues. Reply from the Government and particulars of recoveries are awaited (May 1980).

## DEPARTMENT OF POWER

### 3.2.6 Arrears in the collection of electricity charges

The charges on account of electricity collected by the Power Department and the balance outstanding during the years 1975-76, 1976-77, 1977-78 and 1978-1979 were as follows :—

<i>Year</i>	<i>Arrear demand</i>	<i>Current demand</i>	<i>Total demand</i>	<i>Total collection</i>	<i>Balance outstanding</i>
<i>(in lakhs of rupees)</i>					
Up to 1975-76	6.32	10.48	16.80	8.49	7.68
			<i>Less rebate</i>		
			0.63		
1976-77	7.68	11.96	19.64	10.35	8.47
			<i>Less rebate</i>		
			0.82		
1977-78	8.47	13.58	22.05	12.05	9.19
			<i>Less rebate</i>		
			0.81		
1978-79	9.19	11.27	20.46	9.01	10.80
			<i>Less rebate</i>		
			0.65		

It would be noticed that the collections do not match even the current demand from year to year and the arrears are continuously increasing.

It was found that no action had been taken by the department to liquidate the outstanding balances.

Audit observation was communicated to the department in September 1978. Particulars of realisation are awaited (May 1980).

### SECTION III

## GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

### 3.3.1 General

This section deals with the Statutory Corporations/Companies in which Government has invested funds, and departmentally-managed commercial undertakings.

### 3.3.2 Statutory Corporations/Companies

As on 31st March 1979, there were six Statutory Corporations/Companies and a Bank as mentioned below :

- (1) Sikkim Jewels Limited
- (2) State Trading Corporation of Sikkim
- (3) Sikkim Time Corporation Limited
- (4) Sikkim Mining Corporation
- (5) Sikkim Industrial Development and Investment Corporation Limited
- (6) Sikkim Livestock Development Corporation Limited
- (7) State Bank of Sikkim

The accounts of the State Trading Corporation of Sikkim (1978-79), Sikkim Time Corporation Limited (1978-79) and Sikkim Livestock Development Corporation Limited (1977-78 and 1978-79) have not yet been finalised (March 1980). The particulars of capital structure, Government investment in the share capital and accumulated profit/loss of the five Corporations/Companies and the Bank as at the end of 1977-78/1978-79 (1978 in the case of the Bank), as the case may



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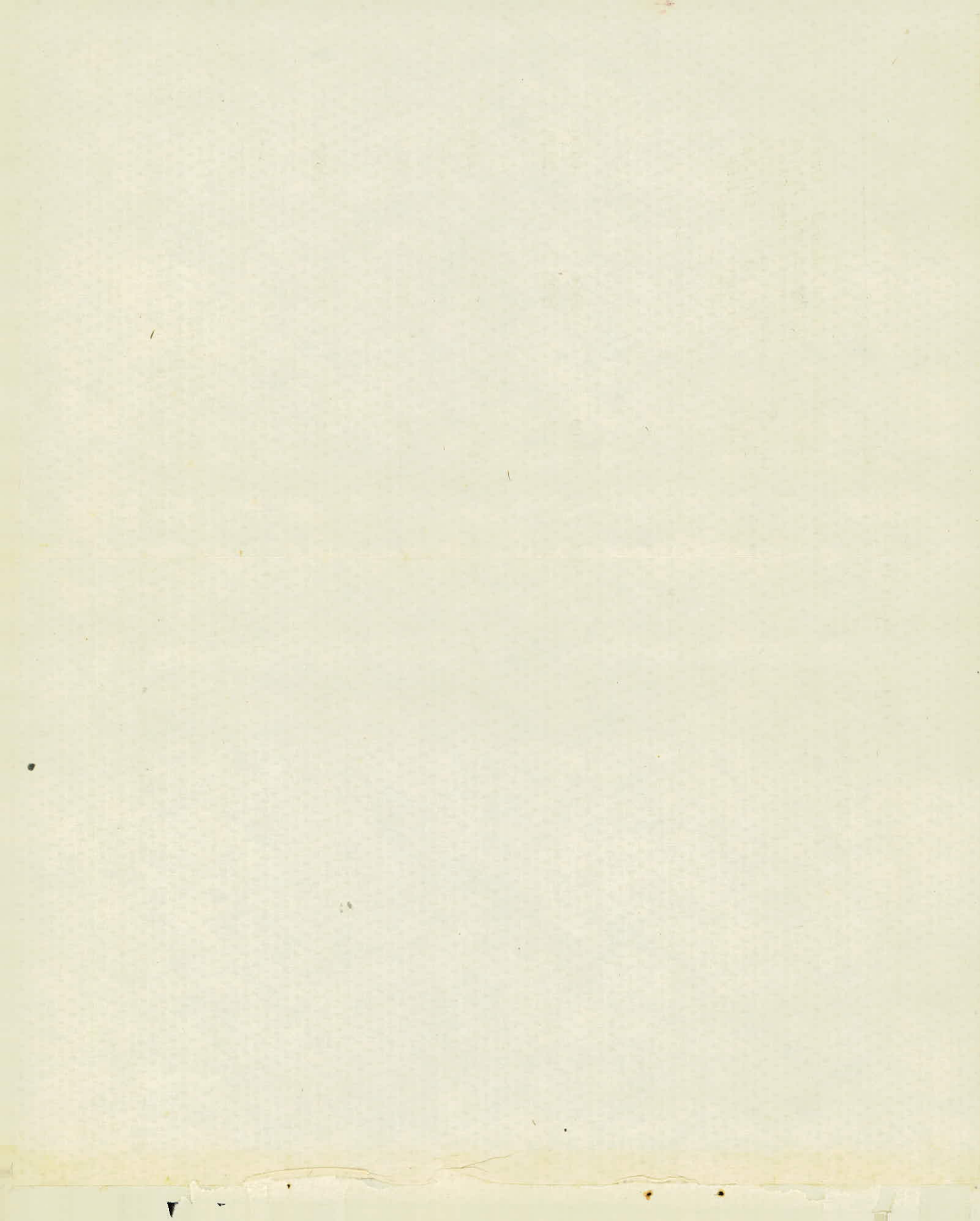
be, and the working results for the year are given below :

