REPORT OF THE

COMPTROLLER AND

AUDITOR GENERAL OF INDIA

for the year ended 31 March 2001

GOVERNMENT OF SIKKIM

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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 2001.***

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 2000-2001 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 2000-2001 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 2000-2001 and six other chapters, comprising 5 reviews and 42 paragraphs, based on the audit of certain selected programmes and activities of the Government. A synopsis of the important findings contained in the Report is presented below:

1 Accounts 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 2000-2001, the assets of the Government increased by 15 per cent while the liabilities grew by 11 per cent. The increase in liabilities was largely on account of increase in internal debt (Rs. 27.36 crore), Small Savings, Provident Funds etc. (Rs. 16.89 crore), Remittance Balances (Rs. 16.40 crore) and loans and advances from Central Government (Rs.9.09 crore).

The revenue receipts of the year amounted to Rs. 862.60 crore of which tax revenue constituted 7.58 per cent, non tax revenue 33.51 per cent, grants from Government of India 51 per cent and States share of union taxes 8.37 per cent. Against this, the revenue expenditure of the State was Rs. 763.31 crore resulting in a revenue surplus of Rs. 99.29 crore A major portion of revenue expenditure was incurred on General Services (53.19 per cent) while Economic Services and Social Services accounted for 21.59 per cent and 25.22 per cent respectively.

There was increase in capital expenditure by Rs. 56.58 crore in 2000-2001 as compared to the previous year. Its share in total expenditure has gone up from 7.76 per cent in 1996-97 to 16.51 per cent in 2000-2001.

Investments to the extent of Rs. 54.36 crore made by the Government on Companies, Corporations, Co-operative Societies fetched a meagre return of 0.03 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. 8.81 crore at the end of 2000-2001.

The total borrowings of Rs.148.87 crore were almost exclusively used for debt servicing which amounted to Rs.143.33 crore.

(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 2000-2001 against grants/appropriation and audit observation were as follows:

At a glance		*Rupees in crore*
Original	:	1175.19
Supplementary	:	111.71
Total authorisation	:	**1286.90**
Total expenditure	:	**957.20**
Total saving	:	329.70

The net saving of Rs.329.70 crore was the result of total gross saving of Rs.330.45 crore in 68 grants and appropriation offset by excess of Rs.0.75 crore in 5 grants and appropriation.

The excess expenditure of Rs.1.34 crore for the years 1997-98 to 1999-2000 under 7 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 21 cases of grants/appropriation supplementary provision amounting to Rs.52.23 crore proved unnecessary.

Against unutilised provision of Rs.239.19 crore in 43 cases, Rs.76.02 crore only was surrendered.

In 10 cases, against the actual saving of Rs.34.98 crore, Rs.36.27 crore was surrendered resulting in excess surrender of Rs.1.29 crore.

(Paragraphs 2.1 to 2.3)

3 *Audit Reviews on Developmental/Welfare Programmes and other activities*

(a) Prevention and Control of Diseases

The programme for Prevention and Control of Disease was characterised by non utilisation of funds, disproportionate establishment expenditure, lack of penetration of facilities to a better part of the State, non-accountal of drugs and diversion of funds as under:

Revised National Tuberculosis Control Programme was not implemented in the State.

The Department was unaware of the total number of TB patients in the State and the programme was characterised by high drop-out rate.

The Department could not utilise the central financial assistance of Rs. 20.52 lakh during 1996-97 to 2000-01 received for blindness prevention programme.

The Blindness Control Programme suffered from severe lack of infra-structural capacity as three out of the four districts in the State did not even have any ophthalmologist or ophthalmic assistants.

The District Leprosy Control Societies could not utilise Rs. 25.10 lakh during 1996-97 to 2000-01.

The major portion of expenditure (55 to 74 per cent) by the Leprosy Societies was on pay and allowances and other establishment related expenditure.

Anti Leprosy drugs valuing Rs.9.30 lakh were not accounted for in the records of the Department.

Rs. 56.18 lakh could not be utilised by the Aids Cell/Society as at the end of 2000-01.

All the blood-testing facilities were concentrated in the East District leaving the other districts without even the basic facility for detecting AIDS patients or HIV carriers.

(Paragraph 3.2)

(b) Review on 'Functioning of Irrigation and Flood Control Department'

The Irrigation and Flood Contro Department came into being as a separate entity in 1986. A review of its activities during the last five years indicated a lack of financial discipline in the Department and absence of linkages between financial and programme planning. The substantial investment made in creating additional irrigation potential did not translate either into enhanced agricultural productivity or increase in area under cultivation. There were no expenditure norms either for creation of new irrigation potential or for maintenance of existing potential resulting in wide variations from year to year. No attention was paid to revive the defunct or partially functioning channels rendering the investment on them unfruitful. While there was delay in formulating and executing the works under the "Accelerated Irrigation Benefit Programme", majority of the projects taken up from Non-Lapsable Pool of Resources were low priority and other than the ones approved by the Government of India. The Department continued to have on its roll excess

Junior Engineers since1995-96 and employed persons on work-charged and muster-roll establishment in defiance of Government orders.

The Department first surrendered Rs. 79.44 lakh during 1997-98 and then spent Rs. 77.81 lakh out of the surrendered amount. There were savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore during 1998-99, 1999-2000 and 2000-2001 respectively, which were not anticipated by the Department.

There was rush of expenditure during the last quarter of the year in general and the last month in particular. Heavy amounts were drawn on the last day of the financial years solely to avoid lapse of funds.

The targets for creation of additional irrigation potential and potential utilisation were drastically reduced during the years 1998-99 and 1999-2000 even though the budget of the Department was higher as compared to earlier years. Even with lower targets, the shortfall in achievement was as high as 50 per cent and 53 per cent in potential creation and potential utilisation respectively during 1999-2000.

Agricultural productivity and the area under cultivation remained more or less constant during the five-year period even though an additional 6735 hectares were shown to have been brought under irrigation. The total expenditure of Rs. 43.60 crore, therefore, did not translate into material benefits on the ground.

Investment of Rs. 5.62 crore made on irrigation channels was not yielding value for money as these channels were either lying defunct or only partially functioning since March 1993.

Delay in finalisation of AIBP scheme led to avoidable interest burden to the tune of Rs. 9.92 lakh.

Out of the schemes worth Rs. 5 crore approved under the Non-Lapsable Central Pool of Resources in 1999-2000 and 2000-01, schemes amounting to Rs. 2.94 crore were not covered by the sanction of the GOI.

An amount of Rs. 20.34 lakh was spent on salaries of four Junior Engineers from January 1996 to April 2001 who were in excess of the sanctioned strength. Another Rs. 5.61 lakh was spent upto October 2001 on the salary of a driver idle since October 1992.

The Department employed 23 clerks and 4 statistical assistants on work-charged establishment, which was irregular. The expenditure of around Rs. 43.40 lakh on their salary from 1996-97 to 2000-01 was also, therefore, irregular.

The Department flouted the clear instructions of the Government banning further recruitment under work-charged and muster roll establishment, and continued to employ persons in these categories. The monetary outgo on such appointments was as high as Rs. 18.42 lakh during the period of just two years of 1999-2000 and 2000-01.

(Paragraph 4.1)

(c) Drinking Water Supply Programme

To ensure provision of drinking water to the entire population, ARWSP and AUWSP were launched in the State during 1977-78 and 2000-2001 respectively. The implementation of the programmes was characterised by a piece-meal approach bereft of perspective planning. No exercise was conducted to ascertain the extent of uncovered population and to identify sources of water supply in the State. The per capita cost of implementation of schemes was abnormally high. There was little consolidation of existing works and the issue of quality of water was left unattended as bacteriologically contaminated water was being supplied. Rainwater harvesting works and installation of solar photovoltaic pumps did not succeed resulting in infructuous expenditure. The reporting mechanism lacked authenticity and there were internal inconsistencies in the figures reported by the implementing Department.

The Department had not worked out any mechanism to identify the problem habitations. The schemes were thus taken up on a piecemeal basis.

No survey had ever been conducted till February 2001 to identify the sources and assess their condition in so far as sustainability was concerned.

Against the norm of Rs. 1600, the per capita expenditure in the State ranged from Rs. 6839 to Rs.15326.

After 1996-97, neither was any water sample tested nor any remedial measures taken on the finding of bacteriological contamination of water.

There was a shortfall in expenditure on operation and maintenance ranging from Rs. 15.31 lakh to Rs. 1.94 crore during the period from 1997-98 to 2000-2001 resulting in inadequate maintenance of assets.

Due to shortcomings in maintenance of assets register, the Department had no reliable records to indicate the present condition of the schemes (functional/defunct) already taken up over a period of 24 years since 1977-78.

Due to taking up of unrealistic and unviable scheme for implementation, the Department could not utilise Rs. 6.08 crore for more than 1 year.

There was an unfruitful expenditure of Rs.1.63 crore on 4-rain water harvesting projects.

Implementation of solar photovoltaic pumping system resulted in an infructuous expenditure of Rs. 21.51 lakh owing to its non-viability.

Out of a sample of 146, 45 schools (31 per cent) did not have drinking water facilities.

Rs. 95.00 lakh received from GOI during March 1998 towards MIS was transferred (March 2000) to the STCS to avoid lapse of budget but till date no computer had been purchased by the Department.

An amount of Rs.15.69 crore paid as advance to STCS during October 1997 to March 2001 was shown as final expenditure despite the fact that these advances were not adjusted pending reconciliation with the STCS.

Despite the receipt of fund to the tune of Rs. 28.92 lakh from GOI during March 2000 for implementation of AUWSP, the programme could be implemented only from January 2001 due to non-availability of provision under State budget.

The per capita cost under AUWSP was Rs. 2981 against the permissible limit of Rs.1000 envisaged in the guidelines.

(Paragraph 4.2)

(d) Internal Controls and the System of Registration, Assessment and Collection of Sales Tax

Sales tax constitutes about 29 per cent of the total tax revenue of the State. Despite its importance, the procedures and controls for effective monitoring of registration of dealers, assessing them for tax, and realising tax dues from them are woefully lacking. The Sales Tax Department has no mechanism to ensure that all dealers liable for tax are being assessed. There are no records to monitor cases awaiting registration or determine the extent of registrations cancelled. The Department has no control over the submission of returns by assesses. Only a small percentage of total registered dealers are assessed each year and no norms have been laid down for the number of assessments to be done by each assessing authority at various levels. There is no assurance that all assessments are made in accordance with law and there were a number of instances of incorrect assessments resulting in huge loss of Government revenue.

No norms had been prescribed in the State for conducting regular market surveys to detect unregistered dealers.

Registration records were not being maintained properly with the result that no check could be exercised to ascertain overall picture of new registrations, their pendency and the cancellation of registrations.

beyond the scope of the rules and resulted in non-recovery of Rs. 2.91 crore by the Excise Department.

(Paragraph 6.8)

Realisation of its share of cardamom much below the average yields from individuals to whom forest lands had been leased out by the Forest Department resulted in a loss of Rs.83.52 lakh.

(Paragraph 6.10)

Despite clear notification on levy of income tax, the Income Tax and Sales Tax Department irregularly exempted income tax and sustained consequential loss of revenue to the tune of Rs.55.64 lakh.

(Paragraph 6.11)

Despite PAC's recommendation to maintain the grant of 25 per cent rebate on Income Tax, the Income Tax and Sales Tax Department irregularly granted rebate of 90 to 97.50 per cent resulting in loss of revenue to the tune of Rs 1.26 crore.

(Paragraph 6.12)

An executive decision to reduce the rate of taxation by the Finance Department, besides being extra-constitutional, caused a loss of Rs.5.71 crore in five cases alone.

(Paragraph 6.14)

Failure to assess the requirement at the time of initial acquisition of land and then further purchase without any requirement by the Urban Development and Housing Department resulted in an avoidable expenditure of Rs. 40.66 lakh.

(Paragraph 4.12)

Other Points

Although there was no poultry bird, sheep/goat to be maintained by the Animal Husbandry and Veterinary Service Department, Rs.12.26 lakh was incurred towards pay and allowances of the staff engaged for the purpose.

(Paragraph 3.3)

The Finance Department irregularly sanctioned and released Rs.1.27 crore to various bodies/authorities during 1998-2000 for renovation/construction of 305 numbers of shrines/monasteries/temples without preparation of detailed estimates.

(Paragraph 3.5)

The Industries/Finance Department spent Rs. 90.87 lakh on activities other than those mandated by the Legislature.

(Paragraph 3.10)

Delay in taking a decision regarding the future of Sikkim Flour Mills Limited, which closed its operations in December 1999, has resulted in payment of idle salaries to the tune of Rs. 39.61 lakh by the Industries Department.

(Paragraph 3.17)

Repeated upward revisions of estimate without sound justification and extension of undue benefit to the contractor by the Roads and Bridges Department took the cost of construction of a 6 km. stretch of road from Rs. 32.70 lakh to Rs.1.16 crore.

(Paragraph 4.10)

The work of construction of a road, undertaken departmentally (Roads and Bridges Department), which should have been carried out on the basis of the Schedule of Rate 1994, was executed at rates which were even higher than the Schedule of Rate 1997 by Rs. 66.30 lakh.

(Paragraph 4.11)

Non-realisation/loss of Government Revenue

Failure of the Food and Civil Supplies Department to deduct Income Tax at source from 22 local suppliers of rice led to non-realisation of income tax to the tune of Rs.12.38 lakh.

(Paragraph 3.12)

Exemption from the levy of excise duty on the export of beer to foreign countries by M/s Yuksom Breweries Ltd. between 1994-95 to 1999-2000 was

Loss of Government money

Flawed sanction and withdrawal of money for establishment of Sinking Fund by the Finance Department even before formulation of scheme resulted in a loss of Rs. 18.75 lakh.

(Paragraph 3.8)

Though cases of theft of Government money have been pointed out earlier in Audit, the Government of Sikkim/Health Department had not evolved fool-proof measures to ensure safe custody of Government cash thereby resulting in theft of Rs. 6.56 lakh from the office of the Chief Medical Officer, Singtam.

(Paragraph 3.11)

Investing in a bank by the Sikkim Jewels Ltd. without verifying its antecedents and financial soundness resulted in a loss of Rs. 44.67 lakh.

(Paragraph 8.14)

Leasing of an abbatoir at a rent, which did not cover even the annual charge resulted in a loss of Rs. 53.88 lakh to the SLPDC during the lease period.

(Paragraph 8.15)

Unauthorised expenditure/retention of Government fund

An amount of Rs. 1.31 crore was withdrawn by the Animal Husbandry and Veterinary Services Department to avoid lapse of budget grant and kept out of Government accounts in violation of Rules.

(Paragraph 3.4)

In total disregard of codal provisions and observations of the PAC, the Horticulture Department had irregularly withdrawn and retained a fund of Rs 1.64 crore outside the Government account.

(Paragraph 3.15)

Government revenue amounting to Rs.24.11 lakh realised by the Forest Department remained outside Government account for periods ranging from 31 to 309 days

(Paragraph 3.13)

Irregular/Avoidable/Excess/Unfruitful Expenditure

Improper planning and failure to take appropriate measures to mitigate the factors responsible for malfunctioning of a machine by the Health and Family Welfare Department resulted in an unfruitful investment of Rs. 1.84 crore.

(Paragraph 3.14)

There was non-maintenance of return records and absence of internal control mechanism to monitor the timely submission of quarterly returns.

No norms have been laid down for the assessment of registered dealers of the State and huge backlogs in assessments are piling up every year leading to possible evasion of sales tax from year to year.

Under assessment of sales tax on liquor, cardamom and other goods resulted in revenue loss of Rs. 5.82 crore.

Non-assessment of sales tax on lottery sales resulted in revenue loss of Rs.182.62 crore.

Loss of revenue of Rs. 2.38 crore due to irregular allowance of deductions and exemptions.

Non-recovery of assessed tax of Rs. 2.41 crore due to lack of initiative on the part of Department.

Injudicious extension to deposit tax of Rs.82.33 lakh was granted against the financial interest of the State.

There were instances of fraudulent use of concessional Form 'C' by three registered dealers and possible fraudulent use of Form 'C' in 2 other cases.

(Paragraph 6.6)

Non- recovery of long outstanding loans

Non-execution of court order by the Finance Department resulted in non-recovery of outstanding loan to the tune of Rs. 1.58 crore.

(Paragraph 3.7)

Loans given to various individuals and organisations amounting to Rs. 45.82 lakh remained to be recovered for periods ranging from 9 to 24 years. The Finance Department or Administrative Departments do not even have the details of the outstanding amounts.

(Paragraph 3.9)

Blockage of fund

Works that should have been completed between December 1994 and April 1997 by the Roads and Bridges Department remained incomplete till date thereby blocking Rs. 36.47 lakh.

(Paragraph 4.9)

Table-1.1

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2001

As on 31.03.2000		Liabilities		As on 31.03.2001
			(Rupees in crore)	
250.74		Internal Debt		278.10
	185.81	Market Loans bearing interest	210.81	
	27.01	Loans from LIC	23.44	
	37.92	Loans from other institutions	43.85	
239.56 *		Loans and Advances from Central Government-		248.65
	8.24	Pre 1984-85 Loans	7.69	
	47.88	Non-Plan Loans	43.98	
	152.19	Loans for State Plan Schemes	171.19	
	6.25	Loans for Central and Centrally Sponsored Plan Schemes	7.04	
	25.00	Ways and Means Advances	18.75	
0.90		Contingency Fund		1.00
185.72		Small Savings, Provident Funds, etc.		202.61
6.29		Deposits		12.45
19.73		Reserve Funds		24.50
30.98		Remittance Balances		47.38
437.41		Surplus on Government Accounts		536.70
	436.01*	Last year balance	437.41	
	(-) 0.46	Less adjustment		
	1.86	Add Revenue Surplus	99.29	
1171.33				1351.39
As on 31.03.2000		**Assets**		**As on 31.03.2001**
1083.93		Gross Capital Outlay on Fixed Assets-		1234.85
	44.54	Investments in shares of Companies, Corporation, etc.	54.37	
	1039.39	Other Capital Outlay	1180.48	
9.95		Loans and Advances-		8.81
	5.13	Other Development Loans	4.70	
	4.82	Loans to Government servants and Miscellaneous loans	4.11	
-		Reserve Fund Investments		
0.19		Advances		0.19
7.09		Suspense and Miscellaneous Balances		12.72
70.17		Cash		94.82
		Cash in Treasuries and Local Remittances		
	67.63	Deposits with other Bank	53.25	
	2.55	Departmental Cash Balance	0.32	
	(-) 0.01	Cash Balance Investments	25.00	
-		Earmarked Funds Invested	16.25	
1171.33				1351.39

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

* *Difference of Rs. 0.32 crore from 1999-2000 accounts is due to proforma correction made during 2000-01. The amount was wrongly booked under MH 6004-04-Loans for Centrally Sponsored Plan Schemes instead of MH 1601-Grants-in-aid from Central Government.*

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) 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 2001 compared with the corresponding position on 31 March 2000 is given in the table below:

CHAPTER-I

ACCOUNTS OF THE STATE GOVERNMENT

outlay, loans and advances given by the State Government and the cash balances.

1.2.3 It would be seen from the Table-1.1 that while the liabilities grew by 11 per cent, the assets grew by 15 per cent during 2000-01.

1.3 Sources and applications of fund

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 APPLICATIONS OF FUND

(Rupees in crore)

1999-2000		Sources		2000-2001
1511.83	1.	Revenue receipts		862.60
1.07	2.	Recoveries of Loans and Advances		1.46
132.71	3.	Increase in Public debt other than overdraft		36.46
42.49	4.	Net receipts from Public Account		38.59
		Increase in Small Savings	16.89	
		Increase in Deposits and Advances	6.16	
		Increase in Reserve Funds	4.77	
		Net effect of Suspense and Miscellaneous transactions	(-) 5.63	
		Net effect of remittance transactions	16.40	
	5.	Net effect of contingency fund transaction		0.10
1688.10		**TOTAL**		**939.21**
1999-2000		**Application**		**2000-2001**
1509.97	1.	Revenue expenditure		763.31
1.14	2.	Lending for development and other purposes		0.33
94.34	3.	Capital expenditure		150.92
0.10	4.	Net effect of contingency fund transaction		-
82.55	5.	Increase in Cash Balance		24.65
1688.10		**TOTAL**		**939.21**

1.3.2 The main sources of funds include revenue receipts of the Government, recoveries of loans and advances, public debt and the receipts from Public Account. These are applied mainly on revenue and capital expenditure and the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government. While their relative share went up from 89.56 per cent in 1999-2000 to 91.84 per cent during 2000-2001, the share of recoveries of loans and advances also went up from 0.06 per cent to 0.16 per cent. The receipts from the Public Account also increased their share from 2.52 per cent in 1999-2000 to 4.11 per cent in 2000-2001. On the other hand, receipts from the public debt decreased significantly from 7.86 per cent to 3.88 per cent. The decrease in revenue receipts and expenditure as compared with previous year was due to corresponding decreases in respect of State Lotteries.

1.3.3 The funds were mainly applied for revenue expenditure, whose share not only went down from 89.45 per cent (1999-2000) to 81.27 per cent (2000-2001), but was also lower than the share of revenue receipts (91.84 per cent) in the total receipts of the State Government. This led to a Revenue Surplus. A notable change during the year was that while the percentage of capital expenditure went up significantly from 5.59 per cent to 16.07 per cent, lending for development purposes decreased from 0.07 per cent to 0.04 per cent.

1.4 Financial operation of the State Government

Improved tax revenue and increased Grants-in-aid from GOI resulted in Revenue Surplus

1.4.1 Table-14 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. The revenue receipts (Rs.862.60 crore) during the year was more than the revenue expenditure (Rs.763.31 crore) resulting in a revenue surplus of Rs. 99.29 crore. The revenue receipts comprised tax revenue (Rs.65.39 crore), non-tax revenue (Rs. 289.02 crore), Union Taxes and Duties assigned to State (Rs.72.20 crore) and grants-in-aid from the Central Government (Rs.435.99 crore). The main sources of tax revenue were Taxes on Income other than Corporation Tax (29.50 per cent) and Sales Tax (37.47 per cent) and State Excise duties (26.93 per cent). Non-tax revenue came mainly from general services (87 per cent).

1.4.2 The capital receipts comprised Rs.1.46 crore from recoveries of loans and advances and Rs.69.12 crore from public debt. Against this, the expenditure was Rs.150.92 crore on capital outlay, Rs. 0.33 crore on disbursement of loans and advances and Rs. 32.66 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.823.70 crore against which disbursements of Rs.785.10 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. 70.17 crore at the beginning of the year to Rs. 94.82 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 table under paragraph 1.3 and the time series data for five years period from 1996-97 to 2000-2001, presented in the table given below:

Table-1.3

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

	1996-97	1997-98	1998-99	1999-2000	2000-2001
			(Rupees in crore)		
Part A. Receipts					
I. Revenue Receipts	**1157.59**	**1299.47**	**1440.66**	**1511.83**	**862.60**
(a) Tax Revenue	29.91 (2.58)	36.50 (2.81)	46.76 (3.25)	49.07(3.25)	65.39 (7.58)
Taxes on Income other than Corporation Tax	8.21 (27.45)	9.06 (24.82)	18.33 (39.20)	17.84 (36.36)	19.29 (29.50)
Sales Tax	8.23 (27.52)	12.71 (34.82)	13.06 (27.92)	13.64 (27.80)	24.50 (37.47)
State Excise	10.54 (35.24)	10.81 (29.62)	11.86 (25.36)	13.39 (27.29)	17.61 (26.93)
Tax on Vehicles	1.22 (4.08)	1.54 (4.22)	1.51 (3.23)	1.69 (3.44)	1.54 (2.35)
Stamp and Registration fees	0.42 (1.40)	0.37 (1.01)	0.51(1.09)	0.62 (1.26)	0.50 (0.76)
Land Revenue	0.16 (0.53)	0.96 (2.63)	0.12(0.26)	0.54 (1.10)	0.22 (0.34)
Other Taxes and Duties on Commodities and Services	1.13 (3.78)	1.05 (2.88)	1.37 (2.93)	1.35 (2.75)	1.73 (2.65)
(b) Non-Tax Revenue	829.34 (71.64)	929.83 (71.55)	1020.91 (70.86)	1042.75 (68.97)	289.02 (33.51)
(c) State's share in Union taxes	73.34 (6.33)	79.91(6.15)	92.21 (6.40)	99.54 (6.58)	72.20 (8.37)
(d) Grants-in-aid from GOI	225.00 (19.44)	253.24(198.49)	280.78 (19.49)	320.47 (21.20)	435.99 (50.54)
II. Capital Receipts	**81.29**	**104.62**	**206.99**	**229.38**	**148.87**
Market Borrowing	17.83 (21.93)	20.45 (19.56)	42.00 (20.29)	82.76 (36.08)	32.94 (22.13)
Loans and advances from GOI	37.37 (45.97)	41.29 (39.46)	53.54 (25.86)	63.97 (27.89)	36.18 (24.30)
Other Receipts (Public Accounts)	26.09 (32.10)	42.88 (40.98)	111.45 (53.85)	82.65 (36.03)	79.75 (53.57)
Part B. Expenditure	**1213.02**	**1365.42**	**1587.36**	**1604.31**	**914.23**
I. Revenue Expenditure	**1118.86 (92.24)**	**1258.19 (92.15)**	**1495.60 (94.22)**	**1509.97 (94.12)**	**763.31 (83.49)**
Plan	125.18 (11.19)	116.32 (9.25)	159.77 (10.68)	134.60 (8.91)	155.93 (20.43)
Non-Plan	993.68 (88.81)	1141.86 (90.75)	1335.83 (89.32)	1375.37 (91.10)	607.38 (79.57)
General Services	876.01 (78.29)	986.90 (78)	1127.77 (75.41)	1143.87 (75.75)	406.01 (53.19)
Economic Services	117.94	127.84 (10)	155.63 (10.40)	169.84 (11.25)	164.81 (21.59)
Social Services	124.91	143.45 (11)	212.21 (14.19)	196.26 (13.00)	192.49 (25.22)
Interest Payment	32.98	40.94	52.47	67.92	78.67
Fin. Assistance to Local bodies etc.	2.47	3.08	2.17	3.49	8.39
Loans and advances given	1.23	1.80	1.08	1.14	0.33
II. Capital Expenditure	**94.16 (7.76)**	**107.23 (7.85)**	**91.76 (5.78)**	**94.34 (5.88)**	**150.92 (16.51)**
Plan	94.16 (100)	107.23 (100)	91.76 (100)	94.34 (100)	150.92 (100)
Non- plan	-	-	-	-	-
General Services	5.35 (5.68)	6.59 (6.15)	4.60 (5.01)	3.87 (4.10)	4.45 (2.96)
Economic Services	61.52 (65.34)	67.58 (63.02)	57.44 (62.60)	54.29 (57.55)	96.15 (63.71)
Social Services	27.29 (28.98)	33.06 (30.83)	29.72 (32.39)	36.18 (38.35)	50.32 (33.34)
Part C. Deficits					
Revenue Deficit (-)/Surplus (+)	(+) 38.73	(+) 41.28	(-) 54.94	(+) 1.86	(+) 99.29
Fiscal Deficit	55.90	67.02	146.86	92.55	50.51
Budgetary Deficit (-)/Surplus (+)	(-) 55.43	(-) 65.95	(-) 146.70	(-) 92.48	(-) 51.64
Part D. Other data					
Ways and Means Advances (days)	-	-	-	-	-
Interest on WMA	-	-	-	-	-
GSDP	553	651	755 (P)	817 (Q)	NA
Outstanding Debt (year end)	312.90	356.69	503.67	676.34	729.37
Outstanding guarantees (year end)	13.73	21.78	21.07	21.57	104.61
Guarantees given during the year	10.00	8.05	-	0.50	83.04
Number of incomplete projects	62	66	69	57	95
Capital blocked in incomplete projects	4.57	9.84	96.26	20.71	12.55
Arrears of Revenue	NA	NA	NA	0.80	1.07

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

Note-II: *Non-tax revenue for the year 2000-2001 includes gross receipt of Rs. 240.60 crore from State Lotteries before adjustment of expenditure of Rs. 223.39 crore. (P) – Provisional Estimate, (Q) – Quick Estimate.*

Note-III: *The reduction in revenue receipts and revenue expenditure during 2000-01 was due to corresponding reduction in receipts and expenditure pertaining to State Lotteries.*

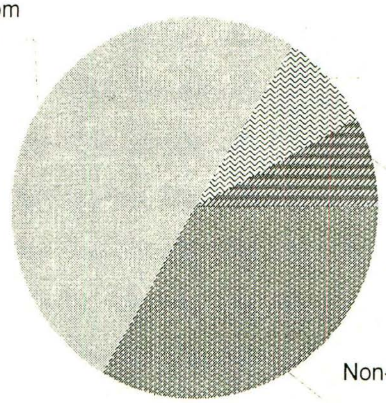
1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in the chart below. The decrease in revenue receipts during 2000-01 was due to reduction in gross receipts from State lotteries, which in turn was on account of introduction of lottery prohibition bill.

Chart-1.1

Revenue Receipts 2000-2001

(Rupees in crore)



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 The share of tax revenue in revenue receipts increased from 2.58 per cent in 1996-97 to 7.58 per cent in 2000-2001. However, the tax revenue constituted a mere 6 per cent of GSDP till 1999-2000 (GSDP for 2000-01 not available yet) having remained stagnant at that level from 1997-98 onwards. Table-1.3 under paragraph 1.4.3 shows that the relative contribution of Taxes on Income other than Corporation Tax came down from 36.36 per cent in 1999-2000 to 29.50 per cent in 2000-2001 and State Excise from 27.29 per cent in 1999-2000 to 26.93 per cent in 2000-2001. On the other hand, Sales Tax increased from 27.80 per cent in 1999-2000 to 37.47 per cent in 2000-2001.

Non-tax Revenue

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

1.5.3 Non-tax revenue constituted 33.51 per cent of the total revenue receipts as compared to 68.97 per cent in 1999-2000. This was due to decrease of gross receipt from State Lotteries. On the other hand, grants-in-aid from GOI increased to 50.54 per cent of the total revenue receipts in 2000-2001 from a mere 19.44 per cent in 1996-97 and financed 63 per cent of the total Government expenditure comprising capital outlay and revenue expenditure (net of lotteries).

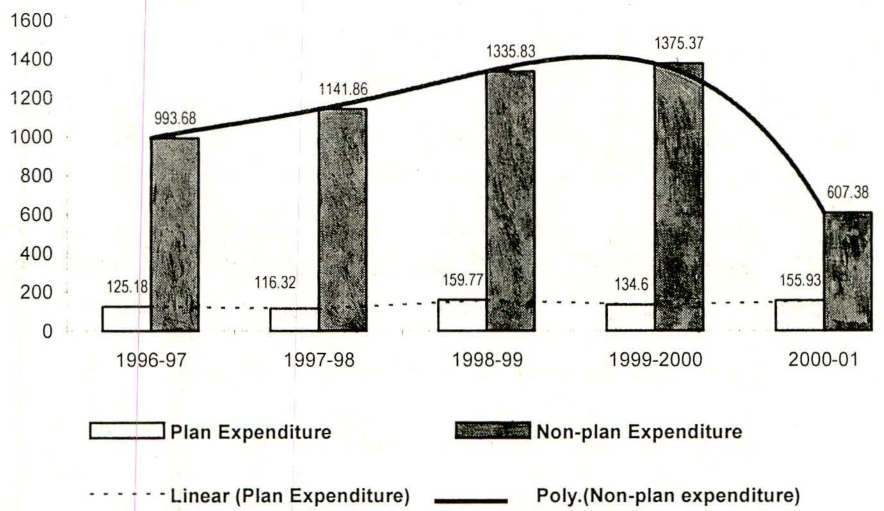
1.6 Revenue expenditure

1.6.1 Revenue expenditure, which accounted for most (83.49 per cent) of the expenditure of State Government, decreased by Rs.746.66 crore during 2000-2001. This decrease was the net result of Rs.767.99 crore decrease in Non-Plan side of revenue expenditure offset by Rs.21.33 crore increase in Plan expenditure. The decrease was mainly due to reduction in expenditure on State Lotteries. Non-plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1996-2001 and ranged between 80 and 91 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 1996-2001.

Chart-1.2

Growth of Plan and Non-plan Revenue Expenditure

(Rupees in crore)



1.6.2 Sector-wise analysis shows that while the expenditure on General Services decreased by 53.65 per cent from Rs. 876.01 crore in 1996-97 to Rs. 406.01 crore in 2000-2001, expenditure on Social Services and Economic Services increased by 54.10 and 39.74 per cent respectively. As a proportion of total expenditure, the share of General Services decreased from 75.75 per cent in 1999-2000 to 53.19 per cent in 2000-2001. The share of Social Services increased from 13.00 per cent to 25.22 per cent and that of Economic Services increased from 11.25 per cent to 21.59 per cent.

Spiraling interest payments

1.6.3 Interest payments increased steadily by 138.54 per cent from Rs. 32.98 crore in 1996-97 to Rs. 78.67 crore in 2000-2001. This is further discussed in the section on financial indicators.

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 2000-2001 was as follows:

Table-1. 4

Years	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	Grants	loans	Grants	loans	Grants	loans	Grants	loans	Grants	loans
	(Rupees in crore)									
Universities and Educational Institutions	1.24	-	1.23	-	1.37	-	1.49	-	2.27	-
Municipal Corporations and Municipalities	-	-	-	-	-	-	-	-	-	-
Zilla Parishads and Panchayati Raj Institutions	-	-	-	-	-	-	-	-	-	-
Development Agencies	0.54	-	0.44	-	0.44	-	1.44	-	1.87	
Hospitals and Other Charitable Institutions	-	-	-	-	-	-	-	-		
Other Institutions	0.69	0.24	1.41	0.77	0.36	0.01	0.56	-	4.25	-
TOTAL	**2.47**	**0.24**	**3.08**	**0.77**	**2.17**	**0.01**	**3.49**	-	**8.39**	-
Percentage of growth over previous year	533.33	-	24.70	220.83	(-) 29.54	(-) 98.70	(+) 60.83	-	(+) 140.40	-
Assistance as a percentage of revenue expenditure	0.22	0.02	0.24	0.06	0.14	-	0.23	-	1.07	-

1.6.5 The quantum of assistance paid to local bodies etc. jumped from Rs.2.47 crore in 1996-97 to Rs.8.39 crore in 2000-2001, an increase of 239.68 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

	1996-97	1997-98	1998-99	1999-00	2000-01
	(Rupees in crore)				
Opening balance	8.17	8.64	9.72	9 87	9.94
Amount advanced during the year	1.23	1.80	1.08	1.14	0.33
Amount repaid during the year	0.76	0.72	0.92	1.07	1.46
Closing balance	8.64	9.22	9.87	9.94	8.81
Net addition	0.47	1.08	0.15	0.07	(-) 1.13

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 2000-2001, the capital expenditure increased by Rs.56.58 crore as compared to 1999-2000. Its share in total expenditure has gone up from 7.76 per cent in 1996-97 to 16.51 per cent in 2000-2001. 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 the Plan and Capital expenditure are usually associated with asset creation, the Non-plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the 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	1996-97	1997-98	1998-99	1999-00	2000-01
1. Plan expenditure as a percentage of: (i) Revenue expenditure (ii) Capital expenditure	 11 100	 9 100	 11 100	 9 100	 20 100
2. Capital expenditure as a percentage of total expenditure*	8	8	6	6	17
3. Expenditure on General Services as a percentage of: (i) Revenue (ii) Capital	 78 6	 78 6	 75 5	 76 4	 53 3
4. Amount of wastages and diversion of funds mentioned in the Audit Report *(Rs. in crore)*	0.43	1.06	3.26	5.94	2.37
5. Non-remunerative expenditure on incomplete projects. *(Rs. in crore)*	4.57	9.84	96.20	20.59	12.55
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 increased in 2000-2001 as compared to previous year and the share of capital expenditure has also increased from 6 per cent in the year 1999-2000 to 17 per cent in the year 2000-2001. The expenditure on General Services had declined on both the capital and revenue side in 2000-2001 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.

Return on Government investments far below the cost of its borrowings

1.9.2 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

Table-1.7

Sector	Number of concerns	Amount invested	
		as on 31.03.2000	during 2000-2001
		(Rupees in crore)	
(1) Statutory Corporations	11	36.61	4.86
(2) Government Companies	13	11.85	0.65
(3) Joint Stock Companies	-	-	-
(4) Co-operative Institutions and Bank	06	5.90	4.29
TOTAL	**30**	**54.36**	**9.80**

1.9.3 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

Year	Investment at the end of the year	Return	Percentage of Return	Rate of interest on Government borrowing (%)
	(Rupees in crore)			
1996-97	34.73	1.38	4	13.85 and 13.75
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	54.36	0.0158	0.03	12

1.9.4 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 2001, 2 of the Government companies were running under loss and the accumulated loss was Rs.0.60 crore upto March 2001.

Incomplete Projects

1.9.5 As of 31 March 2001, there were 95 incomplete projects in which Rs.12.56 crore were blocked. This showed that the Government was spreading its resources thinly, which failed to yield any return.

Arrears of revenue

1.9.6 The arrears of revenue in respect of Land Revenue, Animal Husbandry, Printing and Stationery and Urban Development and Housing Departments pending collection, increased by 34 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 four departments for the years 1999-2000 and 2000-2001, an increase of 34 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

1.9.7 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 (GOI), the State Government should reconsider the feasibility of taking up the matter with RBI for entering into an agreement.

Deficit

1.9.8 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.

1.9.9 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments.

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

Table-1.9

(a) CONSOLIDATED FUND

Receipt	Amount		Disbursement	Amount
		(Rupees in crore)		
Revenue	862.60	Revenue Surplus : 99.29	Revenue	763.31
Misc. Capital Receipts	-		Capital	150.92
Recovery of Loans and advances	1.46		Loans and advances disbursement	0.33
Sub total	864.06	Gross fiscal deficit: 50.51	Sub total	914.57
Public debt	69.12		Public debt repayment	32.66
TOTAL	**933.18**	**A: Deficit CF : 14.04**		**947.22**

(b) CONTINGENCY FUND

		(Rupees in crore)		
Recoupment	0.10	Net effect in contingency fund : 0.10	Advances	-

(c) PUBLIC ACCOUNT

		(Rupees in crore)		
Small savings, PF etc.	52.61		Small saving PF etc.	35.72
Deposits and advances	15.60		Deposits and advances	9.44
Reserve funds	11.53		Reserve funds	6.76
Suspense and Misc.	485.68		Suspense and Misc.	491.31
Remittances	258.26		Remittances	241.86
Total Public Account	823.68	B (i) deficit in Consolidated Fund financed out of surplus in Public Account Fund (38.59) (ii) Increase in cash balance (24.65)		785.09

1.9.11 The Table-1.9 shows that the Fiscal Deficit of Rs. 50.51 crore was financed by the net proceeds of Public Debt (Rs. 36.46 crore), and partly by the surplus (Rs.38.59 crore) from Public Account. Table-1.15 shows that fiscal deficit was on an increasing trend during 1996-97 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 2000-2001 respectively.

Application of the borrowed funds (Fiscal Deficit)

1.9.12 The 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	1996-97*	1997-98*	1998-99	1999-2000*	2000-2001*
RD/FD	(-) 0.69	(-) 0.62	0.37	(-) 0.02	(-) 1.97
CE/FD	1.68	1.60	0.62	1.02	2.99
Net loans/ FD	0.01	0.02	0.01	-	(-) 0.02
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

1.9.13 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 1996-2001 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 1996-97, the total liabilities of the Government had grown by 132.40 per cent. This was on account of 136.83 per cent growth in internal debt, 72.15 per cent growth in loans and advances from GOI and 266.82 per cent growth in other liabilities. During 2000-2001, Government borrowed Rs. 32.94 crore from the open market at the interest rate of 12 per cent per annum.

Table-1.11

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities	Total liabilities	Ratio of debt to GSDP
	(Rupees in crore)					
1996-97	117.43	144.44	261.87	60.88	322.75	0.58
1997-98	133.31	163.21	296.52	72.14	368.66	0.57
1998-99	170.67	187.25	357.92	161.10	514.02	0.68
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	NA

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 86 per cent in 1999-2000, 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

	1996-97	1997-98	1998-99	1999-00	2000-01
	(Rupees in crore)				
Internal Debt Receipt	17.83	20.45	42.00	82.76	32.94
Repayment (Principal+Interest)	20.70	21.44	24.47	26.70	35.41
Net funds available (Per cent)	(-) 2.87	(-) 0.99	17.53 (42)	56.06 (68)	(-)2.47
Loans and Advances from GOI Receipt during the year	37.37	41.29	53.53	63.97	36.18
Repayment (Principal+Interest)	33.39	40.32	48.60	34.68	55.97
Net fund available (Per cent)	3.98 (11)	0.97 (2)	4.93 (9)	29.29 (46)	(-) 19.79
Other liabilities Receipt during the year	26.09	42.88	111.45	83.10	79.75
Repayment	22.54	37.48	34.88	32.01	51.95
Net fund available (Per cent)	3.55 (14)	5.40 (13)	76.57 (69)	51.09 (61)	27.80

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.148.87 crore were almost exclusively used for debt servicing which amounted to Rs.143.33 crore. In fact, in respect of internal debt and loans and advances from GOI, the debt service exceeded 100 per cent of gross borrowings as shown in the table, implying a net outflow of sources. 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 1996-97 to 2000-2001. 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 and negative balance increased steeply in 1996-97 and 2000-2001. This shows that State was not able to generate surplus from current revenues and its dependence on borrowings for meeting the plan expenditure increased significantly.

(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 case of Sikkim, the ratio has significantly increased by six basic points from 0.03 to 0.09 during 1996-97 to 2000-2001. Due to rising 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 case of Sikkim, the ratio has been more than one during the period from 1996-97 to 1997-98. However, it declined sharply from 1.03 in 1997-98 to 0.50 in 1999-2000 and increased to 1.53 in 2000-2001. 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 1.21 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 case of Government of Sikkim has been negligible and has decreased from 4 per cent in 1996-97 to 0.03 per cent in 2000-2001. 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 case of Sikkim Government, this ratio has increased from 0.09 in 1999-2000 to 0.47 in 2000-2001. This indicated lesser amount of funds being available on investment.

(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, the higher the revenue deficit, the 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 1996-97 to 1997-98 and 1999-2000 to 2000-2001 there was no revenue deficit. During 2000-2001 the ratio has been (-)1.97.

(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 2000-2001 the ratio became (-)0.56. The interest payment accounted for 81.15 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 case of Sikkim, this ratio has increased from 0.01 in 1999-2000 to 0.12 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. Since 1995-96, this ratio is moving in the negative direction indicating the trend of insolvency.

(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	March 2000	March 2000
Budget	June 2000	June 2000
Supplementary-I	November 2000	November 2000
Supplementary-II	March 2001	March 2001

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 1999-2001, delay in submission of monthly compiled accounts by Public Works Division ranged from 2 days to 104 days. The delay in submission of monthly accounts by the Chief Pay and Accounts Office ranged from 12 days to 76 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 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 2000-2001

Receipts				Disbursement					
Section-A : Revenue		*(Rupees in crore)*		*(Rupees in crore)*					
1999-00			**2000-01**	**1999 -00**		**Non-Plan**	**Plan**	**Total**	**2000-01**
1511.83	**I. Revenue Receipts**		**862.60**	**1509.97**	**I. Revenue Expenditure**				**763.31**
49 07	-Tax revenue	65 39		1143 87	**General Services**	403.60	2.41	406 01	
1042 75	-Non-tax revenue	289 02			**Social Services**				
99 54	-State's share of Union Taxes	72 20		110 41	-Education, Sports, Art and Culture	76.35	37.43	113 78	
16 13	-Non-Plan grants	148.40		33.65	-Health and Family Welfare	19 62	12 11	31 73	
				27.52	-Water Supply Sanitation, Housing and Urban Development	9 27	16 20	25 47	
				1 57	-Information and Broadcasting	0.91	0 95	1 86	
268 55	-Grants for State Plan Scheme	238 66		2 03	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes.	0 57	2.92	3 49	
35 79	-Grants for Central and Centrally sponsored Plan Schemes	48.93		0.76	-Labour and Labour Welfare	0.52	0.29	0.81	
				19.02	-Social Welfare and Nutrition	6.07	7 83	13.90	
				1.30	-Others	1.45	-	1.45	
					Economic Services				
				54.22	-Agriculture and Allied Activities	26.72	33 09	59.81	
				8 34	-Rural Development	0.02	11.19	11 21	
				-	-Special Areas Programmes	-	-	-	
				6 21	-Irrigation and Flood Control	0.83	15.65	16.48	
				27 84	-Energy	21.01	4 86	25 87	
				6.47	-Industry and Minerals	4.65	3 68	8 33	
				33.89	-Transport	32.19	0.72	32.91	
				1 07	-Science, Technology and Environment	-	1.04	1.04	
				31 80	-General Economic Services	3.59	5 57	9 16	
-	**II. Revenue Deficit carried over to Section B**		-	**1.86**	**II. Revenue Surplus carried over to Section B**		-		**99.29**
1511.83	**Total**		**862.60**	**1511.83**					**862.60**
	Section B								
(-)12.38	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**70.17**	**94.34**	**III. Capital Outlay**				**150.92**
				3.87	**General Services**	-	4.46	4.46	
					Social Services				
				3.10	-Education, Sports, Art and Culture	-	20.31	20.31	
				1.69	-Health and Family Welfare	-	2.99	2.99	
				25.66	-Water Supply, Sanitation	-	17.72	17.72	
				2.79	-Housing and Urban Development	-	8.02	8.02	
				1.00	-Welfare of SC,ST and OBC	-	1.29	1.29	

Receipts				Disbursement					
1999-00	Section-B		2000-01	1999-00		Non-Plan	Plan	Total	2000-01
-	**IV Miscellaneous Capital receipts**	-			**Economic Services**				
				1.56	-Agriculture and Allied Activities	-	5.33	5.33	
				0.71	-Rural Development	-	1.08	1.08	
				5.61	-Special Areas Programmes	-	6.62	6.62	
				0.02	-Irrigation and Flood Control	-	3.07	3.07	
				26.45	-Energy	-	32.35	32.35	
				2.01	-Industry and Minerals	-	3.77	3.77	
				17.18	-Transport	-	40.25	40.25	
				1.31	-General Economic Services	-	3.66	3.66	
1.07	**V. Recoveries of loans and Advances**		**1.46**	**1.14**	**IV Loans and Advances disbursed**				**0.33**
	From Government Servants	1.03			-To Government Servants			0.33	
	From others	0.43			-To Others			-	
1.86	**VI. Revenue surplus brought down**		99.29		**V. Revenue deficit brought down**	-			-
146.73	**VII. Public debt receipts**		69.12	14.02	**VI. Repayment of Public Debt**				32.66
	-External debt	--			-External debt	-		-	
	-Internal debt other than Ways and Means Advances and Overdraft	32.94			-Internal debt other than Ways and Means Advances and Overdraft			5.58	
	-Ways and Means Advances	--			-Ways and Means Advances			-	
	-Loans and Advances from Central Government	36.18			-Repayment of Loans and advances to Central Government			27.08	
-	**VIII. Amount transferred to Contingency Fund**		0.10		**VII Expenditure from Contingency Fund**				-
788.97	**IX. Public Account Receipts**		823.68	746.48	**VIII. Public Account Disbursements**				785.09
	-Small Savings and Provident funds	52.61			-Small savings and Provident Funds			35.73	
	-Reserve funds	11.53			-Reserve Funds			6.76	
	-Suspense and Miscellaneous	485.68			-Suspense and Miscellaneous			491.31	
	-Remittance	258.26			-Remittance			241.86	
	-Deposits and Advances	15.60			-Deposits and advances			9.44	
				70.17	**IX. Cash Balance at end**				94.82
					-Cash in Treasuries and Local Remittances			52.69	
					-Deposits with other Bank			0.56	
					-Departmental Cash Balance including permanent advances			16.57	
					-Cash Balance Investment			25.00	
926.25	TOTAL		1063.82	926.25	TOTAL				1063.82

Table – 1.15

Financial indicators for Government of Sikkim

	1996-97	1997-98	1998-99	1999-00	2000-01
			(Rupees in crore)		
Sustainability BCR *(Rs. in crore)*	(-) 13.33	(-) 58.80	(-) 153.64	(-) 167.87	(-) 180.76
Primary Deficit (PD) *(Rs. in crore)*	22.92	26.08	95.31	24.63	(-) 28.16
Interest Ratio	0.03	0.03	0.04	0.04	0.09
Capital outlay/Capital receipt	1.16	1.03	0.44	0.5	1.53
Total Tax receipt/GSDP	0.17	NA	0.18	0.18	NA
State Tax receipts/GSDP	0.05	NA	0.06	0.06	NA
Return on Investment ratio	0.04	0.04	0.03	0.02	0.0003
Flexibility BCR *(Rs. in crore)*	(-) 13.33	(-) 58.80	(-) 153.64	(-) 167.87	(-) 180.76
Capital repayment/Capital borrowings	0.47	0.43	0.34	0.095	0.47
State tax receipt/GSDP	0.05	0.06	0.06	0.06	NA
Debt/GSDP	0.58	0.57	0.68	0.86	NA
Vulnerability Revenue Deficit (RD) *(Rs. in crore)*	* 38.73	* 41.28	54.94	*1.86	*99.29
Fiscal Deficit (FD) *(Rs. in crore)*	55.90	67.02	146.86	92.55	50.51
Primary Deficit (PD) *(Rs. in crore)*	22.92	26.08	95.31	24.63	(-) 28.16
PD/FD	0.41	0.39	0.64	0.27	(-) 0.56
RD/FD	(-) 0.69	(-) 0.62	0.37	(-) 0.02	(-) 1.97
Outstanding Guarantees/Revenue receipt	0.01	0.02	0.01	0.01	0.12
Assets/Liabilities	2.31	2.23	1.79	1.59	1.66

* *During these years, there were 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.

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		
Capital Outlay Vs Capital Receipts	Capital Outlay	Capital expenditure as per Statement No.2 of the Finance Accounts.
	Capital Receipts	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.1.9.8 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

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2000-2001 AT A GLANCE

Appropriation Accounts : Government of Sikkim

Total Number of Grants : 53

Total provision and actual expenditure

Table-2.1

Provision		Expenditure	
	(Rupees in crore)		
Original Supplementary	1175.19 111.71	Expenditure	957.20
Total gross provision	**1286.90**	**Total gross expenditure**	**957.20**
Deduct-Estimated recoveries in reduction of expenditure	13.10	Deduct-Actual recoveries in reduction of expenditure	9.97
Total net provision	**1273.80**	**Total net expenditure**	**947.23**

Voted and Charged provision and expenditure

Table-2.2

	Provision		Expenditure	
	(Rupees in crore)			
	Voted	Charged	Voted	C harged
Revenue	914.70	91.42	686.14	87.14
Capital	248.81	31.97	151.26	32.66
Total Gross	**1163.51**	**123.39**	**837.40**	**119.80**
Deduct-recoveries in reduction of expenditure	13.10	-	9.97	-
Total Net	**1150.41**	**123.39**	**827.43**	**119.80**

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 2000-2001 against 53 grants/appropriation was as follows:

Table-2.3

Name of Expenditure		Original grant Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
		(Rupees in crore)				
Voted	I. Revenue	866.41	48.29	914.70	686.14*	(-) 228.56
	II. Capital	194.37	53.23	247.60	150.93	(-) 96.67
	III. Loans and Advances	1.21	Nil	1.21	0.33	(-) 0.88
Total Voted		**1061.99**	**101.52**	**1163.51**	**837.40**	**(-) 326.11**
Charged	IV. Revenue	91.23	0.19	91.42	87.14	(-) 4.28
	V. Capital	Nil	Nil	Nil	Nil	Nil
	VI. Public Debt	21.97	10.00	31.97	32.66	(+) 0.69
Total Charged		**113.20**	**10.19**	**123.39**	**119.80**	**(-) 3.59**
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
GRAND TOTAL		**1175.19**	**111.71**	**1286.90**	**957.20****	**(-) 329.70**

* *These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure of Rs. 9.97 crore.*

** *At the end of March 2001, Detailed Contingent Bills were not received as required under Rules from the Drawing and Disbursing Officers in support of Rs. 17.22 crore drawn on Abstract Contingent Bills. In absence of Detailed Contingent 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.1.34 crore for the years 1998-99 to 1999-2000 was yet to be regularised.

Table-2.4

Year	No. of grants/ appropriations	Grant/ Appropriation No(s)	Amount of excess (Rupees in crore)	Amount for which explanations not furnished to PAC
1998-99	04	38,44,45 and Public Debt	0.89	0.89
1999-2000	03	11, 43, 45	0.45	0.45
TOTAL			**1.34**	**1.34**

Excess over provision during 2000-01 requiring regularisation

2.3.2 In Revenue Section, there was an excess of Rs.4,96,114 in two grants and one appropriation and in Capital Section, there was an excess of Rs.69,99,942 in one grant and one appropriation. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Table-2.5

Sl. No.	Number and name of grant / appropriation	Total grant / appropriation	Actual expenditure	Excess
			(In rupees)	
	REVENUE			
1	1 – State Legislature (Voted)	22557000	22564998	7998
2	Governor (Charged)	9532000	9532101	101
3	36 – Animal Husbandry (Voted)	74060000	74548015	488015
	CAPITAL			
4	39 – Forestry and Wild Life (Voted)	500000	547700	47700
5	Public Debt (Charged)	319664000	326616242	6952242
	TOTAL	**426313000**	**433809056**	**7496056**

Savings

2.3.3 The ultimate/net savings of Rs.329.70 crore was the result of total gross savings of Rs.330.45 crore slightly offset by excess of Rs.0.75 crore. The details of savings and excess are as shown below:

Table-2.6

Section	No. of Grants/ Appropriation	Amount of Savings	No. of Grant/ Appropriation	Amount of Excess	Net amount of Savings
			(Rupees in crore)		
Revenue	51	232.89	2	0.05	232.84
Capital	17	97.56	2	0.70	96.86
TOTAL		**330.45**		**0.75**	**329.70**

Unnecessary/Excessive Supplementary provision

2.3.4 Supplementary provision made during the year constituted 9.5 per cent of the original provision as against 4 per cent in the previous year. Supplementary provision of fund amounting to Rs.52.23 crore made in 21 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

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

2.3.6 In the accounts for the year 2000-2001, it was noticed that against net saving of Rs.329.70 crore, the amount surrendered was Rs.122.39 crore at the fag end of financial year.

Anticipated savings not surrendered

2.3.7 Unutilised provisions of fund amounting to Rs.46.15 crore in 9 cases were not surrendered during the year. The details are given below:

Table-2.7

Sl. No.	Number and Name of Grant		Amount *(Rupees in crore)*
REVENUE			
1.	1	State Legislature (Revenue)	0.01
2.	2	Council of Ministers	0.01
3	30	Nutrition	0.28
4.	37	Dairy Development	0.01
TOTAL			**0.31**
CAPITAL			
1	26	Urban Development	2.17
2	38	Fisheries	0.01
3	42	Co-operation	0.05
4	45	Power	5.91
5	48	Roads and Bridges	37.70
TOTAL			**45.84**
GRAND TOTAL			**46.15**

Surrender less than actual savings

2.3.8 Against the unutilised provisions of fund amounting to Rs.239.19 crore in 43 cases, an amount of Rs.76.02 crore only was anticipated and surrendered on the last day of financial year as detailed in **APPENDIX-II.**

Surrender in excess of actual savings

2.3.9 Against the actual savings of Rs.34.98 crore in 10 cases, an amount of Rs.36.27 crore was surrendered by the Government during the year i.e., an amount of Rs.1.29 crore was surrendered in excess as detailed in **APPENDIX-III.**

Persistent Savings

2.3.10 Persistent savings of 10 per cent and above were noticed in 9 cases during the last three years as detailed in **APPENDIX-IV.**

Unutilised Provision

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

Injudicious/irregular/inadequate re-appropriation

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

2.3.13 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

2.3.14 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.

2.3.15 During the year 2000-01, against the estimated recoveries of Rs.13.10 crore, actual recoveries were Rs.9.97 crore as shown in **APPENDIX-VII.**

Expenditure without provision

2.3.16 As per rules, no expenditure should be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.5.67 lakh was incurred in 2 cases as detailed below without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued:

Table-2.8

Sl. No.	Major Head/Name of Grant	Amount *(Rupees in lakh)*
1	**2217 – Urban Development** 191 Assistance to Local bodies, Corporation, Urban Development Authorities, Town Improvement Board 55 Grants to Local Bodies recommended by 10th Finance Commission	4.17
2	**2250 – Other Social Services** 50 Other charges	1.50
	TOTAL	5.67

CHAPTER-III

CIVIL DEPARTMENTS

SECTION : A

(AUDIT REVIEWS)

CHAPTER-III

CIVIL DEPARTMENTS

SECTION – A
(AUDIT REVIEWS)

FOREST DEPARTMENT

3.1 Implementation of Environmental Acts and Rules relating to Air Pollution and Waste Management: An Audit Evaluation

Highlights

The Land Use and Environment Board (LUEB) in Sikkim, far from being an independent regulatory authority in matters pertaining to the prevention, control and abatement of air pollution and waste management, operated under the shadow of the Forest Department even after 17 years of its existence. It did not have its own budget nor maintained separate books of accounts. Its meeting in May 2001 held after a gap of 7 years was suggestive of the manner with which it went about implementing its mandate. Consequently, its capability to enforce, regulate and implement the laws and rules was severely undermined. The handling and disposal of bio-medical waste was fraught with grave risks to the general public and caused environmental damage. There was lack of co-ordination between the various Government Departments and the Board and as a result, the aims and objectives of the legislative enactments and rules framed thereunder remained largely unachieved.

Introduction

3.1.1 The gravity of environmental pollution, especially the air pollution and hazardous substances led to the enactment by the Government of India (GOI) of the following acts and rules for regulation of air pollution and waste management:

Air Pollution

(i) Air (Prevention and Control of Pollution) Act 1981 as amended by the Amendment Act 1987.

(ii) Air (Prevention and Control of Pollution) Rules 1982.