<i>Date of incorporation</i>	<i>Sikkim Jewels Limited (1978-79) 22nd June 1972</i>	<i>State Trading Corporation of Sikkim (1977-78) 30th March 1972</i>	<i>Sikkim Time Corporation Limited (1977-78) 11th October 1976</i>	<i>Sikkim Mining Corporation (1978-79) 27th February 1960</i>	<i>Sikkim Industrial Development and Investment Corporation Limited (1978-79) 13th March 1977</i>	<i>State Bank of Sikkim (1978) 24th June 1968</i>
		<i>(in lakhs</i>		<i>of rupees)</i>		
<b>Capital structure</b>						
Authorised						
Share Capital	50.00	400.00	50.00	100.00	100.00	100.00
Paid up Capital	7.62	14.00	22.00	57.35	15.30	20.38
† Investment by the State.						
Government in the						
Share Capital	4.10	14.00	22.00	29.25	15.30	13.00
<b>Working results</b>						
Profit (+)/	(+) 6.10	(+) 1.84	(+) 0.59	(-) 7.22	(+) 0.87	(+) 57.39
Loss (-)						
Accumulated						
Profit (+)/	(+) 2.51	(+) 1.84	(+) 0.30	(-) 33.02	(+) 1.14	(+) 68.81
Loss (-)						
Dividend proposed	*	*	*	—	*	2.45

Figures are as furnished by respective organisations.

† Although shares of State Trading Corporation, Sikkim Time Corporation Limited and Sikkim Industrial Development and Investment Corporation Limited are fully subscribed by State Government, there are differences between paid up capital as per their accounts and investment by the State Government as per Finance Accounts. These are under reconciliation (May 1980).

\*Credit for dividend not yet received by the Government (May 1980).



### 3.3.3 Departmentally-managed commercial undertakings

On 31st March 1979, there were three departmentally-managed commercial undertakings in the State as under :—

- (1) Sikkim Nationalised Transport,
- (2) Sikkim Wood Industries, and
- (3) Government Fruit Preservation Factory.

The particulars of capital financed by the Government, the fixed assets and the profits as per *pro forma* accounts for 1978-79 of Sikkim Nationalised Transport and Government Fruit Preservation Factory are given below :—

	<i>Sikkim Nationalised Transport</i>	<i>Government fruit Preservation Factory</i>
	<i>(as on 31st March 1979)</i>	<i>(as on 31st March 1979)</i>
	<i>(in lakhs of rupees)</i>	
Capital financed		
by the Government	2,63.73	48.45
Fixed assets	1,05.52	16.88
Reserves and Surplus	2,83.74	0.63
Profit(+)/Loss(-) during the year	(-)0.82	(+ )0.63

The accounts of the Sikkim Wood Industries (1977-78, 1978-79) have not yet been received (May 1980).

## GOVERNMENT FRUIT PRESERVATION FACTORY

### 3.3.4 Idle machinery

On 16th January 1977, the Government Fruit Preservation Factory placed an order, after inviting quotations, on a firm of Calcutta for the immediate supply of a steam boiler (coal fired) at a cost of Rs. 1.70 lakhs. The steam boiler was intended to replace the existing fire-wood boiler in view of the curb on consumption of fire-wood by the State Government and to meet the additional requirement of the new machines.



The boiler was received on 16th July 1977 and full payment was made on 18th July 1977. The boiler was inspected and duly certified, as per the terms of the contract, by the Chief Inspector of Boilers, Maharashtra.

The boiler was installed as scheduled in September 1977 but due to defective design and low steam generation it required rectification for trouble-free service. The Department stated (November 1979 and January 1980) that the work pertaining to rectification of defects in the boiler was in progress. The Department has since stated (March 1980) that the boiler had been installed and fired but the final report would be sent after completion of inspection by engineers for commissioning and certification; the final report was awaited (June 1980).

## SIKKIM NATIONALISED TRANSPORT

### 3.3.5 Premature failure of tyres

(a) The undertaking has a Central Workshop at Gangtok. A tyre repair machine was procured in 1975 at a cost of Rs. 39,027 which could not, however, be installed due to lack of space. The machine is stated (December 1979) to have been installed recently.

During the three years up to March 1978, a total number of 2,059 tyres as detailed below were declared unserviceable—

1975-76	521
1976-77	704
1977-78	834

Total	2,059
-------	-------

Of these, 957 tyres were disposed of in auction at Rs. 29 each during 1977-78. As there was no arrangement for retreading of tyres up to November 1978, the undertaking could not get



the unserviceable tyres retreaded and lost the benefit of additional mileage from the operation of retreaded tyres.

(b) Keeping the conditions of the roads in view, the normal life of a tyre was fixed by the management at 20,000 Kms. It was, however, noticed in audit (November-December 1978) that during April 1977-October 1978 a total number of 126 tyres at Jorethang depot had been used for an average of 14,107 Kms each and 109 tyres at Rangpo depot for 13,110 Kms each before these were scrapped. The reasons for lesser usage than the norm had not been examined.

This was reported to the Department in November/December 1978. Reply is awaited (May 1980).

### 3.3.6 Irregularities in the maintenance of ticket account

The following irregularities were noticed in the records of bus tickets maintained by the head office and at the Rangpo, Jorethang and Siliguri depots.

#### A. Head office at Gangtok

(i) No physical verification of stock of tickets was conducted by any officer during 1977-78/1978-79.

(ii) The stock accounts did not indicate the opening balances, receipts, issues and the closing balances of tickets.

(iii) No records of acknowledgements obtained in token of tickets issued to the indenting officers against their requisition were shown to Audit.

(iv) It was seen from the Booking Chart Register maintained at Gangtok that booking charts (*i.e.* challans) issued to the respective conductors/drivers for different routes were either not returned or returned very late along with the sales proceeds of the tickets.

Cases noticed as a result of test check where sale proceeds along with challans were not deposited (November 1978) are detailed below :—

<i>Vehicle No.</i>	<i>Challan No.</i>	<i>Date of issue of Challan</i>
621	3365	29th May 1977
374	914	2nd June 1977
374	0515	4th June 1977
374	916	6th June 1977
374	0917	12th June 1977
762	3459	4th December 1977
1475	6922	21st February 1978

#### **B. Rangpo, Jorethang and Siliguri depots**

(i) No physical verification of stock of tickets was carried out by any official during 1977-78/1978-79.

(ii) The opening and closing balances had not been recorded in the Stock Register of tickets. No ticket reconciliation account was prepared. The register did not contain the particulars of requisitions for the tickets or the challan numbers or dates of receipt of tickets from the head office.

(iii) No account of unsold tickets was maintained.

(iv) Acknowledgement in token of receipt of tickets issued to the conductors in Rangpo depot was not recorded in the register.

(v) In Siliguri depot there was no record of sale in the sale register in respect of tickets of the denomination of Rs. 8, valued at Rs. 3,480, issued to the booking counter (December 1978).