Waste Management

(iii) Environment (Protection) Act 1986.

(iv) Environment (Protection) Rules 1986.

(v) The Hazardous Waste (Management and Handling) Rules 1989.

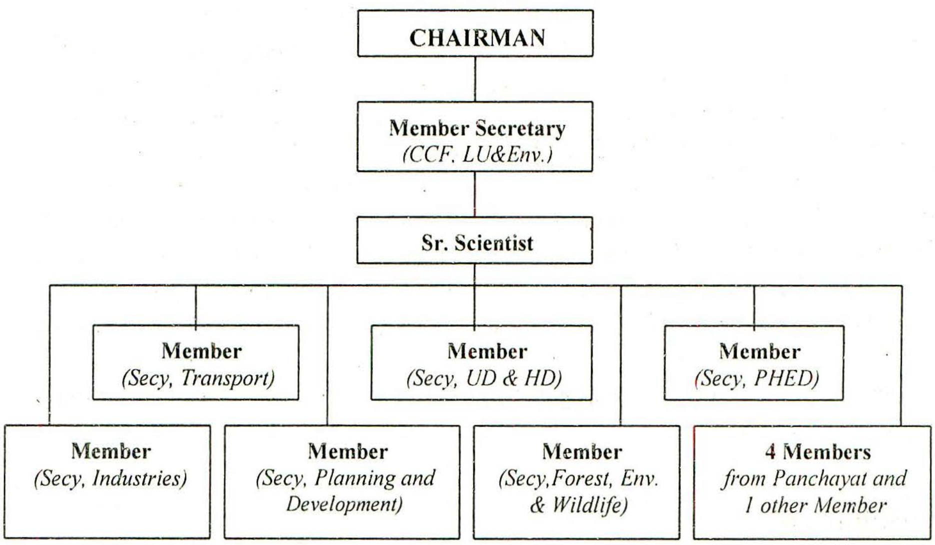
(vi) Bio-medical Waste (Management and Handling) Rules 1998.

(vii) Municipal Solid Wastes (Management and Handling) Rules 2000.

Organisational set up

3.1.2 The organisational set up of Land Use and Environment Board (LUEB) constituted in 1984 under Section 4 of the Water (Prevention and Control of Pollution) Act 1974 was as under:

Chart-3.1



Note: CCF – Chief Conservator of Forest, LU&Env. – Land Use and Environment, PHED – Public Health and Engineering Department

3.1.3 The issues pertaining to vehicular pollution, municipal solid waste, bio-medical waste and environment are entrusted to the Transport Department (TD), Urban Development and Housing Department (UDHD), Health and

Family Welfare Department (HFWD) and Forest Environment and Wildlife Department (FEWD) respectively.

Financial Arrangement

Absence of target and Action Plan

3.1.4 The receipt and expenditure of the LUEB as furnished by the Board were as under:

Table-3.1

Year	Funds Provided by			Total funds available	Expenditure	Excess (+)/ Saving(-)
	State	Central	CPCB*			
	(Rupees in lakh)					
1996-97	5.00	Nil	-	5.00	3.11	(-) 1.89
1997-98	1.67	1.50	-	3.17	3.07	(-) 0.10
1998-99	1.00	6.00	-	7.00	7.03	(+) 0.03
1999-2000	1.00	3.00	-	4.00	0.96	(-) 3.04
2000-2001	2.27	-	11.00	13.27	11.47	(-) 1.80
TOTAL	**10.94**	**10.50**	**11.00**	**32.44**	**25.64**	**(-) 6.80**

* *Central Pollution Control Board*

3.1.5 The Department neither fixed any target nor prepared any Action Plan due to which achievement could not be compared with the target. The reason for the overall saving also could not be stated to audit.

3.1.6 The expenditure was towards purchase of laboratory equipment and chemicals, payment of Muster Roll Drivers, Peons, Chowkidars, repair of instruments, organising pollution awareness camps and seminars and preparation of an Environmental Report of Changu lake (1997).

Non-maintenance of separate accounts, budgets and annual accounts

3.1.7 The State Government had not prescribed the procedure for maintenance of separate accounts as required under the Air (Prevention and Control of Pollution) Act 1981. In the absence of this, the transactions of the Board were merged with the accounts of Land Use and Environment Department and were not distinctly identifiable for which the expenditure could not be vouchsafed in audit.

Audit Coverage

3.1.8 In order to gauge the effectiveness of the regulatory mechanism in the State in enforcing the statutory provisions for the protection and improvement of the environment and control of pollution and waste management, the functioning of the LUEB, TD, UDHD and the STNM Hospital (out of 6 hospitals in the State) was reviewed for the period 1996-97 to 2000-01 during May-June 2001 through a test check (50 per cent) of the expenditure of the board, departments and the hospital.

Air Pollution Management

Absence of Planning, Control etc.

3.1.9 The LUEB failed to take the following action as required under the Air (Prevention and Control of Pollution) Act 1981.

(a) to plan a comprehensive programme for the prevention, control or abatement of air pollution and secure the execution thereof.

(b) to inspect any control equipment, industrial plant or manufacturing process and to give, by order, such directions to such persons as it may consider to take steps for prevention, control and abatement of air pollution. Although during 1994-95 to 2000-2001, 174 factories/units were registered in the State, no directions, as envisaged under the Act, were issued.

(c) to lay down standards for emission of air pollutants into the atmosphere from industrial plants and automobiles, etc.

3.1.10 The State Government also did not make any rule to carry out the purposes of this Act.

Non-submission of environmental audit report

3.1.11 Under the Environment (Protection) Rules 1986, industrial units were required to submit an environmental audit report to the Board on or before 15 May of every year beginning from the year 1993. As seen from the records, the Board had no mechanism to ensure the submission of these reports. As stated by the Board, during 2000-01 only 4 units on their own volition submitted the reports.

Solid Waste Management

3.1.12 The management and handling of solid wastes is regulated by the Municipal Solid Wastes (Management and Handling) Rules 2000. Urban solid waste management is an essential service for protection of the environment and health of the citizens. It consists of household waste, construction and demolition debris, sanitation residues, industrial and hospital wastes including treated bio-medical waste, etc. There are six towns in the State and the collection and disposal of solid wastes in these places was done by the UDHD.

Uncontrolled manner of disposal of solid waste

3.1.13 Schedule I of the Rules stipulated that waste processing and disposal facilities were to be set up by 31 December 2003. The Department informed that no such facilities had been established in any towns of the State nor any measures contemplated in this direction (July 2001) except for Gangtok. The waste treatment plant for the capital town was mooted in June 1999 but had yet to materialise due to paucity of funds. The Urban waste in the State was being disposed off through the "disperse and dilute" method by dumping it down hill slopes located quite far from the towns. The waste of Gangtok town was dumped in an open yard at Marchak. This uncontrolled manner of disposal was a source of pollution to the countryside and contamination of the rivers and streams apart from violating the rules.

Poor control over Waste Disposal

3.1.14 The waste disposal site at Marchak was neither fenced nor hedged and did not have waste inspection facilities to monitor waste, weigh bridge to measure quantity of waste brought at site, office facilities for record keeping, etc. It had no provision for diversion of storm water drains to minimise leachate generation, management of leachate collection and treatment, etc. Facilities for monitoring water and ambient air quality were lacking. Further, no provision was made for vegetation and plantation at the site. Besides resulting in poor control over waste disposal thereby eroding efficiency and effectiveness of the process, the non-provision of these facilities was also an infringement of Schedule III of Environment (Protection) Rules, 1986.

Inadequacy in awareness campaign

3.1.15 The UDHD did little to encourage the citizens by organising awareness programmes for segregation of wastes and by promoting the recycling and re-use of segregated materials as required under Schedule II etc. It also did little to promote community participation through regular meetings at quarterly intervals with local resident welfare associations and Non-Government Organisations (NGOs).

Bio-medical waste

3.1.16 Bio-medical wastes are generated by hospitals, nursing homes, clinics and dispensaries, veterinary hospitals, slaughterhouses, etc. Planning Commission in a report titled "Urban Solid Waste Management in India" estimated that the hospitals were generating 1-2 kg. of waste per person per day of which 85 per cent was non-hazardous and the remaining was infectious and hazardous. In Sikkim, there are six hospitals (2 Central Referral Hospitals and 4 District Hospitals), besides dispensaries and one slaughterhouse. The main source of bio-medical waste in the hospitals and Public Health Centres was from pathology and microbiology laboratories, operation theatres, besides discarded dressing material such as bandages, cloths and cotton, rubber gloves, disposable syringes, etc. The Biomedical Waste (Management and Handling) Rules 1998 regulate the management of bio-medical wastes in the State. The State Government had appointed Director of Health Services as Prescribed Authority under sub Rule (1) of Rule 7; Secretary, Health and Family Welfare as the Appellate Authority under Rule 13 and constituted an Advisory Committee under Rule 9 in July 2000 for the purposes of the said Rules. However, the details of activities conducted by the above authorities/committee was not made available.

Inadequacy in waste treatment facilities

3.1.17 Schedule I of the Rules classified bio-medical wastes under ten categories and separate methods of treatment and disposal (microwaving, autoclaving, incineration, etc.) were prescribed for each category. Further, Rule 5(2) lays down that every institution with 200 beds and above but less than 500 beds was required to set up biomedical treatment facilities like incinerator, autoclave, and microwave system for treatment of wastes by 31 December 2000. However, none of the generating bodies carried out inventorisation of waste. The hospitals in the State also did not have the prescribed biomedical waste treatment facilities barring an incinerator at STNM Hospital, Gangtok. Solid wastes, bio-medical wastes and hazardous wastes (including infective and non-infective wastes) were being disposed off through the normal conservancy services provided by the UDHD. It was informed by the STNM Hospital (300 bedded) that it generated 405 kgs. of solid waste, 60 litres of liquid waste and 120 kgs. of pathological waste per day. The hospital had a 2 kg. capacity incinerator installed in 1998. It was stated (June 2001) that due to the insufficient capacity of the incinerator, most of the bio-medical wastes including disposed syringes, plastic and other items were being destroyed by open fire twice a week. Non-infective and infective liquid wastes (converted to non-infective wastes after proper treatment) were disposed of in UDHD garbage bins. Thus, the hospitals in Sikkim were not equipped with the mandatory waste treatment facilities, the lack of which exposed the general populace to a greater risk of contracting infectious and dangerous diseases. Besides, the disposal of bio-medical wastes was not in accordance with the methods prescribed under the Rules.

Hazardous Waste Management

Absence of monitoring over waste generators

3.1.18 The management of hazardous wastes is regulated by the Hazardous Wastes (Management and Handling) Rules 1989. The LUEB was empowered under these Rules to grant to any establishment generating hazardous wastes, authorisation for its collection, treatment, reception, storage and disposal. The generator of the hazardous wastes was required to submit an application in the prescribed format to the Board which would not issue such authorisation unless it was satisfied that the applicant possessed appropriate facilities, technical capabilities and equipment to handle hazardous wastes safely. It was noticed that the Board had not received, during 1996-97 to 2000-01, any application under this Rule nor had any authorisation been granted. Since it was unlikely that there was no unit in the entire State generating hazardous wastes, this indicated that the application of the Rules was lax.

Non-identification of disposal site

3.1.19 Though required under the Rules, the State Government did not undertake any programme to identify disposal sites for hazardous wastes and sites at which hazardous wastes had at any time been stored or disposed and to publish this list periodically.

No action on Environmental Status Report

3.1.20 No action was taken by the Board on the Environmental Status Report of Gangtok prepared by the Environment and Pollution Control Division of Forest Department in December 1995 which concluded that the pollution caused by vehicular traffic by far was the highest as industrialisation in the State was quite insignificant.

Other points of interest

Air Pollution Laboratory functioned without rules and procedures

3.1.21 The Air (Prevention and Control of Pollution) Act 1981 provided that the State Government may establish State Air Laboratories and after consultation with the State Board, make rules prescribing its functions and lay down the procedure for submission in the said laboratory of samples of air or emission for analysis or tests. Although a laboratory was functioning under the administrative control of LUEB, no rules or procedures as envisaged under the Act were framed.

Inadequate training, organising of seminars and awareness programmes

3.1.22 The Air (Prevention and Control of Pollution) Act 1981 required the LUEB to collaborate with Central Pollution Control Board (CPCB) in organising the training of persons engaged or to be engaged in programmes relating to prevention, control or abatement of air pollution and to organise mass education programmes relating thereto. There was no evidence to suggest that the Board interacted with the Central Board in this respect. During the period of 5 years under review, out of 4 staff, only 3 staff of the Board attended training programmes outside the State during December 1999 and April 2001. Further, since its inception, the Board had not organised any training programmes, seminars, awareness programmes etc. in the State. In view of the unsatisfactory performance on this front, it is doubtful whether the message of prevention and control of pollution was extensively and effectively disseminated.

Non-submission of Annual Reports

3.1.23 The LUEB was also required to submit each year to the State Government an Annual Report giving a full account of the activities of the Board during the previous financial year, its meetings, and activities including various functions performed by the Board, etc. No such Annual Report had ever been prepared by the Board since its inception.

Lack of Co-ordination and evaluation of activities

3.1.24 For effective implementation of the various provisions and regulatory mechanisms envisaged under the various Acts and Rules, co-ordination among the agencies involved, viz., LUEB, Industry, Transport, Health and Urban Development and Housing Departments was essential. Under Section 10 of the Air (Prevention and Control of Pollution) Act 1981, the LUEB was required to meet once in every three months. It was seen that the members from the aforementioned Departments met after a gap of seven years in May 2001. This was indicative of the undistinguished functioning of the LUEB and the earnestness with which it went about discharging its functions and responsibilities. Further, the activities of the Board had never been evaluated either by the State Government or any other agency.

3.1.25 These points were referred to the Government/Departments/Board (August 2001); reply had not been received (October 2001).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2 Prevention and Control of Diseases

Highlights

The programme for Prevention and Control of Disease was characterised by non utilisation of funds, disproportionate establishment expenditure, lack of penetration of facilities to a better part of the State, non-accountal of drug and diversion of funds as under:

Revised National Tuberculosis Control Programme was not implemented in the State.

(Paragraph 3.2.11)

The Department was unaware of the total number of TB patients in the State and the programme was characterised by high drop-out rate.

(Paragraphs 3.2.17 to 3.2.19)

The Department could not utilise the central financial assistance of Rs 20.52 lakh during 1996-97 to 2000-01 received for blindness prevention programme

(Paragraph 3.2.23)

The Blindness Control Programme suffered from severe lack of infra-structural capacity as three out of the four districts in the State did not even have any opthalmologist or ophthalmic assistant.

(Paragraph 3.2.27)

The District Leprosy Control Societies could not utilise Rs. 25.10 lakh during 1996-97 to 2000-01.

(Paragraph 3.2.39)

The major portion of expenditure (55 to 74 per cent) by the Leprosy Societies was on pay and allowances and other establishment related expenditure.

(Paragraph 3.2.41)

Anti Leprosy drugs valuing Rs. 9.30 lakh were not accounted for in the records of the Department.

(Paragraph 3.2.48)

Rs. 56.18 lakh could not be utilised by the Aids Cell/ Society as at the end of 2000-01.

(Paragraph 3.2.55)

All the blood-testing facilities were concentrated in the East District leaving the other districts without even the basic facility for detecting AIDS patients or HIV carriers.

(Paragraph 3.2.62)

Introduction

3.2.1 Prevention and control of diseases is the greatest concern of any living being. Over the years, Government of India (GOI) had launched a number of centrally sponsored schemes to mitigate this concern. Amongst others, the following four were the main programmes in this direction.

(a) *National Tuberculosis Control Programme (NTCP)*

The GOI launched the programme in 1962 with the main aim of detecting a large number of TB patients and to treat them effectively. A Revised National Tuberculosis Control Programme (RNTCP) was evolved with emphasis on administration of Direct Observed Treatment (DOT) to all TB-diagnosed patients to achieve a cure rate of over 85 per cent.

(b) *National Programme for Control of Blindness (NPCB)*

The Programme was launched in the State in 1976-77 as a centrally sponsored scheme with the aim of providing eye-health education through media of mass-communication and eye-care to the masses in the remotest areas in the shortest possible time and establishing a permanent infrastructure of eye-care within the general health care delivery system at peripheral, intermediary and central level. The programme also aimed at reducing blindness from 1.4 per cent to 0.3 per cent by 2000 AD.

(c) *National Leprosy Control Programme (NLCP)*

The Programme, conceived as a control programme, was launched in 1954-55. It was launched in Sikkim in 1976-77. The Multi-Drug Therapy (MDT) was introduced in all hyper endemic districts. The programme was redesignated as National Leprosy Eradication Programme (NLEP) in the year 1983 with the objective of achieving elimination of leprosy by the end of year 2000 by reducing the caseload to less than 1 per 10000 population. Under NLEP, Modified Leprosy Elimination Campaign (MLEC-I) was launched in 1998, which was further intensified in 2000 as MLEC-II.

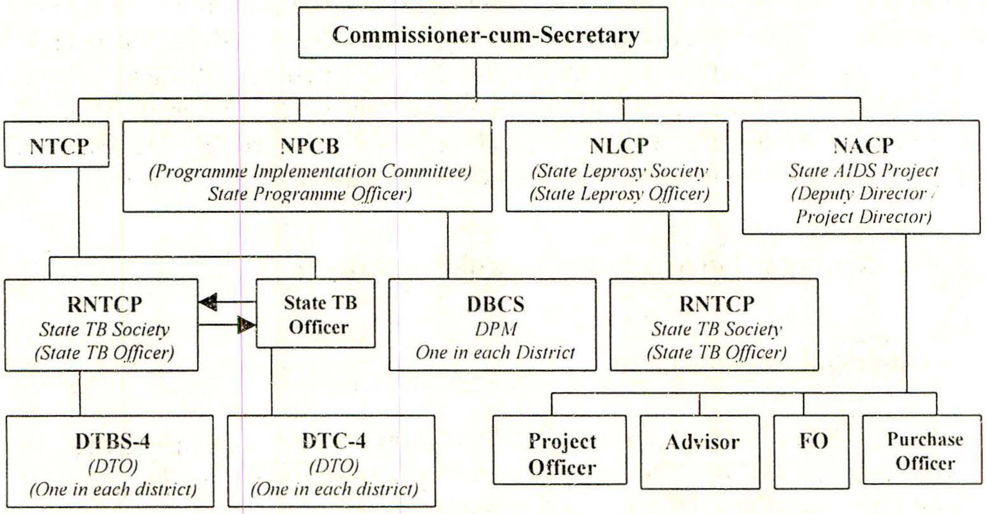
(d) National Aids Control Programme (NACP)

Acquired Immune Deficiency Syndrome (AIDS) is a fatal disease caused by Human Immuno Deficiency (HIV) virus. AIDS is transmitted through sexual contact, sharing blood-contaminated needle and syringes, multiple blood transfusion of infected person's blood, transmission from infected mother to child before, during or shortly after the birth. The estimated number of HIV infected adults (15 to 49 years) in the country, as in mid-1998 was 3.5 million. In 1992, GOI negotiated an IDA credit of US$ 84 million to support the implementation of a five year National Aids Control Project (NACP-I) from September 1992 as a hundred per cent centrally sponsored scheme in all the States/UTs and was later extended up to 31 March 1999. The objectives of the NACP-I were (i) to slow down the spread of HIV; (ii) to decrease morbidity and mortality associated with HIV infection and (iii) to minimise socio-economic impact resulting from HIV infection. To strengthen India's capacity, NACP-II was launched in 1999 with two key objectives, namely; (i) to reduce the spread of HIV infection in India and (ii) strengthen India's capacity to respond to the HIV/AIDS on a long-term basis.

Organisational Set up

3.2.2 In Sikkim, the Commissioner-cum-Secretary of Health and Family Welfare Department (HFW) was the head of the implementing agencies (Department, Committee, Societies etc.) in respect of all the programmes. The flowchart of the set up is given below:

Chart-3.2



Note: DTO - District TB Officer, DPM – District Programme Manager, FO – Finance Officer.

a) The designated State level officers monitor the activities in the State, while at the district level, the Chief Medical Officer/Chief District Health Officer is the principal health functionary and is responsible for all medical and public health activities including control of the diseases under report. The District TB Officer (DTO) is specifically responsible for organisation of TB activities in the district.

b) The State Programme Officer-in-charge of NPCB acts as Member-Secretary of the Committee looking after implementation of the schemes. District Blindness Control Societies (DBCS) were formed during February 1999 so as to manage the activities at district level through the District Programme Manager. Only the Society in the South district carried out substantive activity till the end of March 2001.

c) Regarding NLCP, the State Leprosy Officer coordinates the implementation of the Programme through District Leprosy Officer of the concerned District Leprosy Society (DLS).

d) Regarding NACP, the Phase I of the project was implemented through the Aids Control Cell created under the Health and Family Welfare Department and headed by a Deputy Director. After establishment of Sikkim State Aids Project Society (June 1999) in Phase II, the activity of the Aids control is being looked after by the Society headed by a Project Director.

Audit Coverage

3.2.3 A review on Prevention and Control of Diseases for the period from 1996-97 to 2000-2001 was conducted during April – May 2001 from the records maintained by the State TB Officer, State and District TB Control Societies, State Programme Officer and the District Blindness Control Societies, Directorate of Health and Family Welfare, District Leprosy Societies and Aids Control Cell and the Sikkim State Aids Project Society covering 56 per cent of the total expenditure of Rs. 5.00 crore. The results of the review are summarised in the succeeding paragraphs.

A. National Tuberculosis Control Programme

Financial Arrangement

3.2.4 During the period from 1996-97 to 2000-01, no Central assistance was received for the National Tuberculosis Programme (NTP), except the grants for purchase of anti-TB drugs as detailed below:

Table-3.2

(Rupees in lakh)

Year	Grants released by GOI	Expenditure
1996-1997	NA	NA
1997-1998	1.08	1.08
1998-1999	1.24	1.24
1999-2000	1.78	1.78
2000-2001	1.69	1.69

Source - Information obtained from Finance Accounts.

3.2.5 The assistance received for purchase of anti-TB drugs was utilised by the State in full.

3.2.6 After establishment of the Societies at the State and District level during 1997-99, the GOI released grants directly to them for undertaking various activities under RNTCP.

State Tuberculosis Control Society

3.2.7 The State Tuberculosis Control Society was set-up on 26 March 1998. The grants received by the Society and the expenditure incurred since its inception till the end of 2000-01 is detailed below:

Table-3.3

(Rupees in lakh)

Year	Grants released by GOI	Expenditure	Balance
1998-1999	9.92	-	9.92
1999-2000	Nil	4.47	5.45
2000-2001	Nil	3.72	1.73
Interest earned			0.31
Closing Balance as on 31.03.2001			2.04

Source - Information furnished by the Department and accounts of the Society.

3.2.8 It was seen that the grants were received during February to April 1999. An amount of Rs.4.47 lakh was spent in 1999-2000 for purchase of vehicle, photocopier and repair of microscopes. The expenditure of Rs. 3.72 lakh during 2000-01 was on salary and contingencies.

Non-utilisation of funds by District Societies

3.2.9 The District Societies in the four districts of the State were established between May 1997 and November 1999 but the funds were passed on to them only during the years 2000-01 as detailed below:

Table-3.4

(Rupees in lakh)

District TB Control Society	Date of establishment	Grants received	Expenditure	Balance
East	May 1997	11.15	1.17	9.98
West	25.11.99	11.51	Nil	11.51
North	28.11.97	10.39	Nil	10.39
South	31.03.97	11.51	1.93	9.58

Source - Information furnished by the Department and accounts of the Society.

3.2.10 It was noticed that grants were released to the Societies mainly for purchase of vehicle, computer, photocopier, minor civil works, training, printing etc. Though the bulk of the grants were received during October 2000 to January 2001, the Societies could not utilise the funds in time, resulting in delay in implementation of the Programme.

Programme implementation

RNTCP not implemented in Sikkim

3.2.11 Though RNTCP had been launched since 1993-94 in a phased manner, it was not extended to Sikkim and grants were being released to the Societies since 1998-99 for development of infrastructure for implementation of RNTCP. No annual action plan was prepared either by the State Society or by the District TB Societies. Although such grants were being received by the State, no Microscopy Centre under RNTCP had been established in the State. The existing 24 PHCs in all the four districts were treated as Microscopic Centres under NTCP, which was continued in the State till March 2001. Though 5 TB Units and 18 Microscopy Centres were targeted to be opened in the State, the achievement in this regard was nil as the RNTCP had not been taken up in the State till the end of the year 2000-01.

Detection of TB cases

3.2.12 The position of new TB cases registered and re-treatment cases in the State was as under:

Table-3.5

Year	Population covered *(In lakh)*	Number of new TB cases registered				Relapse cases
		Sputum positive	Sputum negative	Extra pulmonary	Total	
1996-97	--	--	--	--	2162	--
1997-98	--	--	--	---	1999	--
1998-99	4.85	402	1127	486	2015	--
1999-00	4.91	406	1012	485	1970	67
2000-01	5.07	433	769	620	1886	64

Note: *Before 1998-99 only target for total case detection and sputum examination at PHCs was provided by GOI. Hence no detailed break up was recorded.*

Inconsistency in fixation of targets

3.2.13 The detection of positive cases was one of the main objectives under NTCP. The targets and achievements of sputum examination and detection of new TB cases were as under:

Table- 3.6

Year	Sputum Examination			Detection of new cases		
	Target	Achievement	Percentage	Target	Achievement *(% of sample)*	Percentage
1996-97	3700	3723	100	1300	2162 (58)	166
1997-98	3700	2916	79	1300	1999 (69)	154
1998-99	7275	9764	134	655	2015 (21)	308
1999-00	7365	8676	118	660	1970 (23)	298
2000-01	8415	6764	80	757	1811 (27)	239

Source - Information furnished by the Department.

3.2.14 It was seen that the targets for detection of new cases had no consistency with those fixed for sputum examination.

Arbitrary collection of samples

3.2.15 It was seen that the achievements fell short by 21 per cent and 20 per cent of target of sputum examination in 1997-98 and 2000-01 though all the PHCs had microscopic facilities. Targets for new cases detection were pegged at 35 per cent of the targets for sputum examination during 1996-97 and 1997-98, whereas from 1998-99 onwards targets for detection were brought down considerably to 9 per cent of the targets for sputum examination. During 1996-97 and 1997-98, 58 and 69 per cent of the samples respectively were detected to be positive cases. The percentage of detection during 1998-99 to 2000-01 abruptly came down ranging from 21 to 27 per cent, which indicated that the samples were collected arbitrarily without considering primary symptoms.

Treatment

Abnormal drop out in treatment

3.2.16 Out of the 1970 cases detected during 1999-2000, 256 had been cured by 2000-2001, 891 had completed treatment while 50 died. Treatment had failed in the case of 41 patients, 573 had defaulted and the remaining 159 patients had migrated. While almost 5 per cent of the cases either died or could not be cured even after being brought under treatment, a further 29 per cent live cases remained at large after having defaulted treatment causing health concerns for other citizens also as TB was a highly infectious disease. Similar outcome figures for the previous years were not available with the Department.

3.2.17 The Department intimated that all positive cases detected were brought under treatment but the numbers of cases brought under treatment from old cases during 1996-97 to 1998-99 were not on record. Further, no targets were fixed for new cases to be brought under treatment after detection. No records were also maintained in respect of patients brought under treatment prior to 1999-2000 or of patients referred by private practitioners for diagnosis and treatment.

3.2.18 The Department did not maintain proper records in respect of patients discharged during 1996-97 to 1997-98 on completion of treatment or for other reasons. No target was fixed for discharge of patients on completion of treatment. The number of cases discharged during 1998-99 to 2000-2001 were as under:

Table-3.7

Year	Target	No. of cases discharged on completion of treatment	No. of cases discharged for other reasons		
			Died	Migrated	Defaulter
1998-1999	NA	789	41	NA	417
1999-2000	NA	717	37	100	382
2000-2001	NA	1114	26	130	541

Source - Information furnished by the Department.

Heavy backlog of untreated patients

3.2.19 It was noticed that against the total number of 5871 cases of TB detected in the State from 1998-99 to 2000-01, 2620 cases were treated till 31 March 2001. Thus, a backlog of 3251 cases (55.37 per cent) was created during the period. In the absence of the details of treatment prior to 1998-99, no conclusive comment could be made about the total number of TB patients in the State as on 31 March 2001. There was no record regarding preventive/follow up action, if any, taken in case of patients migrating to other states. The death cases were 20 to 24 per 1000. Though it indicated a downward trend it still remained to be brought down to the minimum.

Monitoring and Evaluation

3.2.20 Non-implementation of RNTCP with assured cure rate of 85 per cent, coupled with large number of drop outs, ranging between 59 and 61 per cent during 1998-99 and 1999-00, rendered the neighbourhood susceptible to easy infection defeating the objective of the Programme. The Department had not analysed the reasons for huge drop out of treatment and its consequences. No proper record was maintained to indicate the number of old cases brought under re-treatment despite huge dropouts.

Inactive societies affected programme implementation

3.2.21 The Societies formed during 1997-99 remained inactive till March 2000 delaying the implementation of RNTCP. As a result, the intended benefits could not reach the target population. The targets of detection were unrealistic and treatment remained ineffective as indicated by the high incidence of death cases.

B. National Programme for Control of Blindness

Financial Arrangement

3.2.22 The central assistance received and expenditure incurred during the years 1996-97 to 2000-2001 were as under:

Table-3.8

(Rupees in lakh)

Year	Cash grants received from GOI	Revised Budget	Actual Expenditure	Saving (-) Excess (+)
1996-97	3.83	4.86	5.04	(+) 0.18
1997-98	2.83	3.65	3.52	(-) 0.13
1998-99	6.90	5.46	4.42	(-) 1.04
1999-00	7.52	6.25	6.31	(+) 0.06
2000-01	23.60	21.10	4.87	(-) 16.23
TOTAL	**44.68**	**41.32**	**24.16**	**(-) 17.16**

Source - Appropriation Accounts.

Huge savings from funds received from GOI

3.2.23 As evident from the above table, the State failed to spend an amount of Rs. 20.52 lakh on blindness prevention programme even though the funds were made available to them. The receipt of Rs. 23.60 lakh from the GOI during 2000-01 included the sum of Rs. 15 lakh for construction of eye-ward, but no action was taken for utilisation of the money till March 2001.

Inactive DBCS

3.2.24 The GOI released Rs. 3.00 lakh to each of the four District Blindness Control Societies in July 1999. The Societies did not take up any activities under NBCP except for DBCS, South, which organised an eye-camp in 2000-2001 but details of the activities and accounts thereof were not produced to Audit. The fund of Rs. 9 lakh received by the other three Societies remained idle till March 2001.

Programme implementation

3.2.25 The Blindness Prevention Programme had four components viz. Cataract Surgery, Refractive errors, Ocular injuries and Rehabilitation of the incurably blind. The benefits were to be achieved through creation of State ophthalmic cell, Up-gradation of District Hospitals, Development of District Mobile Unit, Up-gradation of Primary Health Centres, Grants-in-aid to Non-Governmental Organisations (NGOs), Procurement of sutures and other consumable items, Training (CME), Information, Education and Communication (IEC) etc.

3.2.26 The component-wise financial performance for the year from 1996-97 to 2000-01 was as under:

Table-3.9

Component	1996-97	1997-98	1998-99	1999-00	2000-01
			(Rupees in lakh)		
State Ophthalmic Cell/OE	0.91	1.56	3.76	6.09	2.87
Renovation	-	-	-	-	2.00
Upgradation of PHCs	0.55	0.42	0.53	0.22	-
Training	2.37	1.22	-	-	-
IEC	0.39	0.32	0.14	-	-
Grants to NGOs	0.82	-	-	-	-
Grants to DBCS	-	-	-	-	-
	5.04	**3.52**	**4.43**	**6.31**	**4.87**

Source - Information obtained from the Department.

Lack of basic infrastructure for eye-care

3.2.27 Following the instructions issued by GOI, the Department set up a State mini-ophthalmic cell in 1996-97. Though the District Hospitals/Community Health Centres (CHCs) at Namchi and Geyzing were proposed for up-gradation during 1997-98 and 1998-99, no action was taken to this effect. There was not even an Ophthalmologist or Ophthalmic Assistant in any of the District Hospitals located at Namchi, Geyzing and Mangan. In the absence of any medical/para-medical manpower dealing in eye-care, the entire population of these 3 districts remained deprived of eye-care to be provided under NPCB. Two Ophthalmologists and one Ophthalmic Assistant available in the State were all posted at STNM Hospital in Gangtok. Though 8 PHCs were targeted to be up-graded, these also could not be made functional due to lack of specialised manpower like Ophthalmic Assistants. Further, District Mobile Units (DMUs) were to be deployed in each of the four districts. But there was only one DMU in the State and that too was non-functional due to shortage of manpower and well-equipped vehicle. The Department reported the requirement of 35 Ophthalmic Assistants for the entire State against which only one Ophthalmic Assistant was provided till March 2001.

3.2.28 Grants to the NGOs amounting to Rs. 0.82 lakh were released by the State in 1996-97 but details of the NGOs and activities undertaken by them were not produced to Audit.

No training of personnel after 1997-98

3.2.29 The Department spent an amount of Rs. 3.59 lakh on training during 1996-97 and 1997-98 but details thereof indicating the number of courses held and number of personnel trained could not be furnished to Audit. No training was attended/organised during 1998-1999, 1999-2000 and 2000-01.

Low level of IEC activity

3.2.30 IEC activities included identification and motivation of potential beneficiaries, information through media, educating voluntary groups and teachers and other relevant persons. The delay in formation of DBCS and failure to activate the Societies to the desired level could not yield expected results in creating awareness in low performing areas and backward districts. During the last 5 years, there were 14 radio talks, 4 film shows, 12 group meetings (6 each at State and District levels). No folk shows or cultural programmes were organised to educate the rural masses and no group meeting was ever held at the block/sub-centre/village level.

Cataract Surgery

3.2.31 The fixed facility of cataract surgery was available only at STNM hospital at Gangtok. Patients from other districts were screened at peripheral PHCs/CHCs and selected patients were referred to STNM Hospital at Gangtok for surgery. The details were as under:

Table-3.10

Year	No. of DBCS	No. of cataract surgery targeted	No of cataract surgery performed	Remarks, if any
1996-97	-	600	563	As reported, there was no unsuccessful case.
1997-98	-	672	948	
1998-99	4	750	675	
1999-00	4	950	572	
2000-01 (upto 2/01)	4	1000	621	
TOTAL		**3972**	**3379**	

Source - Information obtained from the Department.

3.2.32 Due to non-maintenance of details of post surgery results, the claim of the Department that there were no cases where vision could not be restored after surgery could not be cross-verified in Audit.

3.2.33 The Department also organised camps at peripheral areas to perform cataract surgery. The details were as under:

Table-3.11

Year	Organised			No. of post operation complication
	No. of camps	No. of patients	Patients operated	
1996-1997	1	NA	245	NA
1997-1998	2	3116	582	NA
1998-1999	1	796	153	NA
1999-2000	1	NA	65	NA
2000-2001	1	NA	96	NA
TOTAL			1141	

Source - Information obtained from the Department.
NA means "Not Available".

3.2.34 Information regarding proposed number of camps to be organised vis-à-vis patients to be checked was not available. Out of 3379 cataract operations done during 1996-97 to 2000-2001, 1141 operations were done in camps.

Non maintenance of records on refractive error

3.2.35 The Department did not maintain any record regarding screening for refractive error and provision for spectacles, number of cases of incurable blindness and action taken for their rehabilitation.

Monitoring and Evaluation

Programme suffered from severe infrastructural constraints

3.2.36 The performance of the programme was to be monitored through perusal of annual State plan, annual district action plans, minutes of the DBCS, progress reports and also through review meetings with all DBCS. In the absence of any action plan of the DBCS, the performance of the State Ophthalmic Cell could not be compared with the ultimate objectives. Moreover, due to non-availability of eye-care facilities in the District Hospitals and PHCs, the eye-care facilities were not extended to the rural masses. Services rendered through occasional camps could not substitute the referral services contemplated under the Programme. Thus, the benefits intended under the Programme could not be extended to the people at desired level.

C. National Leprosy Control Programme

Financial Arrangement

3.2.37 The Programme was financed in full by the GOI as under:

Table-3.12

(Rupees in lakh)

Year	Central Assistance	Expenditure	Saving/excess with reference to central assistance
1996-97	20.00	17.46	(-) 2.54
1997-98	20.50	20.87	(+) 0.37
1998-99	21.50	34.99	(+) 13.49
1999-00	33.00	23.47	(-) 9.53
2000-01	18.71	21.05	(+) 2.34
TOTAL	**113.71**	**117.84**	**(+) 4.13**

Source – Detailed Appropriation Accounts.

3.2.38 The expenditure as above was incurred mainly on pay and allowances of the staff involved in the activities of the Programme and office expenses etc.

3.2.39 The additional releases from the GOI to the Societies located in the four districts are given below:

Table-3.13

(Rupees in lakh)

	East District		West District		North District		South District	
	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.
Opening Balance of unspent grant	1.97		7.30		NA		4.15	
1996-97	10.23	7.55	10.00	6.64	3.42	2.51	3.00	6.10
1997-98	7.00	7.09	3.50	8.35	3.50	8.15	22.10	7.88
1998-99	10.00	12.02	7.00	9.72	5.00	4.51	5.00	14.07
1999-2000	18.55	15.80	26.74	9.10	7.15	8.08	11.92	18.18
2000-2001	Nil	Nil	Nil	7.86	5.00	3.48	10.00	5.25
Total grants From GOI	47.75		54.54		24.07		56.17	
Bank interest and other receipts	0.95		1.85	-	0.82	-	1.29	-
TOTAL	**48.70**	**42.46**	**56.39**	**41.67**	**24.89**	**26.73**	**57.46**	**51.48**
Unspent balance as on 31.03.2001		**6.24**		**14.72**		**(-)1.84**		**5.98**

Source – Accounts of the Societies.

3.2.40 It would be seen from the above table that against the available fund of Rs.187.44 lakh during the period, only an amount of Rs. 162.34 lakh was actually utilised by the Societies, resulting in an idle fund of Rs. 25.10 lakh, a major portion of the savings being in the West District.

Meagre expenditure on programme components

3.2.41 The analysis of component-wise expenditure incurred by the three Societies of West, North and South districts – break-up in the case of East district was not available – revealed that as much as Rs. 22.85 lakh, Rs. 18.65 lakh and Rs.38.24 lakh was spent on meeting day to day establishment related requirements like pay and allowances, POL and other office expenses by the West, North and South district respectively. This constituted 54.67 per cent, 63.83 per cent and 74.28 per cent of the total expenditure of the three respective districts during this period, leaving a paltry sum for meeting programme objectives. In fact, in the North and South districts only Rs. 2.34 lakh (8 per cent) and Rs. 1.58 lakh (3.07 per cent) was incurred on primary components of the programme, viz. project, training and other supporting activities.

Programme implementation

Inconsistency in figures of detection of new cases

3.2.42 The two main activities under the NLEP are identification of new cases and providing them with treatment. The overall achievements against targets during 1996-97 to 2000-01 are given below:

Table-3.14

Year	Old cases	New cases		Cases discharged	Increase/ decrease in number of cases
		Target	Detected		
1996-97	82	50	38	32	(+) 06
1997-98	88	50	39	46	(-) 07
1998-99	81	100	65	39	(+) 26
1999-00	107	25	29	63	(-) 34
2000-01	73	20	46	41	(+) 05
TOTAL		**245**	**217**	**221**	

***Source** - Information obtained from the Department.*

3.2.43 While the Department was stated to have detected 217 new cases during 1996-97 to 2000-01, scrutiny of monthly reports and other records revealed that 236 new cases were actually detected and brought under treatment. No reasons were furnished for variation in figures of detection of new cases.

Short-fall in treatment of identified case

3.2.44 Due to the limitations like long treatment period, severe side-effects etc. of the earlier pursued Dapsone monotherapy, Multi-Drug Therapy (MDT) was introduced, which was implemented in Sikkim in 1984. The details of cases brought under treatment, both old and new, were as under:

Table-3.15

Year	No. of cases brought under treatment from old cases	No. of cases brought under treatment from new cases		No. of cases that could not be brought under treatment	
		Target	Actual	Old	New
1996-97	82	50	38	1	-
1997-98	88	50	39	-	2
1998-99	81	100	65	1	3
1999-00	107	25	29	10	2
2000-01	73	20	46	-	-

Source - Information obtained from the Department.

3.2.45 The shortfall in coverage of all the patients was due to migration and default on the part of the patients.

Cases discharged considerably lower than those brought under treatment

3.2.46 The targets and achievement of discharge of patients after completion of treatment or for other reasons were as detailed below:

Table-3.16

Year	Target	No. of cases discharged on completion of treatment	No. of cases discharged for other reasons		
			Died	Permanently migrated	Others
1996-97	100	32	-	1	-
1997-98	80	46	-	2	-
1998-99	150	39	-	-	2
1999-00	120	76	1	3	9
2000-01	50	44	-	-	-

Source - Information obtained from the Department.

3.2.47 While the number of patients under treatment in any of the years from 1996-97 to 2000-01 varied between 119 to 146, the discharge after completion of treatment was only between 32 and 76, which indicated that a considerable number of patients were irregular in attending treatment. During 1996-97 to 2000-01, there were only 3 cases of relapse, 1 in 1997-98 and 2 in 1998-99, and 1 case of reaction in 1998-99. The reasons of relapse were not on record. The number of cases under surveillance varied from 20 to 43 and smear positive cases varied from 28 to 52.

Drugs worth Rs. 9.30 lakh missing

3.2.48 The quantum of anti- leprosy drugs required was finalised on the basis of prevalence of leprosy and estimated new cases expected during the year. The quantum of drugs so arrived at was sanctioned and supplied to the State by the GOI through Government Medical Depots. During 1997-98 to 2000-01, GOI allocated 43,130 blisters of different anti-leprosy drugs to the State, out of which only 24,700 blisters of drugs were received during this period. Whereabouts of remaining 18,430 blisters of drugs valued at Rs. 9.30 lakh was not on record. The matter was not brought to the notice of the GOI.

Expired drugs

3.2.49 Scrutiny of stock register and other relevant records also revealed that 7091 blisters of different anti-leprosy drugs valued at Rs. 2.47 lakh expired at Leprosy Hospital at Sajong and NLEP wing at Gangtok. The actual date of receipt and reasons for non-consumption of these drugs was not on record. It was further noticed that 4,40,000 capsules of Clotazimine and 22,000 caps of Dapsone also expired due to non-utilisation of those medicines in time. The loss to the Government could not be ascertained due to non- recording of cost prevailing at the time of procurement/supply.

High prevalence in two districts

3.2.50 The estimated number of leprosy cases in Sikkim in 1981 were 1600 against the population of 3.20 lakh, representing a prevalence rate of 50 per 10000. The rate came down to 10 per 10000 in 1992. The district-wise prevalence rate from 1996-97 onwards was as under:

Table-3.17

As on 1st April	Prevalence rate per 10000			
	East District	West District	North District	South District
1996	3.30	1.00	2.63	1.87
1997	2.48	1.85	2.88	2.85
1998	2.50	0.90	2.80	1.44
1999	2.58	1.00	4.40	1.42
2000	1.3	0.34	0.5	1.2

Source - Information obtained from the Department.

3.2.51 The overall prevalence rate of the State as on 01 April 2001 was recorded as 0.9 per 10000. It was, however, noticed that the prevalence rate in East and South districts continued to be above 1 per 10000, which was the target to be achieved by the end of the year 2000.

Monitoring and Evaluation (ME)

3.2.52 ME being a continuous and a decision oriented management tool, it was necessary to analyse the information and data to ensure future course of action. The unusual increase in new cases in 1998-99 to 2000-01 was not analysed properly leaving a wide gap between actual prevalence and detection.

D. National Aids Control Programme

Financial Arrangement

3.2.53 The Aids Control Cell and the Society prepared the annual action plan projecting anticipated expenditure under various components. The National Aids Control Organisation (NACO) after approval of annual action plan, released the grants to the Aids Control Cell/Society.

Mismatch between programme activity and receipt of grants

3.2.54 There were substantial balances lying unspent at the end of the respective years out of the grants received by the Aids Cell and the Society as shown below:

Table-3.18

(Rupees in lakh)

Year	Allocation	Grants received	Expenditure	Cumulative unspent Balance
OB	-		-	6.04
1996-1997	77.73	50.00	23.62	32.42
1997-1998	53.84	25.00	25.10	32.32
1998-1999	75.89	75.01	36.71	70.62
1999-2000	123.84	25.04	44.66	51.00
2000-2001	68.00	56.00	50.82	56.18
TOTAL	**399.30**	**231.05**	**180.91**	**56.18**

Source - Information obtained from the Department and accounts of the Cell/Society.

3.2.55 During the period from 1996-97 to 2000-2001, the Aids Cell/Society received Rs. 2.31 crore against which the expenditure was only Rs. 1.81 crore, resulting in an idle fund of Rs. 56.18 lakh as on 31 March 2001. The savings were stated to be mainly due to non-receipt of bills, delay in receipt of grants and non-utilisation of funds under certain components. The reasons furnished by the Society were not tenable as the grants were released in time. Moreover, the amount of bills, which were received belatedly, was also insignificant.

Programme Implementation

3.2.56 The component-wise details of the annual action plans along with the funds approved by the Government of India during 1996-97 to 2000-2001 were as under:

Table-3.19

a) Phase-I

(Rupees in lakh)

Component	1996-1997		1997-1998		1998-1999	
	Prov.	Exp.	Prov.	Exp.	Prov.	Exp.
Programme management	14.00	7.08	9.36	6.70	30.00	12.90
Improved blood safety	5.09	0.98	5.09	3.10	6.95	2.29
IEC and Condom promotion	51.00	13.57	29.00	12.38	30.00	15.89
Surveillance and clinical management	1.89	0.23	1.89	0.89	2.943	2.33
STD control	0.75	-	1.00	0.98	1.00	0.95
Training	5.00	1.77	7.50	1.05	5.00	2.34
TOTAL	**77.73**	**23.63**	**53.84**	**25.10**	**75.893**	**36.70**

b) Phase-II

(Rupees in lakh)

Component	1999-2000		2000-2001	
	Prov.	Exp.	Prov.	Exp.
Priority targeted intervention against HIV/Aids	25.44	2.54	13.15	3.64
Preventive interventions for the general community	22.05	12.30	12.66	8.15
Institutional strengthening	59.90	30.23	39.19	33.71
Low cost Aids care	11.45	-	1.00	-
Intersectoral collabaoration	5.00	-	2.00	-
TOTAL	**123.84**	**45.07**	**68.00**	**45.50**

Source - Information obtained from the Department and accounts of the Cell/Society.

Weakened management capacity as key posts remained vacant

3.2.57 The strengthening of the management capacity for HIV control was one of the most important components of the project. Accordingly, adequate staffing support was provided under the project. Thirty posts were sanctioned for the Aids Society of Sikkim. However, only 19 posts were filled in, of which key posts like Project Officer and three posts of Deputy Directors were being managed on part-time basis. Eleven vacancies also included important posts like Statistical Officer, Technical Assistant (blood safety), Monitoring and Evaluation Officer etc. The management capacity for control of HIV, therefore, remained understrength.

Public awareness, community support and extension aspects neglected

3.2.58 Public awareness and community support was given high priority both in Phase I and II of the project. Campaigns through own organisational set up, non-governmental organisations, private sector advertising agencies, and radio, TV, newspaper and billboard advertisements were to be carried out to promote safe sexual practice, use of sterilised needles including disposable syringes and use of uninfected blood and blood products as well as improving the knowledge and behavioral pattern of high risk groups, potentially vulnerable groups and health services. Adequate provision of training for trainers, health staff and social workers was to be made to disseminate information and health education about HIV and AIDS through existing health personnel and by mobilizing social and community leaders.

3.2.59 Belying the importance of this aspect, the annual provisions under this component came down progressively from Rs. 51.00 lakh in 1996-97 to Rs. 12.66 lakh in 2000-01. Even with the reduced outlays, the expenditure fell far short of the provisions and the savings ranged from Rs. 37.44 lakh in 1996-97 to Rs. 4.51 lakh in 2000-01. Against the total expenditure of Rs. 13.57 lakh spent on IEC during 1996-97, Rs. 9.02 lakh was spent on items like purchase of folders, grants to various clubs, printing of calendars and diaries, which were not included in the guidelines.

Absence of blood testing facilities in three districts

3.2.60 Programmes for upgrading blood banking capabilities and expansion of HIV screening of blood was to be taken up so as to increase coverage of HIV screening from the current level of about 30 per cent to about 90 per cent of all blood donated in the country. This included expanding testing capabilities and establishing zonal and reference testing centers. Such reference centers were to be linked to blood screening facilities for quality control. In addition, blood component separation equipment and supplies was to be provided. Under phase II, the component was to provide mandatory screening of all blood units for Hepatitis-E-virus, facilitating communication counselors for blood banks in public and private sectors.

3.2.61 There were three Sentinel Centres in Sikkim and only one zonal Blood Testing Centre, all located at Gangtok. The details of blood testing reports of the attenders of Sentinel Centres and Blood Bank were as under:

Table-3.20

Attenders → / Name of Centers ↓	1997		1998		1999		2000		2001 (March)	
	Total	Positive	Total	Positive	Total	Positive	Total	Positive	Total	Positive
STD Clinic Gangtok	0	0	138	0	60	0	139	0	0	0
ANC (R) Pakyong	0	0	311	1	133	0	129	0	0	0
ANV (U) Gangtok	0	0	1027	1	400	1	400	0	0	0
Blood Testing Centre Gangtok	107	2	61	4	84	5	83	1	40	0
TOTAL	**107**	**2**	**1537**	**6**	**677**	**6**	**751**	**1**	**40**	**0**

Source - Information obtained from the Department.

3.2.62 Due to the concentration of all the Sentinel Centres in East District alone, the prevalence of HIV in other 3 districts could not be ascertained. The failure to proliferate testing facilities throughout the State compromised the objective of increasing HIV screening. Though testing of blood for Hepatitis-E-virus was made compulsory under phase II of the project, NACO supplied kits only in May 2001. The Society, through the existing blood-testing centres, implemented it from June 2001.

3.2.63 The year-wise detection of HIV positive and full bloom AIDS cases during 1995-96 to 2000-2001 were as follows:

Table-3.21

Year	HIV positive cases detected	Full bloom AIDS cases detected	Status
1995-96	1	0	
1996-97	0	0	
1997-98	2	1	Absconding
1998-99	4	1	Dead
1999-00	5	0	
2000-01	1	0	
TOTAL	**13**	**2**	

Source - Information obtained from the Department.

3.2.64 The detection indicated above was from the East district alone. There were no detection facilities provided in any of the remaining three districts of the State.

Low performance in targeted intervention programme

3.2.65 An important project component was strengthening institutional capability at State level for monitoring the development of HIV/AIDS epidemic and planning and programming interventions to control such epidemic. This component was given added importance by the NACO and renamed as "Priority Targeted Intervention for HIV/AIDS". This involved participatory approaches, locating groups at highest risk, determining the access and demand for health services among the groups of high risk, and developing strategies based on out reach, peer education and partnership.

3.2.66 The 'Targeted Intervention Programme' was entrusted to three NGOs in the State. The outreach of this Programme was limited due to the inexperience of the NGOs. This was also reflected by meagre expenditure of Rs. 2.54 lakh and Rs.3.64 lakh during the years 1999-2000 and 2000-2001 respectively against the provisions of Rs. 25.44 lakh and Rs. 13.15 lakh.

3.2.67 The details of population of high-risk groups covered under the 'Targeted Intervention Programme' organised through 3 NGOs during 1999-2000 and 2000-2001 were as follows:

Table-3.22

(Rupees in lakh)

Year	Target groups	Number targeted	Amount allocated	Amount released
1999-2000	Jail inmates	84	50,000	50,000
2000-2001	Taxi drivers & labourers	500	2,70,000	1,21,500
	Migrant labourers	2000	1,19,300	53,685
	Construction & hotel workers	512	1,60,650	72,293
TOTAL		**3096**	**5,99,950**	**2,97,478**

Source* - *Information obtained from the Department.

3.2.68 The balance amount for the latter three programmes was to be released on satisfactory performance. During 2000-2001, the Society also procured 12000 condoms from the NACO at the cost of Rs. 3,072 and sold them at the same rate to the three NGOs as a part of 'Targeted Intervention Programme'.

Monitoring and Evaluation (ME)

3.2.69 NACO was to be responsible for all operational aspects of project implementation and for project monitoring and evaluation. A national ME agency was to be selected in the first year of the project and each AIDS Control Society was to have an ME Officer and evaluation was to be conducted by outside agencies at baseline, interim and final year. The State AIDS Control Society had not yet appointed an ME Officer to take up the activities at State level. However, analysis of annual action plans, financial flows and annual expenditure indicated a wide gap between the annual action plan and actual performance under various components of the project.

CHAPTER-III

CIVIL DEPARTMENTS

SECTION : B

(AUDIT PARAS)

CHAPTER-III

CIVIL DEPARTMENTS

SECTION-B

(AUDIT PARAS)

ANIMAL HUSBANDRY AND VETERINARY SERVICES DEPARTMENT

3.3 Infructuous expenditure due to deployment of excess staff

Although there was no poultry bird, sheep/goat to be maintained, Rs.12.26 lakh was incurred towards pay and allowances of the staff engaged for the purpose.

3.3.1 Test check of records of the Deputy Director, Animal Husbandry and Veterinary Services, Mangan revealed (November 2000) that the poultry farm in North District was defunct since March 1998. There was also no goat/sheep farm in the District. However, the Deputy Director, Mangan incurred an expenditure of Rs. 12.26 lakh during the period from March 1998 to July 2000 towards pay and allowances of 3 poultry attendants, 1 poultry supervisor and 4 shepherds (all regular staff), which was infructuous.

3.3.2 The Departmental reply (June 2001) that the services of these staff were being utilised in existing farms of heifer, pig, rabbit, yak, etc. was not tenable as there were ten pig attendants, five rabbit caretakers/grass cutter, one bull attendant, three yak attendants, 2 dispensary attendants, besides chowkidars/office attendants/peon etc. engaged on Muster Rolls for activities of other existing farms in the District.

3.4 Retention of funds outside Government account

An amount of Rs. 1.31 crore was withdrawn by the Department to avoid lapse of budget grant and kept out of Government accounts which besides violating Rules also caused a loss of Rs.4.51 lakh to the Government towards cost of funds blocked.

3.4.1 Given the importance of Animal Husbandry in Sikkim, which is the traditional occupation of 90 per cent of the population and 50 per cent of

Sikkim's total area is used for livestock farming, it is imperative that animal husbandry schemes are delivered efficiently with utmost financial discipline. This was, however, not the case as evidenced by the following.

3.4.2 The Commissioner-cum-Secretary, Department of Animal Husbandry and Veterinary Services withdrew Rs. 11.96 lakh, Rs. 66.15 lakh and Rs.53.30 lakh through Abstract Contingent (AC) bills on 31 March 1999, 31 March 2000 and 31 March 2001 respectively for implementation of various hundred per cent centrally sponsored schemes (Piggery Development, Fodder Development, Poultry Development, Quinquenial Programme, Rinderpest Eradication etc.) to avoid lapse of budget grants. These amounts were kept outside Government accounts and besides keeping Rs. 40.00 lakh in current account (SISCO Bank) on 17 May 2001 out of drawal on 31 March 2001, the balance amounts were invested in Term Deposits in the State Bank of Sikkim in June 1999, June 2000 and May 2001 respectively. Of the amount thus invested, an amount of Rs. 12.92 lakh was still lying in the bank in Term Deposits (August 2001). Out of Rs. 40.00 lakh invested in current account attracting no interest, Rs.19.19 lakh remained unutilised (August 2001). However, the Detailed Contingent (DC) bills were not submitted by the Department for the entire amount of Rs.1.31 crore till August 2001.

3.4.3 Due to delay in deposit of the amounts drawn, the Government sustained a loss of Rs.4.51 lakh taking into account the difference between interest earned (7 per cent) and average rate of interest on Government borrowings (12.2 per cent).

3.4.4 Such violation of Financial Rules continues despite observations of the Public Accounts Committee (PAC) in its 5th and 34th Report (March 1999) that the Departments should refrain from drawing money in anticipation of expenditure and during closing months of the financial year to avoid lapse of budget.

3.4.5 The Departmental reply (July 2001) that the sanctions and drafts from GOI were received at the fag end of the years and the Department was forced to keep the amount in supplementary demand for grant in February/March was without merit as the Department should have anticipated the receipt of funds from Government of India as in each year funds were being received during that period and should have provided for them accordingly. By not doing so, it deprived the intended beneficiaries of the social benefits expected out of the implementation during the respective years. The action of the Department was also against the legislative intent and against the recommendations of PAC.

ECCLESIASTICAL DEPARTMENT

3.5 Irregular execution of works

The Department irregularly sanctioned and released Rs.1.27 crore to various bodies/authorities during 1998-2000 for renovation/construction of 305 numbers of shrines/monasteries/temples without preparation of detailed estimates.

3.5.1 No work should commence or liability incurred until proper detailed design and estimates have been sanctioned by the competent authority. Ecclesiastical Department sanctioned and released Rs.1.27 crore to various bodies/authorities during 1998-99 and 1999-2000 for renovation and construction of 305 numbers of shrines, monasteries and temples in contravention of the above principle. No detailed estimates were prepared for these works nor did the Department have any standards or parameters by which to decide the admissibility and permissible quantum of expenditure in each case. In the absence of the detailed estimates, the correctness and genuineness of the expenditure could not be validated in audit.

3.5.2 The Departmental reply (April 2001) that they provided financial assistances to religious institutions for construction/reconstruction/renovation etc. and there was no written rule/norm for release of fund was indicative of the fact that huge financial assistances for specific purposes were being provided to the religious institutions over the years without exercising due diligence over such releases and without any prescribed norms. Further, the Department's action to provide financial assistances from the budgeted provision for "Major and Minor Works" without preparation of estimate and technical sanction was against the codal provisions, besides vitiating the legislative intent.