<i>Sl. No. of tickets</i>	<i>Total No. of tickets</i>	<i>Date of receipt by booking counter</i>	<i>Value (Rupees)</i>
212301—			
212485	185	3rd January 1978	1,480
212501—			
212579	79	5th January 1978	632
212601—			
212688	88	6th January 1978	704
212701—			
212760	60	7th January 1978	480
213701—			
213723	23	18th January 1978	184
		Total	3,480

The Department stated (December 1979) that the irregularities would be rectified in future.

### SIKKIM LIVESTOCK DEVELOPMENT CORPORATION LIMITED

#### 3.3.7 Introduction

The Sikkim Livestock Development Corporation Limited, a State Government undertaking, was incorporated on 27th November 1976 under the Sikkim Companies Registration Act, 1961\*.

The main objects of the Corporation are production, processing, storage and sale of livestock, livestock products, livestock feed and equipment, and provision of services and assistance of all kinds for the said purposes.

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\*The Indian Companies Act, 1956 is not applicable in the State.



The Company's activities are, however, limited at present to supplying piggery, poultry and cattle feed to different parties including the State Government (Department of Animal Husbandry).

### 3.3.8 Non-realisation of dues

Out of the total sales of Rs. 9.91 lakhs made by the Company since inception up to July 1978, Rs. 3.97 lakhs and Rs. 2.49 lakhs were outstanding as on 31st March 1979 against Government and private parties respectively. The age-wise analysis of these outstanding amounts is as under :

	<i>Government Departments</i>	<i>Private parties</i>	<i>Total</i>
	<i>(in lakhs of rupees)</i>		
Over 1 year	1.49	2.09	3.58
6 months—1 year	0.90	0.12	1.02
Below 6 months	1.58	0.28	1.86
	3.97	2.49	6.46

The matter was reported to the Management/Government in July 1979. Replies are awaited (May 1980).

### 3.3.9 Irregular maintenance of stores and stock accounts

The following irregularities were noticed in the stores accounts maintained by the Company :

(i) Although the Company started functioning from 27th November 1976, stores accounts were introduced only from 1st April 1977.

(ii) During the period from April 1977 to July 1978, the Company issued piggery feed (90,362 Kgs.), cattle feed (87,576 Kgs.) and poultry feed (34,891 Kgs.) to the Tadong Farm of the Department of Animal Husbandry, Government of Sikkim, all on the basis of verbal requests without any written indent or requisition.



(iii) There has been no physical verification of stock of stores so far (May 1980).

(iv) During the period 27th November 1976 to 31st July 1978, while the Company had incurred an expenditure of Rs. 3.83 lakhs on petrol and diesel, no accounts were maintained showing their receipt and consumption.

(v) The Company purchased various types of feeds and other materials on the basis of verbal requests. A test-check in audit (March/April 1979) revealed the value of such purchases as Rs. 4.02 lakhs during the period April 1977 to July 1978.

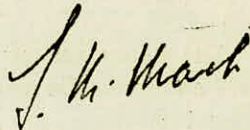
The matter was referred to the Management in March/April 1979 and to the Government in July 1979; replies are awaited (May 1980).

### 3.3.10 Expenditure on renovation of hired building

M/s Sikkim Jewels Limited occupied a house at Tadong, Gangtok, owned by the Sikkim Nationalised Transport, from 1st January 1973 on a monthly rental of Rs. 350. In order to provide suitable residential and office accommodation for its officers, the Company incurred an expenditure of Rs. 0.41 lakh on renovation and extension of the house during the period February 1973—April 1975. In September 1976, the Sikkim Nationalised Transport conveyed the decision of the State Government to the Company to have the premises vacated, and the Company vacated the premises on 28th September 1977. The Company's claim (Rs. 0.41 lakh) for compensation (April 1977) for the expenditure on renovation and extension of the house was rejected by the Sikkim Nationalised Transport (May 1977) on the ground that the work had been carried out without their consent. The expenditure of Rs. 0.41 lakh thus proved to be infructuous and instead of being written off has been capitalised in the books of the Company.

The Company stated (November and December 1979) that though it had to vacate the premises its claim for compensation on the expenditure incurred on renovation and extension was still pending with the Government of Sikkim.

The matter was reported to Government in February 1978; reply is awaited (May 1980).