FINANCE DEPARTMENT

3.6 Loss of Government revenue due to investments at lower rate of interest

Injudicious investment by the State Government led to revenue loss of Rs 13.97 lakh.

3.6.1 Surplus cash balances of the State Government are being invested by Finance Department in short term deposits from time to time to earn interest to the State Exchequer.

3.6.2 Despite knowing that the Bank of Baroda (BOB) was offering interest of 6 per cent per annum on short term deposits, the Principal Secretary, Finance Department invested Rs.75 crore in three instalments of Rs.25 crore each on 9,12 and 22 May 2000 with the State Bank of Sikkim (SBS) at 5 per cent per annum for 30 days. On maturity these deposits were renewed for another 30 days. The Department again invested Rs. 25 crore each on 20 July 2000 and 12 August 2000 for 15 and 24 days respectively with SBS at the interest rate of 4.5 per cent which was again 1 percentage point below the interest offered by BOB. Only from 10 August 2000 did the Department invest its surplus cash balances with other banks who were offering a higher rate of interest than SBS.

3.6.3 Thus due to injudicious investment made with SBS from 09 May 2000 to 12 August 2000, State Government sustained a loss of Government revenue amounting to Rs.13.97 lakh.

3.6.4 The Departmental reply (February 2001) that it would request the SBS to credit the difference in interest to Government account for the period when the interest offered by the SBS was lower to that offered by BOB was not tenable as the SBS was not bound by any agreement to make good the difference in interest.

3.7 Non-recovery of outstanding loan from a Private firm

Non-execution of court order resulted in non-recovery of outstanding loan to the tune of Rs. 1.58 crore from a private banking firm.

3.7.1 The State Government obtained a decree from the State High Court against Jethmal Bhojraj, a private firm acting as erstwhile banker to the Government of Sikkim, on 29 September 1986 for Rs. 96.18 lakh on account of dues of the Government remaining outstanding with the firm from as early as 1968. The firm appealed to the Supreme Court and the Supreme Court vide its order dated 21 September 1988 directed the firm to pay Rs.15 lakh in cash and furnish security to the satisfaction of the executing court for the balance amount of the decree within 3 months. While the firm deposited Rs. 15 lakh during 1989-90, it failed to furnish the security as ordered by the Supreme Court. The Department re-assessed (May 1992) the outstanding liabilities of the firm at Rs. 1.58 crore (including interest and cost of suit) and filed (June 1992) an application with the Sikkim High Court for transfer of decree passed by it on 29 September 1986 for attachment of the properties of the firm located at Darjeeling district of West Bengal and obtained (June 1992) order for execution of the decree through the court of District Judge at Darjeeling for the said properties.

3.7.2 Till date (October 2001), the Department had neither taken any action for execution of the decree nor the balance amount of Rs. 1.58 crore (Rs. 0.22 lakh being realised in 1998-99) could be realised from the firm. This was despite the recommendation of the PAC in its first report (1977-78) that all out effort should be made to recover the dues of the Government from the party, as early as possible.

3.7.3 The matter was reported to the Department and Government (November 2000); reply was awaited (October 2001).

3.8 Loss of interest on idling of capital

Flawed sanction and withdrawal of money for establishment of Sinking Fund before formulation of the scheme resulted in a loss of Rs.18.75 lakh.

3.8.1 Pursuant to the recommendations of the Tenth Finance Commission, Reserve Bank of India (RBI) proposed a scheme for the establishment of Sinking Funds by all States with the objective of using the interest income accruing from the investment of the corpus of the Fund for liquidating the market borrowings of the States. Accordingly, an amount of Rs. 2.67 crore was drawn by the Commissioner-cum-Secretary, Finance Department and remitted to RBI, Guwahati (18 May 1998) even before the scheme for the constitution and administration of the Sinking Fund could be chalked out by the State Government in consultation with the RBI.

3.8.2 In the absence of a formal scheme laying down the modalities of the management of the fund, RBI returned (07 August 1998) the demand drafts amounting to the remitted sum of Rs. 2.67 crore to the State Government. These drafts were finally cancelled on 10 December 1998.

3.8.3 The flawed sanction for withdrawal of money even before finalising the scheme of constituting and administering the Sinking Fund, resulted in the depletion of the cash balances of the State by an amount of Rs. 2.67 crore for the period from 18 May 1998 to 10 December 1998. This money remained idle resulting in the loss of interest of Rs. 18.75 lakh at the borrowing rate of 12.5 per cent by the Government of Sikkim during the year 1998-99.

3.8.4 The Department stated (June 2001) that due to non-finalisation of modus operandi of the fund by the RBI the drafts were returned, but the money remained in the cash balance and so had no quantitative relation to the drawal. The reply was not tenable as Rs. 2.67 crore was remitted to RBI by way of Demand Drafts, which resulted in depletion of cash balance to that extent and was thus not available for use by the Government.

3.9 Non-recovery of long outstanding loans

Loans given to various individuals and organisations amounting to Rs. 45.82 lakh remained to be recovered for periods ranging from 9 to 24 years. The Finance Department or Administrative Departments do not even have the details of the outstanding amounts.

3.9.1 Loans amounting to Rs. 45.82 lakh, advanced by the Government of Sikkim to various individuals and organisations for developmental and other activities, remain un-recovered for periods ranging from 9 to 24 years as of April 2001, as detailed below.

Table-3.23

Sl. No.	Particulars of the loan	Amount outstanding *(Rs. in lakh)*	Administrative Department	Year from which outstanding
1	Dairy Development	13.13	Animal Husbandry and Veterinary Sciences	1987-88
2	Poultry Development	3.26	-do-	1984-85
3	Piggery Development	4.16	-do-	1987-88
4	Agricultural loan to cultivators	16.00	Agriculture	1987-88
5	Fisheries Development	4.48	Forest	1991-92
6	Wood Working Centre	4.49	-do-	1976-77
	TOTAL	**45.82**		

3.9.2 The Administrative Department, which disbursed the loans, and the Finance Department, which maintains the loan accounts of the Government, do not even have the information relating to the details of the loanees, actual dates of loans, terms and conditions of the loans, schedule of recovery, rate of interest, penal interest for default in repayment, fulfillment of objectives for which the loans were given etc. Under such circumstances, there is little chance of recovery and the amount of Rs.45.82 lakh, which constitutes only the principal amount outstanding, is not only a potential loss to the State Government but also casts doubts about their utilisation for the purposes for which these loans were granted.

3.9.3 The matter was reported to the Government (November 2000) and other Administrative Departments involved (January 2001). While no reply has been received from the Administrative Departments, the reply of the Finance Department (June 2001) that it did not have any information about the loans disbursed by other Departments was indicative of the lack of financial control towards recovery of outstanding loans.

3.10 Diversion of funds

The Department spent Rs. 90.87 lakh on activities other than those mandated by the Legislature.

3.10.1 The Government of Sikkim provides money under 'Capital Outlay' in its annual budgets with the objective of promoting industrial development in the State and improving infrastructure. Between 1990-91 and 1994-95, the Government spent Rs. 90.87 lakh out of the budget provisions made for investment in three industrial concerns. While the Finance Department could not furnish any details of this investment, information obtained from the Industries Department revealed that the amount was spent for purposes completely different from those mandated by the Legislature, as tabulated below:

Table-3.24

Sl. No.	Purpose for which provision made	Year	Amount provided for in the budget *(Rs. in lakh)*	Purpose for which actually spent	Amount *(In lakh)*
1.	Investment in I.T.I.	1990-91	9.90	(a) Share capital to Sikkim Jewels Ltd.* (b) Misc. expenditure	(a) 9.44 (b) 0.27
		1991-92	12.05	(a) Misc. items (b) Electrification of employees quarters of Temi Tea*.	(a) 5.36 (b) 4.00
		1992-93	3.98	Miscellaneous items	3.98
2.	Investment in B.O.G.L.	1990-91	13.97	(a) Paid to Sikkim Jewels Ltd.* (b) Miscellaneous payments	(a) 10.00 (b) 1.10
		1990-91	0.06	Dinner	0.06
3.	Investment in Joint Venture	1992-93	8.00	Construction of Sikkim Khadi Bhavan	8.00
		1994-95	42.91	-do-	43.00
TOTAL			**90.87**		**85.21**

* *Sikkim Jewels Limited and Temi Tea are departmental undertakings of Government of Sikkim. The difference of Rs. 5.66 lakh could not be explained by Industries Department.*

3.10.2 The above transactions not only vitiated the Legislative intent but also resulted in wrongful depiction of expenditure in the books of accounts.

3.10.3 The matter was initially reported to the Finance Department (July 2001) which in turn referred it (August 2001) to the Industries Department. While the Industries Department accepted (October 2001) the Audit observation, it could not, however, furnish any reasons for the diversion.

FINANCE DEPARTMENT AND HEALTH AND FAMILY WELFARE DEPARTMENT

3.11 Loss due to theft of Government money

Though cases of theft of Government money have been pointed out earlier in Audit, the Government of Sikkim had not evolved fool-proof measures to ensure safe custody of government cash.

3.11.1 Cases of theft of government money are normally highlighted in various Audit Reports of the Comptroller and Auditor General of India. The Public Accounts Committee in its 25^{th} Report (March 1996) had directed the Government to examine the adequacy of arrangements for safe custody of government money. Following the incidents of theft mentioned above, the Finance Department had issued (May 1991) an order merely directing the payment of salaries to school staff through cheques issued in favour of the Headmasters of the respective schools instead of drawing money in cash. These instructions targeted only the schools and did not extend to other Departments, especially to those requiring disbursement of salaries to a number of subordinate offices.

3.11.2 Sikkim Financial Rules, 1979 do not contain any specific provisions relating to the physical custody of cash. The Department had also never addressed the issue notwithstanding the recommendations of PAC. In majority of the offices cash is kept in normal almirahs with single lock. The system of strong rooms and embedded cash chests with double locks is not in vogue.

3.11.3 A theft occurred in the office of the Chief Medical Officer (CMO) East, Singtam on the intervening night of 03 and 04 May 2001. Government cash amounting to Rs. 6.56 lakh was stolen after breaking open the normal steel almirah in which it was kept. The cash had been drawn for the disbursement of the salaries of the staff of CMO's office and 8 Primary Health Centres (PHCs) under the control of the CMO. The salary for all PHCs and the CMO's office was drawn on three cheques instead of separate cheques for individual PHCs and the CMO's office, with the result that the entire cash amounting to Rs. 14.62 lakh had to be drawn in one lump-sum even though payment to all PHCs could not be made on the same day thereby necessitating retention of substantial amount of cash in the office.

3.11.4 Thus, the lack of prescription of comprehensive guidelines for the physical custody of cash and for minimising the need for handling cash, especially in the payment of salaries to the staff of remote subordinate offices, resulted in a loss of Rs. 6.56 lakh of Government money. If no remedial actions are taken, the possibility of such incidents occurring in the future cannot be ruled out.

3.11.5 While accepting the facts, the Department stated (June 2001) that all the cash sections were being provided with iron grills and Defender Safes and the drawal of separate cheques for individual PHCs, PHSCs and District Hospitals had been introduced. It further stated that the theft case was still under police investigation.

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.12 Non-deduction of Income Tax

Failure of the Department to deduct Income Tax at source from 22 local suppliers of rice led to non-realisation of income tax to the tune of Rs. 12.38 lakh.

3.12.1 In accordance with the State Government Circular dated 17 June 1985 and 27 July 1985, State Income Tax was to be deducted at source at the rate of 3 per cent from the supplier's bills.

3.12.2 Inspite of reporting in earlier Audit Reports vide paragraphs 4.6, 6.7 of 1996-97 and 6.10 of 1998-99 about non-deduction of taxes at source and the PAC recommendations thereagainst for expeditious recovery of taxes, compliance of deduction in future, issue of suitable instructions by the Government to equip the tax collecting authorities with the information of transaction made by the suppliers etc., the Food and Civil Supplies Department did not deduct State Income Tax at source while purchasing rice worth Rs.4.13 crore from 22 local suppliers during January to May 2000.

3.12.3 The Departmental reply (May 2001) that the matter had been referred to the Income Tax Department for realisation of tax during filing of annual returns by the suppliers was not tenable as it was the Department's duty to deduct tax at source as required under the Government order. Further, persistence of such irregularity was indicative of a lackadaisical approach of both the expenditure incurring and the tax collecting authorities towards ensuring the collection of taxes due to the Government.

FOREST DEPARTMENT

3.13 Retention of money outside Government account

Government revenue amounting to Rs.24.11 lakh remained outside Government account for periods ranging from 31 to 309 days besides loss of interest to the tune of Rs.5.66 lakh.

3.13.1 Sikkim Financial Rules envisage that all moneys received by or on behalf of Government should be brought into Government account without delay. Notwithstanding this, the Range officers in the East, West and South Territorial Divisions of the Forest Department took an inordinately long time to deposit the cash collections on account of royalty of stone, sand and timber etc. amounting to Rs. 24.11 lakh into Government account during the year 1999-2000. After excluding the month of collection, the delay ranged from 31 to 309 days in 274 cases with monetary involvement of Rs. 1000 to Rs.84754 as detailed below:

Table-3.25

Sl.No.	Period (Range)	No. of cases	Total monetary involvement (Range)
1.	31 to 90 days	236	Rs.21,82,283 (Rs.1,000 to Rs. 84,754)
2.	91 to 180 days	33	Rs. 1,89,861 (Rs.1,090 to Rs. 30,120)
3.	181 to 270 days	02	Rs. 3,036 (Rs. 1,036 to Rs. 2,000)
4.	271 days and above	03	Rs. 35,437 (Rs. 1,856 to Rs. 29.341)
	TOTAL	**274**	**Rs.24,10,617**

3.13.2 This deferral not only resulted in keeping money outside the Government account but also was fraught with the risk of temporary misappropriation of public funds. In addition, the Government also suffered an interest loss of Rs.5.66 lakh calculated on the basis of average rate of market borrowings of the Government of Sikkim.

3.13.3 The Department stated (September 2001) that due to widespread forest fire along the reserve forest of the tropical range during the period from December 1998 to June 1999, the field officers were compelled to utilise the ready cash to mobilise manpower for rescue operation and to bring the fire under control as there was no alternative means. It was further stated that the amount utilised had been paid back to the relevant revenue account and the concerned officers severely warned against repetition of such practice. The reply of the Department was not acceptable as the manner of the stated utilisation was beyond the provision of SFR. Further, while the irregularity was noticed throughout the State, except North District, during April 1999 to March 2000, the incidence of forest fire was confined along the reserve forest of tropical range only during December 1998 to June 1999. A further scrutiny of individual cases revealed that almost all the deposits were on separate dates spread over the entire year of 1999-2000 indicating that the delay in depositing government receipts was a regular feature.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.14 Unfruitful investment

Improper planning and failure to take appropriate measures to mitigate the factors responsible for malfunctioning of a machine resulted in an unfruitful investment of Rs. 1.84 crore besides costing Rs.59.10 lakh to the Government on blocked funds.

3.14.1 The STNM Hospital, Gangtok, purchased (December 1997) a CT Scan machine from M/s Siemens Ltd., Calcutta (Supplier) on a turn-key basis at a cost of Rs. 1.60 crore. An amount of Rs.10 lakh was further spent on renovation of the room, wiring, installation of AC and electric generator etc. After its installation in December 1997, the machine remained idle till September 1998 as it was only then that the training of technicians was taken up by the Supplier. Between September 1998 and June 1999, the machine was plagued with various problems and functioned only intermittently. After carrying out repairs, the machine worked uninterrupted from the middle of June to the middle of December 1999. However, the CT scanner developed a major snag on 19 December, 1999 and finally stopped functioning. The cause was determined to be a faulty Power Control Board (PCB) which required replacement.

3.14.2 After detailed investigations, the Supplier pinned the high level of humidity prevailing at the equipment site as the major reason for the recurring malfunctioning of the machine. Accordingly, they suggested the replacement of the PCB along with the installation of a dehumidifier. The Department paid an amount of Rs.10.50 lakh (September 2000) to the Supplier for the replacement of the PCB to be imported from Germany. It also entered into an Annual Maintenance Contract (AMC) with the supplier with effect from 8 September 2000 and paid Rs. 3.50 lakh for the same.

3.14.3 It was observed that the high level of humidity had not been factored into while planning the procurement of such expensive machinery. Even now, while the Department has gone ahead with the replacement of the defective part, no action has been taken to install a dehumidifier to take care of the root cause of the problem.

3.14.4 Thus, failure to give due regard to the prevailing site conditions and to other aspects connected with the installation and operation of the sensitive and expensive equipment and failure to take appropriate mitigating measures resulted in the CT Scan machine being operational for only a brief period of six months till May 2001in almost 3 and a half years since its installation. As a result, the Government did not get value for money for the expenditure of Rs. 1.84 crore made by it on the machine, besides sustaining a loss of Rs.59.10 lakh* towards cost of funds blocked on a non-functional machine.

3.14.5 From the Department's reply (July 2001), it was seen that while the CPU-SPARC 2 PCB for which Rs. 10.50 lakh was paid to the supplier had not been received for installation, the machine was temporarily made operational since May 2001 by installing one Master PCB (D-30) at an additional cost of Rs. 1.62 lakh and relocation of the air conditioner. It was stated by the Department that advice had been sought from the suppliers of the machine for a suitable type of dehumidifier and the same would be installed on receipt of the advice. The reply was not tenable as the Department could run the machine only temporarily by adopting a provisional measure and was yet to take up appropriate steps to address the problem of humidity permanently. Even the required PCB could not be installed till July 2001. There is every likelihood that the machine, even after the replacement of the defective part, may continue to give problems as the factors responsible for its malfunctioning in the first place still remain unattended to.

HORTICULTURE DEPARTMENT

3.15 Irregular drawal of advance and retention of fund outside Government Account

The Department had irregularly withdrawn and retained a fund of Rs.1.64 crore outside the Government account, besides causing a loss of Rs.6.50 lakh to the Government towards cost of funds blocked.

3.15.1 According to Sikkim Financial Rules, no money should be drawn from Government account unless it is required for immediate disbursement or to prevent lapse of budget grants. Further, the Public Accounts Committee

* *Calculated on the basis of period of idling vis-à-vis applicable rate of interest on market borrowing.*

(PAC) in its fifth (March 1983) and thirty-fourth Reports (March 1999) had observed that drawal of money not needed for immediate disbursement and its retention out of Government account were serious financial irregularities to be viewed with concern.

3.15.2 The Horticulture Department receivéd Rs.1.90 crore from Government of India (GOI) between June 1999 to March 2000 for implementation of 7 Centrally Sponsored Schemes* (100 per cent) during 1999-2000. However, as the Department failed to anticipate the receipt from GOI, the provision for expenditure in the budget was made through supplementary allocation only in March 2000 and the Department in order to avoid lapse of budget drew Rs.1.63 crore on AC Bills on the last working day of the financial year 1999-2000. Out of Rs. 1.64 crore, an amount of Rs. 98.68 lakh was kept in fixed deposit with State Bank of Sikkim during June 2000 and the balance amount of Rs. 64.94 lakh was stated to have been incurred for implementation of the programmes during April to June 2000. Despite the requirement of submission of DC bills within 3 months, no bill were submitted (November 2000) by the Department due to which the authenticity of the expenditure could not be vouchsafed in audit.

3.15.3 Not only was the drawal of funds in advance of requirement in total disregard of the codal provisions and observation of the PAC but also caused a loss of Rs.6.50 lakh** to the Government towards cost of funds blocked. Further, such fiscal mismanagement and failure to anticipate the need for budget provisioning also caused delay in programme delivery of developmental schemes in the key area of Horticulture.

3.15.4 The Department stated (March 2001) that it did not keep any provision in the Demand for Grants of 1999-2000, as the Ministry of Agriculture (GOI) first decided to replace the funding pattern of all centrally sponsored schemes from 1999-2000 but later on allowed them to continue for 1999-2000. The reply was not tenable as the intimation for continuance of the schemes were communicated by the GOI in May 1999 and the advance remained unadjusted beyond the permissible limit of 3 months. A further audit scrutiny revealed (July 2001) that even at the end of June 2001, an amount of Rs. 11.41 lakh out of Rs.1.64 crore drawn in March 2000 remained to be utilised and no Detailed Contingent Bill for the amount spent was prepared for which the propriety of the expenditures could not be vouchsafed in audit.

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* *Vegetable demonstration, Integrated Programme for Development of Spices, Commercial Floriculture, Assistance from National Horticulture Board, Plasticulture in Horticulture, Integrated Development of Fruits, Root and Tuber crops.*

** *Calculated on the basis of retention vis-à-vis applicable rate of interest on market borrowing.*

INDUSTRIES DEPARTMENT

3.16 Unfruitful expenditure on establishment of Industries Development and Labour Welfare Board (IDLWB)

No activities assigned to the Industries Development and Labour Welfare Board were performed but Rs.13.08 lakh was spent on purchase of vehicle, salary/wages of staff and other items.

3.16.1 The Government of Sikkim constituted the Industries Development and Labour Welfare Board (IDLWB) during April 1995 with the objective of suggesting measures for development and promotion of industrial units in the State and for revival of sick industries, identifying areas and specific location for industrialisation, exploring the possibilities and modalities for setting up of export oriented industrial units etc. The Board consisted of a Chairman and eight other members comprising of Secretaries/Directors of various Departments, Managing Directors of Public Sector Undertakings (PSUs) and other individuals.

3.16.2 An amount of Rs. 13.08 lakh was incurred during May 1995 to March 2001 towards purchase and maintenance of vehicle, expenses towards POL, stationery articles, traveling allowances and house rent allowed to the Chairman, salary, allowances and wages of the staff attached to the Chairman etc. However, no meeting was held by the Board nor any activity undertaken by it since its establishment till the end of March 2001. Thus the Board was virtually non-functional. The expenditure of Rs. 13.08 lakh on the Board was therefore unjustified.

3.16.3 The Department's contention (August 2001) that the Chairman served as adviser for formulation of policy, programmes etc. regarding industrial development in the State and the expenditure on the Chairman was incurred as per Government guidelines was not tenable as the Board headed by the Chairman had not engaged in any activity, had not met even once during the period of almost 6 years since its formation and was thus virtually non-functional.

3.17 Payment of salaries to idle staff

Delay in taking a decision regarding the future of Sikkim Flour Mills Limited, which closed its operations in December 1999, has resulted in payment of salaries to the idle staff to the tune of Rs. 39.61 lakh.

3.17.1 Sikkim Flour Mills Limited (SFML) was incorporated and registered (June 1980) as a Company under the Registration of Companies Act, Sikkim 1961. The Mill was leased out (August 1998) to a private party for a trial period of six months. The lease was extended by a further period of one year with effect from 01 February 1999. Due to recurring losses, the lessee abandoned the Mill (June 1999) and the Government rescinded the lease agreement with effect from 01 July 1999.

3.17.2 After taking over SFML (July 1999), the Government is yet to take a decision on its future. The Mill completely stopped its operations in December 1999 rendering its entire staff and assets idle. The Department has so far released from the budget provision under 'Capital Outlay on Public Sector Investment', an amount of Rs. 39.61 lakh to SFML as equity for payment of salary to the staff from December 1999 to April 2001.

3.17.3 The PDS quota of the State has decreased from 890 MT to 100 MT per month with effect from May 1999 against the capacity of the Mill of 1500 MT per month. Further, open market wheat is cheaper and there is no demand for PDS wheat. These circumstances coupled with the high fixed costs have rendered SFML unviable. While the Government dithers in its decision-making, the monthly outgo of Rs. 1.2 lakh on salary of the staff continues and assets worth Rs. 1.60 crore yield no returns.

3.17.4 Though the Department replied (July 2001) that the Government had decided (May 2001) to close down the Mill and retrench the staff on Voluntary Retirement Scheme (VRS), the fact remained that the Government was yet to take any decision regarding the fixed assets worth Rs.1.60 crore and pending implementation of VRS, the monthly outgo on salary of staff continued.

3.18 Loss of revenue and additional burden

Failure to fulfill a contractual commitment resulted in a loss of revenue of Rs. 8.75 lakh and an additional burden of Rs. 9.82 lakh.

3.18.1 Sikkim Flour Mills Limited (SFML), a wholly owned company of Government of Sikkim, was leased out by the Secretary, Industries Department to M/s Sikkim Wheat Product Industries Private Limited (SWPL) on trial basis for six months from August 1998 to January 1999 at a lease rent of Rs. 10.50 lakh, which was paid in advance (July 1998) by the lessee. The

Secretary extended (May 1999) the lease on the existing terms, for a further period of one year with effect from 01 February 1999, on a request received from SWPL.

3.18.2 Clause 28 of the lease agreement stipulated *inter-alia* that the Lessor (Government of Sikkim) would help in getting the quota of wheat to the full capacity of the Mill and in case of the quota being made available in the name of the Lessor, it would entirely pass on to the Lessee. Government of Sikkim had a PDS quota of 890 MT per month till May 1999. Against this quota, the total quantity of wheat made available to SWPL during the initial spell of the lease from August 1998 to January 1999 was only 550 MT. This was despite repeated pleas by the Lessee for full allocation of quota as the meagre quantities allotted to the Mill were not enough to meet the costs and their operations were resulting in heavy losses.

3.18.3 As there was no improvement in the release of wheat quota to them after the extension of the lease, SWPL abandoned the Mill and the Secretary of the Department terminated the lease agreement with effect from 01 July 1999 on the ground that the Lessee failed to meet its obligation of paying the lease rent. The rent of Rs. 8.75 lakh for the period of five months from February 1999 to June 1999 was not paid. In addition, the Department was saddled with a burden of Rs. 9.82 lakh as SWPL left without paying the salaries of the staff for the months of May and June 1999 amounting to Rs.4.80 lakh and outstanding electricity dues of Rs. 5.02 lakh.

3.18.4 Thus, failure to adhere to a contractual obligation and inaction in realising the lease rent in advance caused a total loss of Rs. 18.57 lakh to the Government.

3.18.5 The matter was reported to the Department/Government (January 2001); no reply was received (October 2001).

POLICE DEPARTMENT

3.19 Irregular payment of electricity dues

The Department incurred irregular expenditure of Rs. 11.93 lakh towards payment of electricity dues with surcharge for family staff quarter.

3.19.1 Payment of electricity charges for residential buildings is neither covered under Rules nor have any powers been delegated to Heads of Department to sanction the expenditure towards the same.

3.19.2 The Inspector General of Police, Police Headquarters sanctioned (March 2000) an amount of Rs.11.93 lakh towards electricity charges (including surcharge for delayed payment) for the period from March 1988 to June 1994 for the family staff quarters at Pangthang instead of same being paid by the occupants. The payment of electricity dues for the family quarters from Government account was not only irregular but also burdened the Government exchequer to that extent.

3.19.3 The reply of the Department (July 2001) that liability of payment of power dues could not be fixed on individuals due to non-allotment of separate meter boxes for residential and non-residential blocks was factually incorrect as bills raised by the Power Department indicated dues payable for residential and non-residential blocks separately.

3.20 Irregular drawal of House Rent Allowance

Despite clear specification contained in the guidelines, the IRB personnel irregularly drawn HRA at higher rates leading to excess drawal of Rs.14.12 lakh.

3.20.1 Government of India guidelines (October 1961) stipulate that the House Rent Allowances (HRA) for the armed police battalions on their deployment from one State to another shall be granted only if their families continue to stay in the localities for which these allowance are sanctioned by the parent State. Further, this will be allowed at the rates certified as admissible from time to time in the parent State of the personnel concerned.

3.20.2 Three hundred and fifty two (352) personnel of India Reserve Battalion (IRB) who had left behind their families in the parent State (Sikkim) although deployed at Delhi, were drawing HRA at Delhi rate (20 per cent of basic pay) instead of Gangtok rate (15 per cent of basic pay) for the period June 1999 to March 2001 in contravention of the above guidelines. This resulted in irregular drawal of excess HRA amounting to Rs. 14.12 lakh.

3.20.3 The Departmental reply (April 2001) that IRB personnel posted at Delhi were paid HRA at the rate 20 per cent as per the Revised Pay Rules 1998 was not tenable as IRB personnel posted at Delhi were provided with rent-free non-family accommodation and therefore were not entitled for any HRA according to the Revised Pay Rules.

3.21 Irregular and excess payment of extra special pay and compensatory allowance

The department allowed special pay of Rs.71.47 lakh to police personnel despite Government ban.

3.21.1 Despite clear and specific notification issued by the Government, the Deputy Commandant (IRB) and the Director General of Police (HQ) continued to pay extra salary equivalent to one- twelfth of the sum of basic pay, special pay and other admissible allowances except house rent allowance to 363 personnel of the Indian Reserve Battalion (IRB) and 45 personnel of Police Headquarters upto the rank of Sub-Inspector. During January 1998 to March 2001, an approximate amount of Rs.66.43 lakh (Rs.57.72 lakh in respect of IRB and Rs.8.71 lakh in respect of Police HQ) was irregularly paid as extra salary.

3.21.2 It was further seen that in addition to the above, Sikkim/Delhi Compensatory Allowance at 10 per cent on basic pay was also paid which resulted in a further irregular and excess payment of Rs. 5.04 lakh (Rs.4.38 lakh in respect of IRB and Rs.0.66 lakh in respect of Police HQ) besides payment of compensatory allowance for the 13^{th} month in a year.

3.21.3 Thus, there was an irregular payment of Rs.71.47 lakh during January 1998 to March 2001.

3.21.4 The reply (June 2001) of the Deputy Commandant (IRB) that it had initiated action for regularisation of the special pay and extra pay with the Government was not tenable as the amount stood irregularly paid necessitating recovery and no step was taken to effect recovery. No reply had been received from the DGP (HQ) (October 2001).

CHAPTER-IV

WORKS EXPENDITUTRE

SECTION : A

(AUDIT REVIEWS)

CHAPTER-IV

WORKS EXPENDITURE

SECTION – A

(AUDIT REVIEWS)

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.1 Review on 'Functioning of Irrigation and Flood Control Department'

Highlights

The Irrigation and Flood Control Department came into being as a separate entity in 1986. A review of its activities during the last five years indicated a lack of financial discipline in the Department and absence of linkages between financial and programme planning. The substantial investment made in creating additional irrigation potential did not translate either into enhanced agricultural productivity or increase in area under cultivation. There were no expenditure norms either for creation of new irrigation potential or for maintenance of existing potential resulting in wide variations from year to year. No attention was paid to revive the defunct or partially functioning channels rendering the investment on them unfruitful. While there was delay in formulating and executing the works under the "Accelerated Irrigation Benefit Programme", majority of the projects taken up from Non-Lapsable Pool of Resources were low priority and other than the ones approved by the Government of India. The Department continued to have on its roll excess Junior Engineers since1995-96 and employed persons on work-charged and muster-roll establishment in violation of Government orders.

The Department first surrendered Rs.79.44 lakh during 1997-98 and then spent Rs.77.81 lakh out of the surrendered amount. There were savings of Rs.82.61 lakh, Rs 7.33 crore and Rs.21.86 crore during 1998-99, 1999-2000 and 2000-2001 respectively, which were not anticipated by the Department.

(Paragraphs 4.1.5 to 4.1.7)

There was rush of expenditure during the last quarter of the year in general and the last month in particular. Heavy amounts were drawn on the last day of the financial years solely to avoid lapse of funds.

(Paragraph 4.1.10)

The targets for creation of additional irrigation potential and potential utilisation were drastically reduced during the years 1998-99 and 1999-2000 even though the budget of the Department was higher as compared to earlier years. Even with lower targets, the shortfall in achievement was as high as 50 per cent and 53 per cent in potential creation and potential utilisation respectively during 1999-2000.

(Paragraphs 4.1.23 and 4.1.24)

Agricultural productivity and the area under cultivation remained more or less constant during the five-year period even though an additional 6735 hectares were shown to have been brought under irrigation. The total expenditure of Rs. 43.60 crore, therefore, did not translate into material benefits on the ground.

(Paragraphs 4.1.33 and 4.1.34)

Investment of Rs. 5.62 crore made on irrigation channels was not yielding value for money as these channels were either lying defunct or only partially functioning since March 1993.

(Paragraph 4.1.36)

Delay in finalisation of AIBP scheme led to avoidable interest burden to the tune of Rs. 9.92 lakh.

(Paragraphs 4.1.41 and 4.1.42)

Out of the schemes worth Rs. 5 crore approved under the Non-Lapsable Central Pool of Resources in 1999-2000 and 2000-2001, schemes amounting to Rs. 2.94 crore were not covered by the sanction of the GOI.

(Paragraph 4.1.45)

An amount of Rs. 20.34 lakh was spent on salaries of four Junior Engineers from January 1996 to April 2001 who were in excess of the sanctioned strength. Another Rs. 5.61 lakh was spent upto October 2001 on the salary of a driver idle since October 1992.

(Paragraphs 4.1.49 and 4.1.51)

The Department employed 23 clerks and 4 statistical assistants on work-charged establishment, which was irregular. The expenditure of around Rs. 43.40 lakh on their salary from 1996-97 to 2000-01, was also, therefore, irregular.

(Paragraph 4.1.54)

The Department flouted the clear instructions of the Government banning further recruitment under work-charged and muster-roll establishment, and continued to employ persons in these categories. The monetary outgo on such appointments was as high as Rs. 18.42 lakh during the period of just two years of 1999-2000 and 2000-01.

(Paragraphs 4.1.56 and 4.1.57)

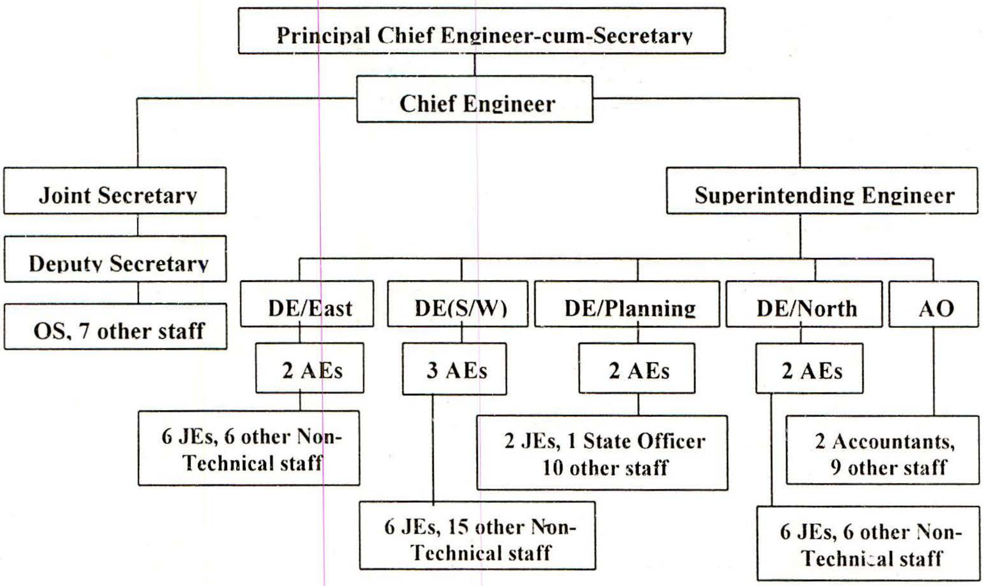
Introduction

4.1.1 Sikkim falls within the high rainfall zone of the country and receives very high precipitation varying from 2300 mm to 3800 mm during the monsoon, which lasts from the beginning of June to the middle of October. While this phenomenon assures availability of water for agricultural purpose for approximately eight months in the year, the necessity for providing water during the winter season and in the drier southern part of the State underline the urgency of creating irrigation potential in the State. A separate Irrigation Department was created only in 1986 with the specific mandate of looking after all irrigational aspects. In Sikkim, large-scale multipurpose irrigation schemes are not feasible and hence all channels in the State are minor irrigation types having culturable command area of less than 2000 hectares under each scheme.

Organisational set up

4.1.2 Organisational set up indicating staff position and reporting responsibilities in the Department is as under:

Chart-4.1



Scope of Audit

4.1.3 A review of Irrigation and Flood Control Department covering the period 1996-97 to 2000-01 was conducted during April-May 2001 with reference to the records maintained in the head office at Gangtok and divisional offices located at Jorethang and Gangtok.

Deficient budgetary procedures and inadequate control over expenditure

4.1.4 The Planning and Development Department of the Government of Sikkim provides sectoral allocations on the basis of the five-year plan and annual plan submitted by the Department reflecting the proposed programmes to be implemented in the ensuing years along-with the estimated amount. The Department then prepares a detailed break-up segregating the allotted fund to various programmes to be implemented during the year. This budgeting process was deficient and an effective mechanism for monitoring the progress of expenditure was missing. The lack of financial consciousness in the Department is illustrated by the following observations.

Large savings during the last three years

4.1.5 The comparison of the year-wise budget grant with the corresponding expenditure revealed that the Department had surrendered huge sums during the year 1997-98, 1998-99 and 2000-01 and recorded savings during every year under review as detailed below:

Table-4.1

Year	Original Grant	Supplementary Grant	Total	Actual Expenditure	Excess (+) Saving (-)	Surrender
	(Rupees in lakh)					
1996-97	415.75	200.00	615.75	614.73	(-) 1.02 (0.17)	Nil
1997-98	427.15	Nil	427.15	425.00	(-) 2.15 (0.50)	79.44 (18.60)
1998-99	521.95	205.50	727.45	644.84	(-) 82.61 (11.36)	35.07 (4.82)
1999-00	447.25	928.89	1376.14	643.54	(-) 732.60 (53.24)	Nil
2000-01	4211.18*	5.74	4216.92	2031.14	(-) 2185.78 (51.83)	1521.22 (36.07)

Source: ***Finance and Appropriation Accounts.***
Note: ***Figures in brackets represent surrender/saving as percentage of total grant for the year.***

4.1.6 The Department attributed the reasons for the huge savings to the non-receipt of bills, cut in plan allocation, purchase of store directly from works allocation at the time of operating stock suspense, non-execution of schemes due to passing of supplementary demand on the last day of financial year, non receipt of resources etc. That the arguments were untenable was borne by the fact that booking of expenditure directly to works allocation instead of stock suspense would not have affected the overall expenditure of the Department.

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* ***Increase was due to Additional Central Assistance i.e. Accelerated Irrigation Benefit Programme (AIBP), Non-lapsable Central Pool of Resources.***

4.1.7 Surrender of Rs.79.44 lakh during 1997-98 did not restrain the Department from incurring a further expenditure of Rs. 77.29 lakh resulting in an eventual saving of only Rs. 2.15 lakh. The whole exercise of surrendering the fund was thus perfunctory. While during 1999-2000 no part of the saving of Rs. 7.33 crore was anticipated and surrendered, the Department surrendered only Rs. 35.07 lakh and Rs. 15.21 crore in 1998-99 and 2000-01 respectively as compared to the eventual savings of Rs. 82.61 lakh and Rs. 21.86 crore. Seen in the light of eventual savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore during the years 1998-99, 1999-2000 and 2000-01, supplementary provisions of Rs. 2.06 crore, Rs. 9.29 crore and Rs. 5.74 lakh were excessive. Rationality for the supplementary provisions was never examined either by the spending department or by the Finance Department.

Poor programme management leading to savings from Plan funds

4.1.8 Out of the total savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore in 1998-99, 1999-2000 and 2000-01, as much as Rs. 74.63 lakh, Rs. 7.30 crore and Rs. 21.84 crore were saved from Plan funds as shown below:

Table-4.2

(Rupees in lakh)

Year	Budget Grant		Expenditure		Savings	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1996-97	556.00	59.75	555.79	58.95	0.21	0.80
1997-98	356.00	71.15	355.78	69.22	0.22	1.93
1998-99	619.00	108.45	544.37	107.22	74.63	1.23
1999-00	1270.89	105.25	540.62	102.92	730.26	2.33
2000-01	4117.74	99.18	1933.97	97.17	2183.77	2.01

Source: *Detailed Appropriation Accounts.*

4.1.9 That the bulk of the savings emanated from Plan funds and the surrender during 1998-99 and 2000-2001 were also out of Plan outlays was a pointer that there were shortcomings in programme management.

Rush of expenditure during the very end of years

4.1.10 Analysis of expenditure for the last five years revealed that the Department spent huge amounts during the last quarter of the years, especially during the closing months as under:

Table-4.3

(Rupees in lakh)

Year	Total Grant	Total Expenditure	Expenditure		Percentage of total expenditure	
			Last Quarter	Closing Month	Last Quarter	Closing month
1996-97	615.75	614.7[illegible]	356.08	279.12	57.92	45.41
1997-98	427.15	425.52	146.48	78.19	34.42	18.38
1998-99	727.45	644.84	256.36	203.19	39.76	31.51
1999-2000	1376.14	643.54	262.97	209.93	40.86	32.62
2000-2001	4216.92	2031.14	1189.82	830.10	58.54	40.87

4.1.11 Amounts of Rs. 1.87 crore, Rs. 17.12 lakh and Rs. 15.21 lakh were disbursed on the last working day of 1996-97, 1998-99 and 1999-2000 solely to avoid lapse of grant. Incurrence of such a high percentage of expenditure during the last quarter and the last day of the last month is violative of the prudent financial rules, and speak poorly of overall fiscal and operational management.

4.1.12 The Department's contention that the release of Additional Central Assistance (ACA) and CSS funds at the end of the year for this malaise was not acceptable because ACA was provided to the Department only from 1999-2000 after the introduction of AIBP schemes where-as Department had been off loading funds at the fag end of the year since 1996-97.

Irregular purchase of vehicle from borrowed fund

4.1.13 Budget provisions for the purchase of motor vehicles are made separately under 'Direction and Administration'. Inspite of this, the Secretary of the Department with the approval of Chief Minister purchased a vehicle (March 2001) for Rs. 5.72 lakh from funds borrowed from NABARD for various works of flood control and flood protection under the Rural Infrastructure Development Fund (Major Head 4202-800-78-NABARD-RIDF-IV). This not only amounted to diversion of funds but was also irregular. Since the vehicle was bought from borrowed funds, it also involved an interest cost of Rs. 0.69 lakh to the Government at the average borrowing rate of 12 per cent per annum.

4.1.14 It was further seen that the purchase of this vehicle was in replacement of an old vehicle (SK-02/1625) purchased during November 1988. However, instead of surrendering the old vehicle to Home Department for disposal as per rule, it was retained by the Department and one driver on Muster Roll was engaged for this car.

Operational Management

4.1.15 As per 'Master Plan' of Irrigation Department prepared in 1995, only about 25 per cent of the cultivable area in Sikkim has irrigation facilities. Water resources are abundant due to favourable rainfall conditions. These resources can irrigate 50,000 hectares of cultivable land ultimately and can transform the present rainfed, monocrop agriculture to irrigated crop husbandry with multiple cropping.

Irregular diversion of fund to Flood Control Sector

4.1.16 During the period covered under review, the Department executed various irrigation and flood control measure schemes funded from the State Plan, Non-Lapsable Central Pool of Resources,♣ AIBP and schemes funded by NABARD. The comparative budget provisions and expenditure in the two fields of irrigation and flood control were as under:

Table-4.4

(Rupees in lakh)

Year	Irrigation		Flood Control Measures	
	Budget	Expenditure	Budget	Expenditure
1996-1997	374.75	373.78	241.00	240.95
1997-1998	382.15	308.18	45.00	116.82
1998-1999	355.65	238.73	371.80	406.11
1999-2000	753.54	283.53	623.00	358.01
2000-2001	2358.82	579.05	1858.10	1452.09

Source: Finance and Appropriation Accounts

4.1.17 Though the proportionate budget for irrigation had always been more, except in the year 1998-99, the expenditure emphasis in the last three years had shifted away from irrigation works and towards flood control works. In two of the five years viz. 1997-98 and 1998-99, the money provided for irrigation works was diverted to fund flood control measures without obtaining approval for re-appropriation from competent authority.

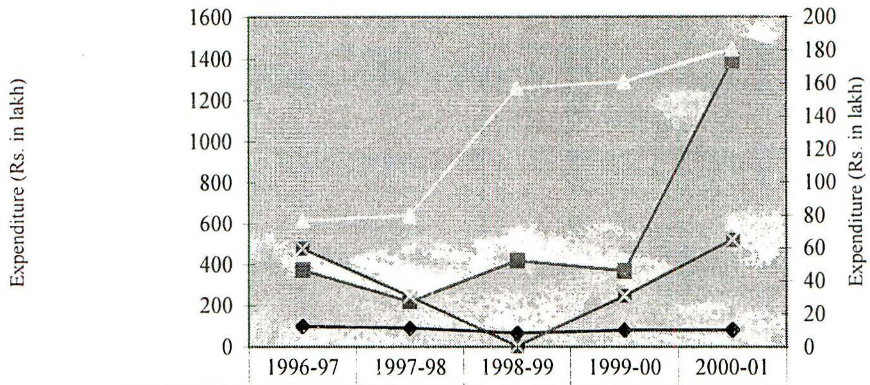
4.1.18 The Department's reply that during 1998-99, a sum of Rs.64 lakh was re-appropriated with the approval of the government from Minor Irrigation (MI) sector to Flood Control and River Training (FCRT) sector to meet up the liability under FCRT was factually incorrect as final grant (after re-appropriation) had been taken into account to arrive at the above figure. Further, the Department was silent about the diversion made during 1997-98.

Increase in overhead expenditure without proportionate increase in activity

4.1.19 The further break-up of the expenditure incurred during the years 1996-2001 on original works, restoration and maintenance, direction and administration and stock is depicted in the chart below:

♣ *Additional Central Assistance for NE States and Sikkim for infrastructural development i.e. Power, Roads, Irrigation and RDD etc.*

Chart-4.2



	1996-97	1997-98	1998-99	1999-00	2000-01
Original Works	372.64	219.65	418.38	369.07	1388.49
Restoration & Maintenance	100.15	91.48	66.54	80.25	82.38
Direction & Administration	76.99	80.29	157.3	161.05	180.71
Stock	60	31.1	0.58	31.17	65.21

4.1.20 In a noteworthy trend, during the five years under analysis, the expenditure on original works did not show a wide variation – except in the year 2000-01 when it rose to Rs. 13.88 crore - but the establishment expenses went up from Rs. 76.99 lakh to Rs. 1.81 crore. Taken as a percentage of the total expenditure, while the expenditure on substantive activities – original works and restoration and maintenance – hovered between 70 per cent to 77 per cent, the overheads doubled from 13 per cent in 1996-97 to 25 per cent in 1999-2000. This trend was most pronounced in the year 1999-2000 when the establishment expenditure reached its highest at 25 per cent and that on original works and restoration and maintenance combined reached its lowest in the four year period at 70 per cent. Increase in establishment expenditure when the programme activity remained static was unjustified.

4.1.21 The Department attributed the reasons for increase in establishment expenditure to pay revision and posting of new staff and added that the position had improved from 2000-01. The fact, however, remained that the programme activity remained almost static despite ample availability of Plan Funds.

No linkage between physical and financial budgeting

4.1.22 Target and achievement of irrigation potential created and potential utilised during the period covered under review was as under:

Table-4.5

(Area in hectares)

Year	Additional Potential Creation		Potential Utilised		Cumulative	
	Target	Achievement	Target	Achievement	Additional Potential Creation	Potential Utilised
1996-97	1,200	1,110	1,000	900	27,383	19,105
1997-98	900	1,125	800	962	28,483	20,067
1998-99	300	300	250	169	28,689	20,236
1999-00	350	175	300	140	28,864	20,376
2000-01	3675	5,254	3,212	4,679	34,118	25,055

Source: Annual Reports of Irrigation Department.

4.1.23 The targets for both, potential creation and potential utilisation were pegged low in the years 1998-99 and 1999-2000 even though the financial outlay in 1998-99 was only marginally lower than the previous years while that in 1999-2000 was much higher as compared to the earlier years. Interestingly, even with these low targets, the achievement in both potential creation and potential utilisation was the lowest at 50 per cent and 53 per cent respectively in 1999-2000, a year in which the total budget of the Department was as high as Rs. 13.76 crore and also the year that showed a mammoth saving of Rs. 7.33 crore. Thus, there was no linkage between physical and financial budgeting and between physical creation and financial outlays.

4.1.24 The under achievement in additional potential creation and potential utilisation during the two years of 1998-99 and 1999-2000 was due to unusually low expenditure incurred by the Department on original irrigation works vis-à-vis the total expenditure booked under irrigation, as shown below:

Table-4.6

(Rupees in lakh)

Year	Original Works	Restoration and Maintenance	Total	Percentage of Original Works to Total
1996-97	138.64	93.20	373.98	37.09
1997-98	110.62	83.69	308.18	35.89
1998-99	21.32	57.49	238.73	8.93
1999-00	19.90	71.41	283.53	7.02
2000-01	256.17	74.36	579.05	44.24

Source: Finance and Appropriation Accounts

4.1.25 The expenditure on original works during 1998-99 and 1999-2000 was a mere 9 per cent and 7 per cent of the total expenditure and was a drastic reduction as compared to the 38 per cent and 36 per cent of the two earlier years. This dovetailed with the physical performance of the Department during these years, which also showed a steep dip during this period.

4.1.26 Contention of the Department that the low achievement was due to non-implementation of the AIBP scheme during 1998-2000 and increase in establishment expenditure due to pay revision, was not tenable as increase in establishment expenditure had no bearing on works expenditure, which recorded huge savings of Rs.8.05 crore during 1998-2000. Further, the non-implementation of AIBP scheme was because of Department's own ignorance as brought out in paragraphs 41 to 43 of this review.

Wide variation in the cost of creating new channels

4.1.27 Taking the total expenditure booked under irrigation, the cost per hectare of additional irrigation potential created during the four years varied from a low of Rs. 0.38 lakh in 1997-98 to as high as Rs. 3.67 lakh in 1999-2000. However, if the expenditure on original works alone was reckoned, the average cost varied from Rs. 4,876 in 2000-01 to Rs. 12,490 in 1996-97. This trend is shown in the table below:

Table-4.7

Year	1996-97	1997-98	1998-99	1999-2000	2000-2001
	(In rupees)				
Cost per hectare *(Expenditure on irrigation as whole)*	55,381	37,778	214,947	367,737	38,659
Cost per hectare *(Expenditure on original works only)*	12,490	9,832	7,106	11,371	4,876

4.1.28 Since the costs as worked out above were average costs for the whole year and thus represented creation of channels in all types of site conditions and under different circumstances, such wide variation in the cost of creating new potential defied explanation. The Department also did not have any norms for the average expenditure required either for construction of per kilometre of channels or that required for creation of each additional hectare of irrigation potential.

4.1.29 The Department's contention that standard norm was not practicable due to variation in the topography of the land was not acceptable as the cost of channels are worked out on the basis of prevalent Schedule of Rates (SOR) which caters to all types of topography and site conditions. The Department's further argument that wide variation in the cost of creating channels during various years was because a major portion of the payment for the works was made during a particular year and the finishing work and concreting portion were paid during subsequent year defied logic as creation of channels was a continuous process and not confined to major works of all channels in one year and finishing and concreting work in the next year.

No norms for restoration and maintenance expenditure and non-levy of water cess

4.1.30 Similarly, there were no norms for allocating funds for operation and maintenance of minor irrigation works. Seen from a macro angle, the expenditure incurred on restoration and maintenance per hectare of existing irrigation potential also varied widely from year to year as shown below:

Table-4.8

Year	Expenditure on restoration and maintenance* *(Rs. in lakh)*	Total irrigation potential created at the start of the year** *(hectares)*	Expenditure on maintenance per hectare *(Rs.)*
1996-97	93.20	26,273	354.74
1997-98	83.69	27,383	305.63
1998-99	57.59	28,483	202.19
1999-2000	71.41	28,689	248.91
2000-2001	74.36	28,864	257.62

Source: * *Finance and Appropriation Accounts.*
** *Annual Reports of Irrigation Department.*

4.1.31 Against this substantial expenditure incurred on maintenance of assets constructed to spread the irrigation facilities, there was no cost recovery as Sikkim was one of the few states in the country that had not levied any water cess on the farmers benefiting from these assets.

4.1.32 While accepting the fact that there were no norms for allocation of fund under maintenance and restoration, the Department stated that the net maintenance budget had remained static during last five years though potential creation had been increasing over the corresponding period. It further added that the bill for levy of water cess would be placed in the next assembly session.

No impact on agricultural productivity

4.1.33 A cross check of productivity and area under cultivation of agricultural produce revealed that neither the area under cultivation nor the productivity had increased during the period under review as can be seen from the following table:

Table-4.9

Year	Area *(in '000 hectares)*			Production *(in '000 tonnes)*			Yield *(kgs/ha)*		
	Cereals	Pulses	Oil seeds	Cereals	Pulses	Oil seeds	Cereals	Pulses	Oil Seeds
1996-97	72.28	6.71	9.81	101.39	5.99	7.64	1402.87	892.69	778.80
1997-98	71.54	6.71	9.64	99.20	5.95	7.60	1386.51	886.74	788.90
1998-99	71.37	6.70	9.78	86.65	5.59	5.20	1214.16	835.18	531.50
1999-00	71.58	6.71	9.99	97.10	5.95	7.61	1356.59	888.16	761.30
2000-01	70.03	6.03	9.99	98.05	5.16	7.38	1400.00	857.00	739.00

Source - Annual Report of the Agriculture Department, Government of Sikkim.

4.1.34 Thus, there was no impact, either on agricultural productivity or on the area brought under cultivation, of the amount of Rs. 43.60 crore spent during the years 1996-97 to 2000-01 on various programmes of construction of irrigation channels and adoption of flood control measures. The agricultural production of major crops remained more or less static between 1996-97 and 2000-01 leading to the conclusion that the increase in potential utilisation of 6735 hectares shown to have been achieved by the Department did not transform into increased agricultural production. It also reflected lack of co-ordination between Irrigation and Agriculture Departments.

4.1.35 Conceding the fact that there was no coordination between Agriculture and Irrigation and Flood Control Department, the Department contended that farmers had been using the channels and the productivity had been increasing. The reply was however, not supported by the productivity figures shown in the Annual Reports of Agriculture Department.

Defunct and partially functioning channels

4.1.36 As many as 119 channels constructed at a cost of Rs. 2.26 crore were defunct since 31 March 1993 as detailed below:

Table-4.10

District	Number	Area covered *(hectares)*	Cost of const. *(Rs. in lakh)*	Length *(in km.)*	Year of construction
East	61	2,177	75,00	55	78-99 to 90-91
South	18	997	76.00	35	76-77 to 90-91
West	40	1,234	75.00	48	77-78 to 91-92
TOTAL	**119**	**4,408**	**226.00**	**138**	

4.1.37 Similarly, 105 channels, which were constructed during 1978-79 to 1991-92 at a cost of Rs. 3.36 crore were only partially functioning since 31 March 1993 as detailed below:

Table-4.11

District	Number	Area covered *(hectares)*	Cost of const. *(Rs. in lakh)*	Length *(in km.)*	Year of construction
East	44	1,917	51.00	45	79-80 to 91-92
North	24	936	90.00	44	83-84 to 90-91
South	09	804	75.00	25	80-81 to 88-89
West	28	125	120.00	47	78-79 to 91-92
TOTAL	**105**	**3,782**	**336.00**	**161**	

4.1.38 Since there was no constraint of funds for carrying out irrigation works, as evidenced by the savings in each of the five years from 1996-97 to 2000-01, there was no reason for keeping these channels dysfunctional all these years. While on one hand the investment of Rs. 2.26 crore had become unfruitful and Rs.3.36 crore was not yielding value for money, on the other hand the area of 9316 hectares covered under these channels continued to be shown under potential created, which was misleading.

4.1.39 In reply, Department stated that although budgetary provision for restoration of channels was not proportionate to the requirement, it had been trying to restore maximum number of channels as per the availability of fund. Department further stated that census of MI Scheme was in progress and after ascertaining the latest position, effort would be made to restore all such defunct channels in phased manner depending upon the financial resource position. The fact, however, remained that till such time intended benefit from the channels would not be accruing.

Time and cost overrun in execution of works

4.1.40 There were delays ranging from 3 months to 2 years in the execution of four works. Besides depriving the beneficiaries of the intended benefits for this period, the time overrun also caused a cost overrun of Rs. 3.14 lakh as these works were completed at a cost of Rs.57.15 lakh against the estimated cost of Rs.54.01 lakh. Contention of the Department that time and cost overrun was essentially due to landslides and consequent expenditure on protective works is not tenable as the Department could not furnish any documentary evidence to substantiate its contention.

Accelerated Irrigation Benefit Programme (AIBP)

Avoidable interest burden due to delay in commencement

4.1.41 From April 1999 minor surface irrigation projects, both ongoing and new, of special category States including Sikkim were eligible for Central Loan Assistance (CLA) in the ratio of 3:1 (Centre:State). A list of 157 projects (estimated cost Rs. 5.26 crore) was submitted in June 1999 to Government of India for availing CLA. The GOI, AIBP wing communicated the sanction (May 2000) of taking up the 129 minor irrigation projects and allotted Rs. 3.63 crore, with Rs. 2.73 crore as Central share and Rs. 90.30 lakh as State share. Prior to the formal sanction, an advance of Rs. 1.36 crore was released to the State on 31 March 2000. Cabinet approval for execution of the schemes was obtained only in September 2000 and schemes were taken up for implementation in between December 2000 and January 2001 with stipulated date of completion between January 2001 to April 2001.

4.1.42 Thus, the schemes under AIBP, extended to Sikkim in April 1999, could be taken up only at the very end of 2000 and early 2001. The advance of Rs. 1.36 crore received from GOI also remained idle from April 2000 to November 2000 leading to an avoidable interest burden of Rs. 9.92 lakh. Further, against the irrigation potential creation of 1924.85 hectares envisaged under AIBP during the year 2000-01, the achievement was only 957 hectares. Hence, delayed commencement led to non-completion of the projects during the year 2000-01.

4.1.43 While accepting the fact, the Department stated that it was not aware of the scheme guidelines, since the AIBP scheme had been introduced for the first time in the State.