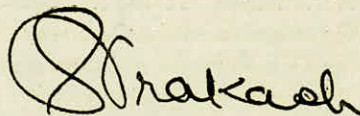
Calcutta,

(S. M. MAITRA)

The 19 FEB 1981

Accountant General, Sikkim

Countersigned



New Delhi,

(GIAN PRAKASH)

The 25 FEB 1981

Comptroller and Auditor General of India

## APPENDIX I

*(Referred to in paragraph 1.4 (ii) on page 7)*Significant variations in revenue expenditure during  
1978-79 over the previous year under broad sectors**Plan**

<i>Sector of expenditure</i>	<i>1977-78</i>	<i>1978-79</i>	<i>Increase</i>	<i>Reasons</i>
	<i>(in lakhs of rupees)</i>			
General Services	37.56	81.02	43.46	The increase was mainly under "Public Works" due mainly to construction and maintenance of more buildings, hiring of more vehicles and appointment of more staff.
Social and Community Services	1,50.75	1,90.50	39.75	The increase was mainly under "Education" due mainly to payment of arrears as a result of revision of scales of pay.
Economic Services	5,64.04	6,63.50	99.46	The increase was mainly under "Forest" due to expansion of sericulture, more extraction of logs

## APPENDIX I—Contd.

<i>Sector of expenditure</i>	1977-78	1978-79	Increase	<i>Reasons</i>
	<i>(in lakhs of rupees)</i>			and their transportation by floating through River Teesta, emphasis on preservation of wild life and on social forestry works on waste land and appointment of additional staff and under "Power Projects" due to purchase of motor vehicles, repair of power house damaged in floods, purchase of power from the Lower Lagyap Hydel Project, construction of new transmission lines, purchase of survey equipments, rural electrification and payment of arrears to work charged staff.



## APPENDIX I—concl.

## Non-Plan

Sector of expenditure	1977-78	1978-79	Increase	Reasons
Economic Services	5,83.77	8,46.47	2,62.70	The increase was mainly under "Roads and Bridges" due to more expenditure on strategic and border roads and "Community Development" due to use of costlier galvanised iron pipes instead of polythene pipes.

## APPENDIX II

(Referred to in paragraph 1.5 (iii) on page 9)

Significant variations in capital expenditure during 1978-79 over the previous year under broad sectors

Sector of expenditure	1977-78	Plan		Reasons
		1978-79	Increase (+) Decrease (—)	
		(in lakhs of rupees)		
Economic Services	3,28.57	4,72.30	(+) 1,43.73	The increase was mainly on construction of more district and other roads.
		Non-Plan		
Economic Services	1,05.60	23.36	(—) 82.24	The decrease was mainly under Dairy Development owing to non-implementation of programme for milk production and marketing due reportedly to non-receipt of funds from the Government of India.

## APPENDIX III

*(Referred to in paragraph 2.4 on page 20)*

Statement showing cases in which savings (more than Rs. 5 lakhs each) were more than 10 per cent of the total provision

<i>Serial number</i>	<i>Number and name of grant</i>	<i>Total provision</i>	<i>Expenditure</i>	<i>Saving</i>	<i>Percentage</i>
(1)	(2)	(3)	(4)	(5)	(6)
<i>(in lakhs of rupees)</i>					
REVENUE SECTION					
1.	4-Animal Husbandry and Dairy Development	85.45	68.41	17.04	20
2.	6-Co-operation	18.03	12.15	5.88	33
3.	8-Education	2,30.36	1,93.94	36.42	16
4.	9-Power and Irrigation	1,92.49	1,66.93	25.56	13
5.	14-Other Expenditure of the Finance Department	1,69.88	14.52	1,55.36	91
6.	25-Panchayat, Rural Works and Social Welfare	2,32.09	1,87.85	44.24	19
7.	30-Industries and Labour	73.86	63.28	10.58	14

## APPENDIX III—concl.

Serial number	Number and name of grant	Total provision	Expenditure	Saving	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in lakhs of rupees)					
CAPITAL SECTION					
1.	3-Agriculture	24.80	12.60	12.20	49
2.	4-Animal Husbandry and Dairy Development	1,02.80	15.03	87.77	85
3.	8-Education	41.50	20.94	20.56	50
4.	14-Other Expenditure of the Finance Department Voted	20.00	10.13	9.87	49
5.	16-Forest, Fisheries and Soil Conservation	1,01.50	23.80	77.70	77
6.	18-Sikkim Nationalised Transport	42.00	36.67	5.33	13
7.	19-Home Department	20.00	..	20.00	100
8.	21-Police	44.29	27.47	16.82	38

*Note* : Reasons for saving, to the extent received, have been given in the Appropriation Accounts 1978-79.