Non-Lapsable Central Pool of Resource

Execution of unapproved and low priority works

4.1.44 In April 1999, the Department forwarded proposals amounting to Rs.33.07 crore on river training works, surface drainage, anti-erosion works, minor irrigation channels etc. to the Planning and Development Department (PDD) of the Government of Sikkim to be financed under the Non-Lapsable Central Pool of Resources. Out of this portfolio of projects, duly prioritised by the Department on the basis of need and urgency, the PDD forwarded (October 1999) 12 projects on flood control, surface drainage, anti-erosion works etc. amounting to Rs. 5.32 crore to the Planning Commission, GOI for approval and release of funds under Non-Lapsable Central Pool. The Planning Commission approved these projects and the first instalment of Rs. 2.50 crore was released by GOI in January 2000. The Cabinet cleared (February 1999) 9 projects proposed by the Department for execution at Rs. 2.66 crore. The second instalment of Rs. 2.50 crore was released (November 2000) by the GOI. Out of the 29 projects proposed by the Department for implementation from these funds, the Cabinet approved (January 2001) 19 projects in toto, deleted 2 projects altogether, reduced the value of 7, and added 7 new works on its own.

4.1.45 Records relating to implementation of works from the 1st instalment revealed that two projects worth Rs. 63.55 lakh executed by the Department were not covered under the list of projects approved by the Planning Commission and hence were beyond the scope of the sanction. Similarly, the Planning Commission had approved only one project out of the 34 cleared by the Cabinet for implementation from the funds received in 2nd instalment. The remaining 33, including the 7 introduced by the Cabinet, with the total estimated cost of Rs. 2.30 crore, were extraneous and in violation of GOI approval. There were no reasons on record for this deviation. Since the Department had already prioritised the works according to need and urgency, taking up of works that were low priority in the Department's own perception was not justifiable. Thus, out of Rs. 5 crore released by the GOI, Rs. 2.94 crore would be spent on projects, which not only did not have GOI's approval but were taken up in preference to more important and pressing works.

4.1.46 The Department stated that while taking up implementation of 2nd instalment relating to the remaining 3 projects (12 minus 9) it was considered more appropriate and in the best interest of users/villagers to execute more number of works than that of restricting the same to remaining three works. Accordingly, Cabinet approval was also obtained for execution of more number of works with balance fund (Rs.2.50 crore). The Department maintained that projects under implementation were also of equal importance as they formed part of original proposal of 116 projects of Rs.33.07 crore and also stated that GOI have been informed through progress report of execution.

4.1.47 The reply is misleading as the extraneous 35 works valuing Rs. 2.94 crore were not carried out of balance funds but by diverting Rs. 2.23 crore meant for 4 works prioritized according to need and urgency and sanctioned by GOI but not taken up.

Personnel Management

4.1.48 The Department had an existing strength (April 2001) of 119 permanent officers and staff as against the sanctioned strength of 121.

Irregular expenditure on excess Junior Engineers

4.1.49 Against the sanctioned posts of 20 Junior Engineers, there were 24 incumbents since January 1996. Two more Junior Engineers were posted during September 1999 and November 2000. Out of the six excess Junior Engineers, two were on unauthorised absence since September 1999 and November 2000 respectively and were facing disciplinary proceedings. No initiative was taken by the Department, either to regularise the above excess manpower by additional creation of posts or by surrendering them. The expenditure of Rs. 20.34 lakh for the period January 1996 to April 2001 on salaries of the four excess Junior Engineers was, therefore, irregular.

4.1.50 While accepting the fact that there were 4 excess Junior Engineers, the Department stated that the Junior Engineers were deployed on need basis and added that with due regard to audit observation, proposal was being moved to regularise the above post through cadre controlling Department (Roads and Bridges).

Idle expenditure on excess driver

4.1.51 Prior to October 1992, the Jorethang Division had four vehicles, two trucks and two Gypsys. Against these vehicles, there were three drivers. The trucks were disposed off during October 1992. Out of the three drivers, only two were engaged with the two Gypsys and one driver remained idle since October 1992. Instead of suitably deploying him, the Department continued to incur expenditure without any gainful service. During the period October 1992 to October 2001, an amount of Rs. 5.61 lakh was spent on idle pay and allowances.

4.1.52 The Department stated that excess driver was being used as a spare driver and office runner as and when he was free from driving duty. The reply is not valid as the division had full strength of manpower on roll in the category of driver and Peon.

Irregular appointment of clerks on work charged category

4.1.53 The work charged establishment is employed for the actual execution, as distinct from general supervision of a specific work or specific project. By its very nature and as defined in the Rules in Sikkim Work Charged Manual, this cannot include employees such as Clerks, Draftsmen or subordinate or extra establishment of any kind.

4.1.54 During May 2001, out of the total 90 work charged employees, there were 23 lower division clerks, 4 statistical assistants, 11 drivers, 47 supervisors and 5 peons on work-charged roll. Appointment of clerks and statistical assistants was not only against the provisions of the Manual and hence irregular but also an additional burden on the State exchequer. Calculated on a median basis, the expenditure on pay and allowances of 23 clerks and 4 statistical assistants aggregated approximately Rs. 43.40 lakh between 1996-97 and 2000-01. These persons were never deployed against any particular scheme/work but were deployed in the Department's head office (12 lower division clerks and all 4 statistical assistants) and the remaining attached with various divisions/sub-divisions. Further, the expenditure on their salaries was booked under 'Maintenance'.

4.1.55 Accepting the audit observation, the Department stated that a move was afoot to regularise the services of these employees.

Irregular appointment of Work Charged employee despite ban

4.1.56 The Department appointed (October 2000) 8 clerks on work-charged basis despite a Government ban which entailed an expenditure of around Rs. 2.47 lakh on their salaries up to March 2001.

Appointment of Muster Roll in contravention of Government order

4.1.57 A circular issued by the Home Department in August 1995 forbade fresh appointment on muster roll at any level. However, the Department appointed 38 employees on muster roll during the period October 1995 to September 1999 in violation of these instructions. Even after reiteration of these instructions by the Government in October 1999, the Department continued to appoint persons on muster roll and 15 fresh appointments were made during the period October 1999 to March 2001. These appointments on muster roll were not only in violation of Government orders but also resulted in extra outgo of approximately Rs.15.95 lakh during the period 1999-2000 and 2000-2001. While accepting the audit observation, the Department assured that no fresh appointment under muster roll would be made in future.

Inventory Control

4.1.58 There were two stores, each headed by an Assistant Engineer, located at Tadong (East) and Jorethang (South) for catering to the need of North-East Division and South-West Division respectively. The Department operates a suspense account with a provision of Rs. 60 lakh as detailed below:

Table-4.12

(Rupees in lakh)

Year	Budget Provision	Expenditure	Saving	Percentage Saving
1996-97	60.00	60.00	Nil	Nil
1997-98	60.00	31.10	28.90	48.16
1998-99	60.00	0.58	59.42	99.00
1999-2000	60.00	31.17	28.83	48.05
2000-2001	60.00	65.21	-	-

Source: Finance and Appropriation Accounts.

Huge savings in stock suspense

4.1.59 There were savings during the year 1997-98 to 2000-01 ranging from 48 per cent to 99 per cent. It was also seen that huge amounts were incurred towards procurement of stores from the scheme head during the year 1999-2000 and 2000-01. However, the Department did not maintain details of such procurement, year-wise and scheme-wise. Only quantitative accounts of various materials procured through schemes were maintained. Procurement of stock material directly debiting the scheme was injudicious particularly in view of the fact that the budget provisions in stock suspense were not utilised in full in any of the years.

Abnormally high closing balance of stock materials

4.1.60 The overall position of Store materials (Cement, GI wire, HDPE Pipe and Hume Pipe) was as under:

Table-4.13

Year	Opening Balance	Receipt	Total	Issue	Closing Balance
	(Rupees in lakh)				
1996-97	49.68	84.47	134.15	90.94	43.21
1997-98	43.21	314.56	357.77	285.51	72.26
1998-99	72.26	116.68	188.94	170.19	18.75
1999-00	18.75	159.19	177.94	54.23	123.71
2000-01	123.71	459.59	584.10	472.31	110.99

4.1.61 It would be seen that the closing balance of materials was abnormally on the higher side (16 to 78 per cent of receipt and 11 to 228 per cent of issue during the respective years).

4.1.62 The Department stated that the closing balances were high because the materials were purchased at the very end of the year and the corresponding issue of the materials were reflected during subsequent year. The reply was not tenable as the phenomena was evident in all the years under review.

Monitoring and Evaluation

No evaluation of Irrigation schemes

4.1.63 Implementation of the schemes was monitored by the field engineers as well as by Superintending Engineer and Chief Engineer. However, none of the schemes were ever evaluated and thus the impact of the various schemes implemented by the Department remained unascertained. The Department, in reply, informed that in compliance to audit observation, a Delhi based consultancy firm had been engaged for evaluating the impact of the schemes undertaken by the Department.

RURAL DEVELOPMENT DEPARTMENT
AND
PUBLIC HEALTH ENGINEERING DEPARTMNET

4.2 Drinking Water Supply Programme

Highlights

To ensure provision of drinking water to the entire population, ARWSP and AUWSP were launched in the State during 1977-78 and 2000-2001 respectively. The implementation of the programmes was characterised by a piece-meal approach bereft of perspective planning. No exercise was conducted to ascertain the extent of uncovered population and to identify sources of water supply in the State. The per capita cost of implementation of schemes was abnormally high. There was little consolidation of existing works and the issue of quality of water was left unattended as bacteriologically contaminated water was being supplied. Rainwater harvesting works and installation of solar photovoltaic pumps did not succeed resulting in infructuous expenditure. The reporting mechanism lacked authenticity and there were internal inconsistencies in the figures reported by the implementing department.

The Department had not worked out any mechanism to identify the problem habitations. The schemes were thus taken up on a piecemeal basis.

(Paragraph 4.2.10)

No survey had ever been conducted till February 2001 to identify the sources and assess their condition in so far as sustainability was concerned.

(Paragraph 4.2.15)

Against the norm of Rs. 1600, the per capita expenditure in the State ranged from Rs. 6839 to Rs.15326.

(Paragraph 4.2.26)

After 1996-97, neither was any water sample tested nor any remedial measures taken on the finding of bacteriological contamination of water.

(Paragraph 4.2.36)

There was a shortfall in expenditure on operation and maintenance ranging from Rs. 15.31 lakh to Rs. 1.94 crore during the period from 1997-98 to 2000-2001 resulting in inadequate maintenance of assets.

(Paragraphs 4.2.38 and 4.2.39)

Due to shortcomings in maintenance of assets register, the Department had no reliable records to indicate the present condition of the schemes (functional/defunct) already taken up over a period of 24 years since 1977-78.

(Paragraph 4.2.41)

Due to taking up of unrealistic and unviable scheme for implementation, the Department could not utilise Rs. 6.08 crore for more than 1 year.

(Paragraphs 4.2.45 and 4.2.46)

There was an unfruitful expenditure of Rs.1.63 crore on 4-rain water harvesting projects.

(Paragraph 4.2.49)

Implementation of solar photovoltaic pumping system resulted in an infructuous expenditure of Rs. 21.51 lakh owing to its non-viability.

(Paragraph 4.2.51)

Out of a sample of 146, 45 schools were not provided with drinking water facilities.

(Paragraph 4.2.54)

Rs. 95.00 lakh received from GOI during March 1998 towards MIS was transferred (March 2000) to the STCS to avoid lapse of budget but till date no computer had been purchased by the Department.

(Paragraph 4.2.56 to 4.2.59)

An amount of Rs. 15.69 crore paid as advance to STCS during October 1997 to March 2001 was shown as final expenditure despite the fact that these advances were not adjusted pending reconciliation with the STCS.

(Paragraph 4.2.66)

Despite the receipt of fund to the tune of Rs. 28.92 lakh from GOI during March 2000 for implementation of AUWSP, the programme could be implemented only from January 2001 due to non-availability of provision under State budget.

(Paragraph 4.2.70)

The per capita cost under AUWSP was Rs. 2981 against the permissible limit of Rs.1000 envisaged in the guidelines.

(Paragraph 4.2.71)

Introduction

4.2.1 Provision of adequate and safe drinking water is an index of socio economic development of a country. For providing adequate and safe drinking water, the Government of India (GOI) introduced Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 to assist the States and Union Territories with 100 per cent grants-in-aid to implement the schemes in the villages with problem in water supply. With the introduction of Minimum Needs Programme (MNP) in 1974-75, GOI withdrew the programme and reintroduced it in 1977-78 when the progress of supply of safe drinking water to the identified problem villages under the MNP was found unsatisfactory. The Government of Sikkim was implementing the programme in the State since its reintroduction at National level in 1977-78. To ensure maximum inflow of scientific and technical inputs into the rural water supply sector and to deal with the quality problems of drinking water, the GOI introduced National Drinking Water Mission (NDWM) introduced in 1986 which was renamed Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991 and continued till 1998-99.The Mission was revamped and included ARWSP, Sub-Missions, Human Resource Development, Research and Development, Information, Education and Communication and Sector Reform Programme w.e.f. April 1999. The scheme aimed at providing safe and adequate drinking water facilities to the rural population. The primary objectives of ARWSP were as under:

i) To ensure coverage of all rural habitations specially to reach the unreached with access to safe drinking water.

ii) To ensure sustainability of the systems and sources.

iii) To preserve quality of water by institutionalising water quality monitoring and surveillance through a catchment area approach.

4.2.2 For achieving the objectives, the following were to be addressed on priority basis:

i) To cover no safe source (NSS) habitation. Among them priority was to be given to those areas inhabited exclusively by SC/ST or having larger SC/ST population.

ii) Coverage of quality affected habitation with acute toxicity first and then others later.

iii) Upgradation of source level of safe source habitation getting less than 40 liters per capita per day (lpcd) to 40 lpcd.

iv) Coverage of schools and anganwadis where safe drinking water sources could not be provided under the allocation from the 10^{th} Finance Commission.

4.2.3 The centrally sponsored (50:50) Accelerated Urban Water Supply Programme (AUWSP) for towns with a population of less than 20000 (as per 1991 census) was launched at the national level in the year 1993-94 with the following objectives:

i) To provide safe and adequate water supply facilities to the entire population of the towns having less than 20,000 population.

ii) To improve the environment and quality of life.

iii) To better socio-economic conditions and enhance productivity to sustain the economy of the country.

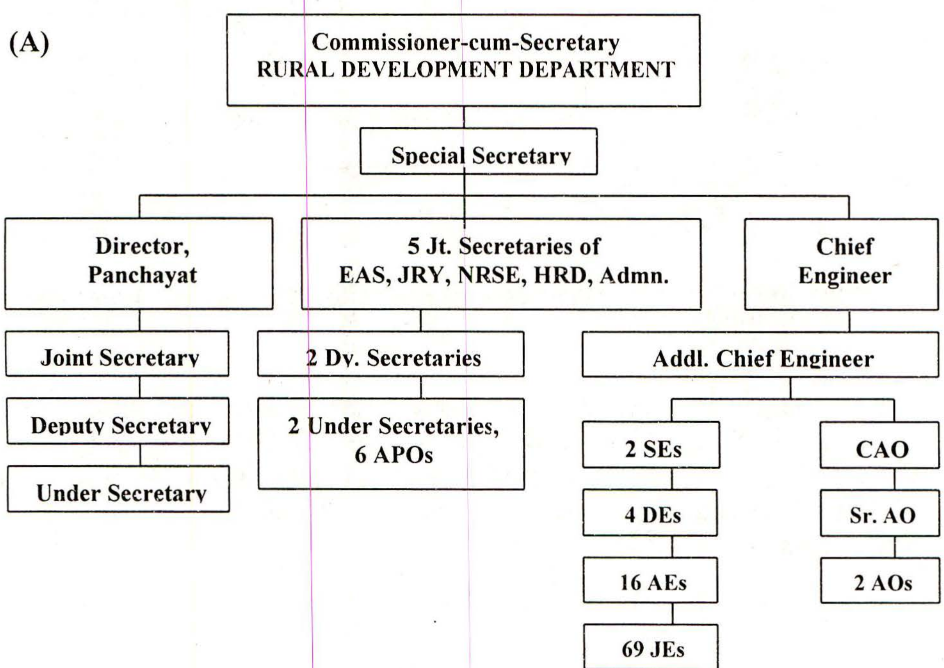
The State Government did not implement the AUWSP till 1999-2000.

Organisational Set-up

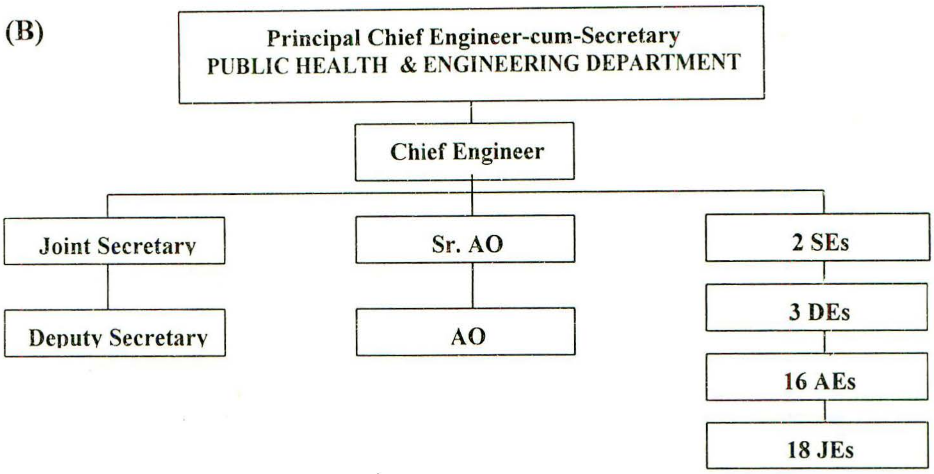
4.2.4 The organisational set up in Rural Development Department (RDD) for implementation of the ARWSP and the Public Health Engineering Department (PHED) for implementing the AUWSP were as under:

Chart-4.3

(A)



(B)



Financial Arrangement

4.2.5 The central assistance was allocated to the States under the ARWSP on the basis of matching provision/expenditure by the State under the State sector MNP. Release under the programme was not to exceed the provision for Rural Water Supply made by the State Governments under the MNP. The yearwise provisions and expenditure under the ARWSP and MNP in Sikkim were as under:

Table-4.14

(Rupees in lakh)

Sl. No.	Year	ARWSP			MNP
		Provision	Expenditure	Provision	Expenditure
1.	Upto 1996-97	4685.30	4934.90	4817.90	4916.80
2.	1997-98	409.60	408.82	956.80	955.21
3.	1998-99	699.30	715.30	860.60	857.65
4.	1999-2000	1381.71	1374.34	834.40	831.82
5.	2000-2001	720.00	715.02	427.00	466.90
	TOTAL	**7895.91**	**8148.38**	**7896.70**	**8028.38**

Source: Appropriation Accounts.

Note: The expenditure up to 1996-97 was as reported to the GOI by the Department for the period 1985-86 to 1996-97.

Scope of Audit

4.2.6 The review on ARWSP covering the period 1997-98 to 2000-2001 was conducted in the RDD from the records maintained in the Head Office, 2 Circle Offices in Gangtok and Jorethang and 4 Divisional Offices in the districts. Approximately 30 per cent of the overall expenditure under ARWSP was covered under the review.

4.2.7 The review on AUWSP covering the year 2000-2001 was conducted in the PHED from the records maintained in the Head Office and Divisional Office. Fifty per cent of the expenditure (including advances) under AUWSP was covered under the review.

4.2.8 Both the above programmes were reviewed during the period February – April 2001.

Accelerated Rural Water Supply Programme

Planning

Annual Action Plan (AAP)

4.2.9 The main objective of the AAP was to provide a definite direction to the programme. The States were to prepare AAPs six months before the commencement of the financial year on the basis of a shelf of schemes. Priority was to be given to complete the incomplete works.

Identification of habitations awaiting coverage and inventorisation of sources of water supply had not been done

4.2.10 The Department had not prepared any comprehensive plan for the State. It had not carried out any survey for identifying the Not Covered (NC), Partially Covered (PC) and Fully Covered (FC)* habitations for which appropriate schemes were to be taken up for implementation. The status of existing NC, PC, FC habitations, identified during 1992-93, had also not been updated periodically and execution of works for conversion of PC to FC continued without ascertaining the current status of already converted FC habitations. No exercise was done till February 2001 to identify existing sources of water supply with the intention of dove-tailing the source to the target habitation, much less for determining their sustainability. In the absence of these basic requirements, the question of preparation of a shelf of projects for execution after due prioritisation did not arise. The implementation of the programme depended upon the representations submitted by the villagers out of which works were selected for execution on a piecemeal basis. Since the last two years (1999-2001), schemes were being selected on the basis of resolutions passed in the Gram Sabhas.

4.2.11 The Department stated (September 2001) that the status of NC, PC and FC habitations was being updated for completion by December 2001.

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* *FC, PC and NC habitation in hill areas were those where the availability of potable water within 100 metre was more than 40 lpcd, between 10 to 40 lpcd and less than 10 lpcd respectively.*

Issue of sustainability of sources remained unaddressed

4.2.12 As envisaged in earlier guidelines of Government of India, ARWSP was to be discontinued by the end of 8th Plan period (1996-97). However, the implementation continued during 9th Plan period (1997-2002) because of the following reasons:

i) Sources going dry and defunct due to deforestation with consequent reduced recharge and lack of protection.

ii) Heavy emphasis on new construction and poor attention to maintenance.

iii) Non- involvement of people in operation and maintenance.

iv) Neglect of traditional water management system.

4.2.13 To address the above issues, sustainability of water source was to be given the highest priority besides taking care of maintenance and people's participation in the process. In case of the former, the available sources were to be identified and condition/status of sources ascertained for taking remedial measures. 20 per cent of ARWSP fund was to be earmarked and utilised for addressing the issues relating to quality of water and sustainability of sources.

Lack of data on water sources and absence of measures for ensuring their sustainability

4.2.14 Though the water supply schemes were taken up as early as in 1977-78, no survey had ever been conducted till February 2001 to identify the sources and assess their condition to determine their sustainability. There was no evidence to suggest that the Department had adopted any measures for ensuring the sustainability of the water sources. Hence, it could not be ascertained as to how many sources went dry during the course of time due to deforestation and lack of protection.

4.2.15 The RDD started its first assessment only in February 2001 and identified a total of 1414 water sources (critical: 150 nos., semi-critical: 739 nos. and normal: 525 nos.) in the State. Standard estimates of Rs.0.50 lakh and Rs. 0.30 lakh were also prepared (April 2001) for improvement of the critical and semi-critical water sources respectively. The sanction of these standard estimates and action thereagainst was still under consideration of the Department.

Though funds were received from GOI, work for augmenting traditional water sources was not taken up

4.2.16 It was further seen that out of Rs. 1.26 crore recommended by the 11th Finance Commission and sanctioned by Government of India for release in 4 annual instalments of 40 per cent in 2000-2001, 20 per cent in 2001-2002, 20 per cent in 2002-2003 and 20 per cent 2003-2004 for augmentation of traditional water sources, Rs. 50.40 lakh was received by the State Government during 2000-2001. The total grant was to be utilised within a period of 5 years w.e.f. 2000-2001 and a provision of Rs.50 lakh was also provided in the budget of 2000-01 for augmentation of traditional water sources in the State. However, no work for improvement of traditional water sources was taken up by the RDD.

4.2.17 Thus, the area that was to be given the highest priority remained neglected.

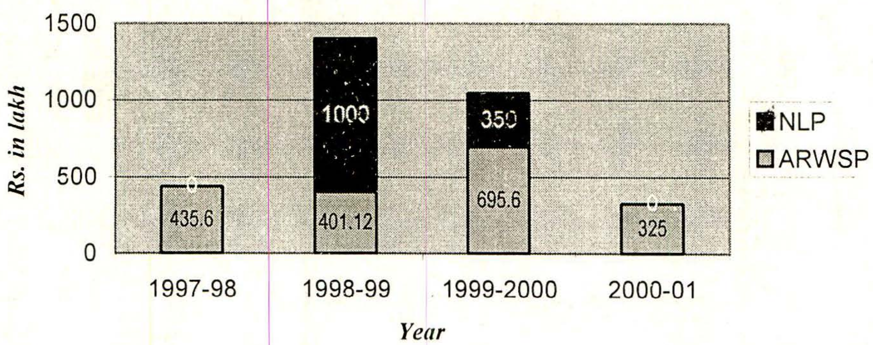
Sources and application of fund

4.2.18 The provisions under ARWSP during 1998-99, 1999-2000 and 2000-2001, as detailed in paragraph 3.4.5, included Rs. 3.14 crore, Rs.6.86 crore and Rs. 3.50 crore respectively towards assistance from Non-Lapsable Central Pool (NLP) of Resources for North East and Sikkim. However, the provision during 2000-2001 excluded Rs. 6.08 crore released by the GOI (30 March 2000) and received by the State (April 2000) for Sector Reform Programme (SRP). No expenditure out of Rs.6.08 crore received for SRP was incurred by the State Government.

Unrealistic budgeting

4.2.19 In Sikkim, the central assistance was received by the Finance Department, credited to the Government Account (MH-1601) and allocated to the Rural Development Department (RDD) through Budget Provision. The position of funds received from the GOI year-wise was as under:

Chart-4.4



Source: Sanction/Release Orders from the GOI.
Note: Against the sanction of Rs.650.00 lakh during 2000-01, only Rs.325.20 lakh was received from the GOI during May 2000.

4.2.20 As compared with the table at para 3.4.5, it would be seen that there were huge variations between the receipts from GOI and the budget allocation during the respective years. Thus, the budget estimate was unrealistic with reference to the actual receipt from the GOI under the programme.

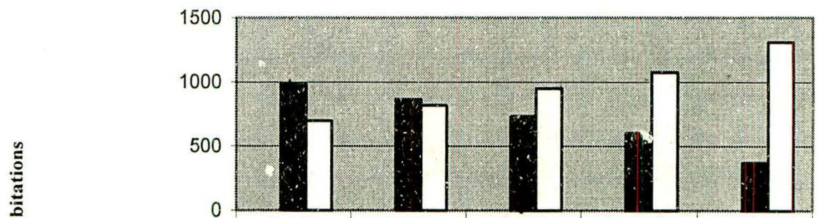
Releases at the very end of the years

4.2.21 While the datewise release and receipt of the central assistance by the Finance Department could not be ascertained in the RDD, the details of sanction from the GOI as furnished by the RDD revealed that out of 4 instalments during 1997-98, 2 instalments aggregating Rs.2.50 crore (57 per cent) were sanctioned in February 1998. Out of 4 instalments during 1998-99, 3 instalments aggregating Rs.2.48 crore (62 per cent) were sanctioned in November-December 1998. Out of 3 instalments during 1999-2000, 2 instalments aggregating Rs.4.65 crore (67 per cent) were sanctioned in December 1999-January 2000. Further, all the sanctions under NLP through 2 instalments during 1998-99 and one instalment during 1999-2000 were given in January-February 1999 and March 2000 respectively. This indicated that the sanctions for releases by the GOI were made mostly at the very end of the years.

Implementation

4.2.22 The State Government had identified a total of 1679 problem habitations in 1992-1993 for the purposes of providing drinking water supply. The year-wise position of NC, PC and FC habitations in the State since April 1997 was as under:

Chart-4.5



	1.4.97	1.4.98	1.4.99	1.4.2000	1.4.01
Not covered	0	0	0	0	0
Partially covered	983	862	732	602	370
Fully covered	696	817	947	1077	1309

Not covered ■ Partially covered □ Fully covered

Source: Information furnished by the Department.

4.2.23 As at the end of the 8th Plan (1996-97), out of 3.70 lakh rural population (1991 census), 3.06 lakh (83 per cent) had been covered leaving the balance of 0.64 lakh (17 per cent) population to be covered under the rural water supply programme. The subsequent year-wise targets/achievements, coverage of population etc. were as under:

Table-4.15

Year	Conversion of PC to FC (habitations)		Population covered	Expenditure (ARWSP+MNP)	Per capita expenditure
	Target	Achievement	(Rupees in lakh)		(In Rupees)
Up to 1996-97	227	207	3.06	9851.70	3218
1997-98	126	121	0.09	1364.03	15326
1998-99	130	130	0.23	1572.95	6839
1999-00	130	130	0.24	2206.16	9078
2000-01	230	232	0.18	1419.02	8155
TOTAL		**820**	**3.80**	**16413.86**	**4319**

Note: ***The coverage of population upto 1996-97 was as reported to GOI by the Department for the period 1985-86 to 1996-97 and other information were as furnished by the Department. The target for 2000-01 included 100 habitations to be covered under the sources from NLP.***

Unreliable reporting structure led to inconsistent reporting to GOI

4.2.24 From the above, it would be seen that as at the end of 2000-01, the Department had already covered the entire targeted rural population of 3.70 lakh (1991 census). Since individual water supply schemes are designed to cater to the needs of the projected population for the next 20 years, there is no necessity for further continuance of the programme in the State based on this data. Interestingly, while the figures of population covered reported by the State Government to GOI showed that the entire rural population had been provided with drinking water, 370 habitations were still shown as not fully covered. Further, the total achievement in respect of coverage of habitations (820 nos.) did not match with the FC habitations (1309) as on 01 April 2001. Also, there were huge variations between the population/habitation covered and expenditure incurred thereto. These inconsistencies could not be explained to Audit. This, coupled with the fact that there was no updation of data on coverage of habitations and Audit did come across cases of NC habitations, lead to the logical conclusion that the reporting structure was unreliable and the reporting lacked authenticity.

4.2.25 The Department stated (September 2001) that the entire mechanism of reporting was being reviewed.

Information to Cabinet that per capita expenditure was within norms was misleading

4.2.26 It was further seen that while obtaining approval from the Cabinet for implementation of the programme in the State, the per capita expenditure was wrongly stated to be within Rs. 1600 as per ARWSP norms. However, the actual per capita expenditure worked out to Rs. 6839 to Rs. 15326 during the period covered under Audit. While the per capita expenditure was abnormally high, the information furnished to the Cabinet for obtaining approval for implementation was not correct.

4.2.27 The departmental reply (September 2001) that the norms of Rs.1600 was based on an All India average and the water supply schemes in the hills were costly to build and difficult to maintain was not relevant in the context of incorrect information furnished to the Cabinet for obtaining approval.

4.2.28 The physical and financial progress of the works sanctioned/executed and audit observations thereagainst was as under:

a) South-West Circle covering South and West District/Divisions

Table-4.16

Year	OB	Works sanctioned	Works completed	Expenditure (Rs. in lakh)	Works in progress	Expenditure on works-in-progress (Rs. in lakh)
1997-98	42	01	01	1.42	42	15.15
1998-99	42	142	10	49.39	174	119.52
1999-00	174	33	25	72.84	182	281.01
2000-01	182	Nil	37	121.02	145	176.00

b) North-East Circle covering North and East Districts/Divisions

Inadequate control over implementation of works due to poor maintenance of works records

The North-East Circle did not maintain Works Registers in the proper form as prescribed under paragraph 255 of SPWD Code. The registers maintained were incomplete, without any information on commencement and completion of work, estimated cost, tendered cost, date and amount of payments etc. In the absence of such information, it was not possible to ascertain the number of works taken up for execution, payments made and works remaining incomplete at any point of time. However, from the cash books maintained in the circle office and list of works sanctioned, the expenditure incurred during 1997-98 to 2000-2001 as worked out by Audit was as under:

Table-4.17

Year	Total works sanctioned	Works completed*	Works in progress*	Expenditure (Rs in lakh)
1997-98	Nil	26	35	87.05
1998-99	190	24	26	61.89
1999-2000	22	55	34	106.27
2000-2001	72	82	14	164.05

* *In compiling the above information, Audit reckoned "works completed" as those for which final payments had been made and "works in progress" as those for which running account bills were paid during the years.*

4.2.29 In the absence of vital information in the Works Registers, there was no way the Circle could have been in a position to ascertain the delay in execution or the expenditure incurred on any work and accordingly monitor the implementation and progress of ARWSP in its jurisdiction.

4.2.30 The Department Stated (September 2001) that it had now taken special care for the up-to-date maintenance of such registers and specific instructions had been issued to the concerned staff in this regard.

Defective execution of works

4.2.31 Out of the 563 works in operation during the period covered under review, 131 works were taken up for test check in audit and the findings are mentioned below:

i) In 9 works, after the sanction and award of the works, even the first running account bill was not received. There was nothing on record to suggest as to whether these works were at all executed or not.

The Department's reply (September 2001) that all the works had been completed but payments were either made subsequently or were yet to be made was not acceptable as scrutiny of concerned individual files by Audit in the South-West circle did not show any indication regarding extension of time, date of completion, processing/sanction of bills for payment in the concerned file.

ii) In 101 works, there was delay in completion of works ranging from more than 1 month to more than 3 years. The reason for delay was attributed to non-availability of materials in the stores. However, in 7 cases no reason for delay was on record.

iii) There was no information on targetted population in 107 works and water discharge in 121 works due to which it could not be ascertained whether these water supply schemes were catering to the minimum requirement of 40 lpcd. In one work (Lower Mazigaon), the scheme was designed only for 27 lpcd which established the fact that the scheme was not changing the status of the PC habitation. In 4 works, the technical report contained the information on population without specifying it as 'present' or 'designed'. Information on designed population and water discharge was available in the technical reports of only 3 works.

iv) It was further seen that except the works undertaken by the Gyalshing sub-division, no other sub-division was working out the requirement of diameter of the pipes to be used in the water supply schemes. Further, in the absence of information on population to be covered and discharge level of water, such calculation was not possible. Therefore, the purchase and utilisation of pipes of various diameters in the 128 works was without any basis. In all the cases there was no mention about the sustainability of water sources, potability of available water and requirement of chlorinators etc.

v) Although the Department was reporting to the GOI that there was no NC habitation in the State, the habitation of 56 people in Rogay Tinkharkey (South District) fell under the NC Category as the availability of water was at a distance of 500 metre. Further, the habitation at Peagong Sherathang (North District) with a population of 728 also fell under the NC category as the availability of water was below 10 lpcd.

In the absence of details in the technical reports as mentioned above, it was not possible to classify the habitations into NC, PC or FC. The Department has, however, shown 370 PC habitations and 1309 FC habitation as on 01 April 2001, the veracity of which is not corroborated by the details shown in the technical reports.

Quality of Water

Non-availability of water testing facilities

4.2.32 Twenty per cent of ARWSP funds were to be earmarked and utilised for ensuring the quality of water to be provided to the rural population and to maintain sustainability of water sources. For this purpose, water quality testing facilities were to be established. The State Government proposed (September 1997) to GOI for setting up laboratories in each district at a total estimated cost of Rs. 41 lakh. The GOI sanctioned and released (December 1997) first instalment of Rs 2 lakh for setting up one district laboratory in South District within 1997-98. However, till date (April 2001) the laboratory had not been set up and the amount of Rs. 2.00 lakh received from the GOI was released (March 2000) to the State Trading Corporation of Sikkim (STCS) as advance for purchase of water testing equipment and chemicals.

4.2.33 The Department reported that the establishment of laboratory at Namchi had since been completed and would be functional during 2001-02. The fact, however, remained that the establishment of the laboratory was delayed by four years.

4.2.34 A mobile laboratory van received from the GOI (July 1991) went off road in November 1995 and thereafter neither was it repaired nor any test conducted through it. Although during December 1998 an amount of Rs. 0.44 lakh was paid to the Chandmari Workshop and Automobile Limited (a State Government Company) for repair of the van, the same had not been repaired till date (April 2001).

Failure in providing safe drinking water

4.2.35 One stationary water testing laboratory was established in the State (February 1989) under the Mines and Geology Department (MGD). This laboratory tested a total of 254 water samples during 1992-93 to 1996-97 throughout all the districts in the State. The samples tested were found to be bacteriologically contaminated. During the same period, the National Environmental Engineering Research Institute, Nagpur, and Industrial Toxicology Research Centre, Lucknow also carried out water analysis in the State and found that out of 112 samples checked, 90 per cent were bacteriologically contaminated. As a remedial measure to the findings of water test and analysis, it was suggested by the MGD that the water should be supplied to the public only after chlorination, the water quality should be monitored regularly with at least one sample from each source analysed every month, and each sub-division should be provided with at least one water testing kit.

4.2.36 However, after 1996-97 neither any water sample was tested nor any remedial measure on the finding of bacteriological contamination in the water taken by the Department. There was no provision for chlorinator/bleaching power etc. in any of the estimates prepared for execution of individual water supply schemes. The Department, therefore, could not ensure the potability of the water being supplied through all the water supply schemes undertaken by it. There was an outbreak of cholera in the West District during April to August 1998 involving 300 cases (including 7 deaths) of gastroenteritis. During this period, there were also positive cases of cholera in the East District as observed by the Principal Director of Health Services (PDHS). The PDHS also suggested interalia to the Department for chlorination in the affected areas and proper health awareness. The observation and suggestion of PDHS remained unaddressed.

4.2.37 The objective of providing safe drinking water to the rural population in the State therefore remained unfulfilled. In a way this signified a complete failure of the schemes undertaken by the State with the objective of providing *safe* drinking water to its rural populace.

Operation and Maintenance

Inadequate maintenance and improper record keeping

4.2.38 According to the guidelines, 10 per cent (15 per cent from April 1999) of the provision under the programme was to be earmarked and utilised for operation and maintenance (OM) of assets created. The year-wise provision under ARWSP and expenditure under OM was as under:

Table –4.18

(Rupees in lakh)

Year	Provision		Expenditure (OM)		
	ARWSP	OM	As per norm	Actual	Shortfall
1997-98	409.60	26.00	40.96	25.65	15.31
1998-99	699.30	10.00	69.93	9.35	60.58
1999-00	1381.71	20.00	207.26	13.27	193.99
2000-01	720.00	25.00	108.00	24.88	83.12
TOTAL	**3210.61**	**81.00**	**426.15**	**73.15**	**353.00**

Note: The provision of 1999-2000 and 2000-01 included Rs.1000.00 and Rs.350.00 lakh under NLP.

4.2.39 While on one hand only 17 per cent of what was required to be spent on operation and maintenance as per norms was actually spent during the four years reviewed, on the other hand there were a number of instances where estimates for repair and renovation of existing water supply works had not been sanctioned by the Department. In most of these cases, damage to various components had severely eroded the coverage of these schemes. Since the status of existing FC habitations, identified in 1992-93, had never been subsequently updated, the habitations covered by these schemes continued to be shown as FC even though there could have been a case for down-grading them.

4.2.40 The departmental reply (September 2001) that the schemes under NLP started only during 1999-00 and did not require maintenance was not acceptable as the provision/expenditure under OM was also to take care of earlier works.

Inventory of assets created not maintained

4.2.41 According to the guidelines, each village panchayat, block and district was to have a complete inventory of the drinking water sources created under different programmes giving date of commencement, completion, cost of completion, depth in case of spot sources, agency responsible for operation and maintenance and other relevant details. The inventory of assets was also to be available with field functionaries at sub-division, circle level etc. and the overall position was to be available with the Implementing Department in the State. Out of all the 11 sub-divisions test checked in Audit, only one sub-division (Kaluk) could produce its assets register but with incomplete details, that too, only for one year, 2000-01. Some of the sub-divisions stated that since the assets created were handed over to the concerned village panchayats, they had not maintained the asset register. The contention was not correct as in the absence of proper inventory, operation and maintenance of the same could not be ensured.

4.2.42 During discussion of the review with Commissioner-cum-Secretary of RDD, village panchayat wise asset registers were produced to Audit. These registers did not contain the information regarding date of commencement, completion, cost on completion and the sources from which the cost was met. Information for the last 2/3 years only was partially filled in like name of the scheme, year of sanction and estimated cost. Although it was assured during discussion that henceforth these registers would be maintained properly and field functionaries instructed accordingly, the fact remained that the Department had failed to appreciate the utility of assets register as it had not maintained proper records of the created assets though the schemes were being implemented since 1977-78.

Human Resource Development (HRD), Information, Education and Communication (IEC) and Research and Development (RD)

Non-implementation of programmes

4.2.43 The programmes under HRD, IEC and RD were not implemented in the State though these were envisaged under the scheme with the objective of empowering the local institutions, building capacity among local communities and creating awareness regarding the use of safe drinking water. Similarly, women were not involved at any stage of the rural water supply programme though they were the principal beneficiaries of the scheme.

Sector Reform Programme (SRP)

The SRP was not implemented even though Rs.6.08 crore was received from GOI

4.2.44 The ARWSP interalia aims at institutionalising community participation in the rural water supply sector with a view to gradually replacing the Government oriented and centralised supply programme by a people oriented, decentralised, demand driven and community based rural water supply programme. From 1999-2000, under the SRP, incentive in the form of additional funds was to be given to those States, which would initiate steps for institutionalising community participation in the rural water supply programme. One of the conditions for getting the incentive was that at least 10 per cent capital cost and 100 per cent operation and maintenance cost were to be borne by the beneficiaries.

4.2.45 The State Government identified two pilot districts (South and West) for implementation of SRP. The Detailed Project Reports (DPRs) prepared by the Department were approved (February 2000) and Rs. 22.15 crore was sanctioned by the GOI for the two pilot districts. An amount of Rs. 6.08 crore was released (March 2000) and credited to Government Account (April 2000).

4.2.46 The SRP had not taken off in the State and the Department stated (September 2001) that the implementation of the programme in the State is being reviewed by the State Government and the decision was awaited.

The SRP was inherently biased against rural consumers

4.2.47 An analysis of the costs revealed that the programme was inherently biased against the rural consumers in Sikkim. At the average per capita capital cost of Rs. 9850 for new rural water supply schemes during the last 4 years in Sikkim, the total annual financial burden on a single rural consumer on operation and maintenance cost alone worked out to Rs. 985 (10 per cent of the capital cost as per norm) for a single stand post feeding about 250 persons. Compared to this, the subsidised tariff for urban water supply in the State was only Rs. 252* per year for the entire household.

Sub-Mission Projects

Improper implementation

4.2.48 Sub-Mission Projects (SMPs), undertaken by the States to address water quality problems like Flurosis, Arsenic, Brackishness, Excess Iron etc. and to ensure source sustainability through rain water harvesting, artificial recharge etc. were funded in the ratio of 75:25 (Central:State) except in the year 1998-99 when it was in the ratio of 50:50. While no separate fund was to be available for implementation of this component, upto 20 per cent of ARWSP funds were to be earmarked and utilised for new projects designed to address water quality and sustainability issues.

4.2.49 On the proposal of the State Government (August 1994), the GOI sanctioned (November 1994) Rs. 1.54 crore for execution of 4 Rain Water Harvesting projects in the State for completion within December 1995. The sanction included Rs. 61.72 lakh towards water supply programme under these 4 projects intended for a design population of 20,331 spread over 18 villages. Out of the central share of Rs.1.16 crore, only Rs. 77.15 lakh was released by the GOI (February 1995). The execution of these projects was plagued by the following shortcomings:

Time and cost over-runs

i) Against the strict stipulation for completion within December 1995, the projects were completed after delays of 1 year 11 months, 2 years 3 months, 3 years 4 months and 4 years 5 months mainly due to non-availability of materials to be supplied by the Department.

The departmental reply that most of these schemes were located in remote and inaccessible areas where transportation of material took longer period than

* *3 taps @ Rs.21/- per month for 12 months*

earlier estimated was not tenable as the date scheduled for completion was after taking into account the remoteness and inaccessibility of the areas.

ii) No cost escalation was admissible under any circumstances. However, there was total cost escalation of Rs. 37.30 lakh due to increase in cost of materials and execution of additional works not covered under the sanction accorded by the GOI.
The departmental reply that cost escalation was inevitable as the works included brake lining and laying of agro-film was indicative of defective estimation.

Target villages under two projects undertaken with water supply work already had separate water supply schemes

iii) Although all the 4 projects were to be completed with water supply works, only the projects at Tamley and Yangyang were undertaken with water supply work. However, there was nothing on record to indicate successful completion of these 2 projects with water supply facilities. On the other hand, all the 9 villages for which these projects were intended had separate water supply schemes provided by the Department. Therefore, the very purpose for which these two projects were undertaken at a total expenditure of Rs. 60.39 lakh was *ab initio* invalid.

Water harvesting lakes constructed under other two projects remained dry

iv) The other two projects at Aritar and Nagi Maneydara were completed without the water supply work. The project at Nagi Maneydara needed an additional sanction of Rs. 18.90 lakh during February 1999 for construction of water supply scheme. Since the lake constructed was dry and its future utility was doubtful, the scheme for water supply was not sanctioned. The lake constructed at Aritar also remained dry during November to June every year and hence a proposal to link it with an additional water source was moved. An estimate for Rs. 68.79 lakh was prepared (August 1996) for this supplementary work. This proposal for feeding the lake with additional rainwater from the other source was not sanctioned leaving this lake dry and defunct. Therefore, the total expenditure of Rs. 1.03 crore for these two projects yielded no benefits.

The departmental reply that these projects were not completely successful due to depletion of rainfall in these areas was indicative of defective survey and planning before taking up of the projects.

v) The condition of sanction for the 4 projects was that these Rain Water Harvesting Projects were the only alternative for rural water supply in the project areas. However, all the projects were intended for conversion of PC habitations to FC habitations which established the fact that these were not the only sources of water supply.

The contention of the Department that these projects were sanctioned to augment the existing water supply for the target population was contrary to what was contained in the relevant sanction orders.

Hydrological and geophysical survey not done

vi) As required under the condition of sanction, expert opinion/recommendation of Central Ground Water Board (CGWB) on hydrological and geophysical conditions was to be obtained for ensuring the suitability of the rainwater harvesting structure. This was not done.

Non-furnishing of Utilisation Certificate blocked further release of funds from GOI

vii) Against the actual expenditure of Rs. 1.63 crore in the 4 projects, the Department reported the expenditure as Rs. 1.16 crore to the GOI. However, till date (April 2000) the utilisation certificate against the receipt from the GOI had not been furnished by the Department as a result of which the GOI did not release the balance amount of its share after the initial release of Rs. 77.15 lakh in February 1995.

4.2.50 Although 20 per cent of the ARWSP fund was to be expended for new projects designed to address water quality and sustainability issues, no expenditure other than the expenditure relating to the 4 projects mentioned above had been incurred in the State for tackling these issues.

Solar Photovoltaic Pumping System

Solar photovoltaic pumps were installed even though the initial survey had pointed to their unviability

4.2.51 Due to non-availability of electricity, motor pumps, prohibitive cost of transportation of conventional system and equipments, five Solar Photovoltaic (SPV) pumps were supplied to the State Government by GOI for tapping solar energy and converting it into electricity for lifting water from greater depths. The dates of issue and receipt of the equipment were not on record. Only 3 out of these 5 pumps were installed at Namthang (1991-92), Phalidara phase I (1994-95) and Phalidara phase II (period of completion not on record) at a total expenditure of Rs. 21.51 lakh which excluded the cost of pumps provided by the GOI. All these 3 schemes were declared unviable during January 1992 because of the low discharge of 14 litres per minute supplied by the solar pumping system which was not sufficient to lift the ground water to the required head for distribution to the beneficiaries. It was however noticed that the initial survey for preparing the estimates of these schemes itself indicated the discharge as 9.03 to 14.13 litres per minute. Therefore, these schemes were not viable from the very beginning and execution of these projects resulted in an infructuous expenditure of Rs. 21.51 lakh.

4.2.52 The departmental reply that these schemes were not found economically viable in the hills due to huge maintenance cost of pumps, reduction in the availability of ground water and remoteness of the areas was not acceptable as these factors should have been taken into account before incurring expenditure.

Provision of Drinking Water in Rural Schools

Failure to provide drinking water in schemes

4.2.53 According to the guidelines of ARWSP, drinking water facilities were to be provided to all the rural schools by the end of the 9th Plan (2001-2002). A part of the fund required for this purpose was to be met from the 10th Finance Commission allocations and the balance amount from rural water supply programme. The Department was required to fix target for coverage of rural schools on an yearly basis and this activity was required to be carried out in coordination with Departments of Social Welfare and Education.

4.2.54 While consultation with these Departments was never made in this context, details of rural schools with/without drinking water facilities were also not available with the Department and neither were targets ever fixed for coverage of such schools. However, during 1997-98 to 2000-2001, 7 schools under MNP and 1 school under ARWSP were covered under the programme. In a review carried out by Audit in May 2000, out of a sample of 146, 45 schools (31 per cent) did not have drinking water facility.

4.2.55 The Department stated that priorities for coverage of rural schools were being done at the initial project formulation stage at the field levels. As Education Department had its own programme, to avoid duplication, targets for coverage of schools were made in due consultation with Education Department. While no other documentary evidence in support of the Department's contention could be produced to Audit, the letter from RDD to Education Department produced as evidence of consultation was issued on 22 August 2001.

Management Information System (MIS)

Non-implementation of IT based MIS

4.2.56 For affective planning, monitoring and implementation of various schemes under different programmes, IT based MIS was to be provided. The funding pattern of the component was as under:

Table-4.19

Sl. No.	Items	Central share	State share
1.	Computer hardware and application software	80%	20%
2.	Training	100%	-
3.	Development of MIS software	100%	-
4.	Consumable and recurring	-	100%

4.2.57 The Ministry of Rural Areas and Employment (MRAE), GOI sanctioned and released (March 1998) Rs. 95.00 lakh under MIS component as central share towards purchase of computers hardware application software training and development of MIS software. The amount was credited to the Government account (May 1998). The hardware was to be purchased during 1997-98 from the vendors shortlisted by the Ministry. However, due to non-allocation of provision in the State budget during 1997-98 and 1998-99, non-finalisation of requirement of hardware by the State with reference to the specification intimated by the Ministry, non-release of State's share under the component, neither this component had been implemented in the State nor the funds received from GOI refunded.

4.2.58 The entire amount of Rs. 95.00 lakh was transferred to STCS (31 March 2000) for avoiding lapse of budget sanction and till date (April 2001) no computers were supplied by STCS. In the meantime, an additional amount of Rs.4.78 lakh was received from the GOI (March 2001) towards procurement of automation package for the computerisation project. The amount was credited to the Government account (March 2001) but no expenditure had yet been incurred towards implementation of MIS in the State.

4.2.59 The Department replied (September 2001) that the programme was delayed due to some administrative matter between NIC and the Department. The matter has since been sorted out and necessary orders placed with the manufacturers through STCS.

Monitoring and Investigation Unit (MIU)

Non-availability of specialist staff

4.2.60 GOI was providing assistance to States to establish and continue special investigation divisions to carry out investigations, planning and feasibility study of the schemes. The MIU at the State headquarter was to be responsible for collecting information from the executing agencies through prescribed reports and returns, maintenance of data and timely submission of reports/returns to GOI, besides monitoring the execution of works in the field level. The MIU was to have hydrologists, geophysicist, computer specialist, data entry operators etc. The expenditure under this component was to be shared between Centre and State on 50: 50 basis.

4.2.61 An amount of Rs. 19.38 lakh was received from the GOI during 1997-98 to 2000-2001 against which an expenditure of Rs. 20.34 lakh was incurred during the same period towards salaries of AE, JE, Steno to CE, Draughtsman, LDC, Peon (one each). No hydrologist, geophysicist, computer specialist etc., was appointed for effective implementation of the programme. Further, although the programme was 50 per cent CSS, the budget of the State exhibited it as 100 per cent CSS and almost the entire expenditure under this component was met from the receipts from GOI.

4.2.62 The Department replied (September 2001) that due to smallness of the State and the Department, it was not felt necessary to maintain separate Investigation Cell. The Planning and Design Cell of the Department also performs as a Monitoring Cell. However, the Department will seek the permission of the GOI to utilise the existing manpower.

Purchase and Issue of Materials

Improper material management and payment of advances at the end of the years

4.2.63 In all the 131 works (executed in 4 districts/divisions) test checked in Audit, there were delays ranging from 1 month to more than 3 years in completion of works that were attributed to non-availability of materials at stores. The reason for delay on the ground of non-availability of materials was not tenable as the Department procured material worth Rs. 23.04 crore (72 per cent of the total expenditure under ARWSP) during the 4 years under review as detailed below:

Table-4.20

(Rupees in lakh)

Year	Cost of material purchased for ARWSP	Total expenditure on ARWSP	Percentage of expenditure on material purchase
1997-98	388.11	408.82	95
1998-99	553.64	715.30	77
1999-00	1106.84	1374.34	81
2000-01	255.29	715.02	36
TOTAL	**2303.88**	**3213.48**	**72**

Expenditure on material purchased was far above the norm

4.2.64 Considering the average material component in water supply works at 60 per cent, the expenditure on material as a percentage of total expenditure during the first 3 years as above, was abnormally on the higher side. Therefore, the reason attributed for the delay was not convincing.

4.2.65 The Department replied that it did not purchase additional material for increase in the scope of works and at times it was also compelled to issue materials for emergent works not contemplated earlier leading to a situation where materials were not available for the works for which materials were purchased. However, the Department has stopped the practice of issuing materials to works for which purchase had not been made.

Huge amounts advanced to STCS were pending reconciliation

4.2.66 An amount of Rs.15.69 crore was paid to STCS as advance during October 1997 to March 2001 for purchase of cement, steel, GI pipes, fittings etc. Out of this amount, Rs. 3.49 crore was paid on 31 March 1999, Rs. 3.07 crore on 31 March 2000 and Rs. 1.86 crore was paid on 13 and 29 March 2001. Despite the fact that the advances were not adjusted pending reconciliation with STCS, the entire amount was shown as final expenditure by the Department. Payment of advances on the last day/month of any financial year to avoid the lapse of budgetary provision was highly irregular.

4.2.67 The Department replied that at times the funds were received at the very end of the financial years. The Department will do away with this practice if the funds are received in time.

Accelerated Urban Water Supply Programme

Implementation

Delay in implementation after receipt of funds from GOI

4.2.68 The provision and expenditure under AUWSP (implemented during 2000-2001 only) was as under:

Table-4.21

(Rupees in lakh)

Year	Provision	Expenditure
2000-2001	57.84	57.84

4.2.69 Under AUWSP, 25 per cent of the funds required for individual scheme were to be released by the GOI on selection of schemes by the State Government and approval of the GOI. Although the GOI launched the programme during 1993-94 for implementation throughout the country, the State Government proposed (November 1999) for approval of 2 projects at Mangan (North District) and Singtam (East District) to GOI. While the proposal for Mangan was rejected on the ground that the population intended to cover under it was much higher than the population reflected in the Census Book published by the Director of Census, the project for Singtam (Augmentation of Water Supply Programme for Singtam Bazar Area) at an estimated cost of Rs.1.16 crore to cover 3880 beneficiaries in 7 agglomerations was approved in 1999 and Rs. 28.92 lakh was released (March 2000) by the GOI.

4.2.70 Despite the receipt of fund in March 2000, due to non-provision in the budget, the PHED could implement the programme from January 2001 and an expenditure of Rs. 57.84 lakh was incurred till March 2001. It was seen that out of Rs. 57.84 lakh, Rs. 45.89 lakh (79 per cent) was paid to STCS as advance during February– March 2001 for procurement of materials for the project. However, no material was received (March 2001). Therefore, only Rs. 11.95 lakh was expended towards implementation of the programme. Delay in implementation deprived the intended beneficiaries from getting drinking water for 7 years.

Very high per-capita cost

4.2.71 The per capita cost of the project worked out to Rs. 2981 (Rs.1.16 crore for 3880 beneficiaries), which was second highest amongst the 25 States implementing the programme. This was against the normal permissible limit of Rs. 1000 as envisaged in the guidelines. The cost recovery of these services was also very low as the tariff for supply of urban water was fixed at Rs. 21 (for first 3 taps with additional charge of Rs. 1.50 per each extra tap) which worked out to only Rs. 252 per year for a full household.

4.2.72 The Department replied (July 2001) that the perennial source of water for the project was at a far distance from the town. The cost of pipes and fittings enhanced the per capita cost. It was further stated that the tariff for urban water supply was being increased for full recovery of cost at a shorter time.

Evaluation

4.2.73 Evaluation of the impact of the programme was essential to judge its success or failure and for taking remedial action to eliminate shortcomings/ weakness in the implementation. Since the AUWSP was being implemented since January 2001, it was not required to be evaluated as yet. However, despite the implementation of ARWSP over 24 years the success or otherwise of the programme was never evaluated by any agency/authority till date (October 2001).

CHAPTER-IV

WORKS EXPENDITURE

SECTION : B

(AUDIT PARAS)

CHAPTER-IV

WORKS EXPENDITURE

SECTION – B
(AUDIT PARAS)

BUILDING AND HOUSING DEPARTMENT

4.3 Avoidable expenditure due to incorrect adoption of rates

Adoption of incorrect rates in the estimate resulted in an avoidable expenditure of Rs. 13.50 lakh.

4.3.1 The work for construction of a guest house at Bodh Gaya, Bihar was awarded (March 1997) to a contractor at 8 per cent below the estimated cost of Rs. 2.38 crore which was subsequently revised to Rs.2.86 crore due to addition and change in the scope of some items of work. The estimate had been prepared by the Divisional Engineer (Project) on the basis of Schedule of Rates (SOR) 1994 except for the item of 'sand filling'. As against the Schedule rate of Rs. 207 per cubic metre (cu.m) of sand filling (including carriage charge of Rs.115 per cu.m), the estimate included this item at the rate of Rs.300 per cu.m. There were no reasons on record for this deviation.

4.3.2 The total quantity of 'sand filling' executed was 15775.08 cu. m. for which the contractor was paid Rs.43.54 lakh (June 1999) instead of Rs.30.04 lakh which would have been payable had the correct rate been applied. This resulted in an avoidable expenditure of Rs.13.50 lakh {(300-207) x 92% x 15775.08}.

4.3.3 The Departmental reply (May 2001) that the additional element of Rs.93 per cu.m. was allowed for hiring of machinery, extra labour, water charges, extra tools and plants, miscellaneous overheads and contractor's profit was not acceptable as these elements were already included in the rates fixed for the purpose.

4.4 Non-recovery of Sales Tax

Non-recovery of Sales Tax from contractors' bills resulted in undue benefit of Rs.11.40 lakh to the contractors.

4.4.1 Estimates for civil works are prepared on the basis of Schedule of Rates (SOR) approved by the Government of Sikkim. Each item of work in the SOR includes sales tax in respect of departmentally issued materials like cement, steel etc. This is charged at 6 per cent of the issue price of the concerned material and forms a part of the estimate irrespective of whether the material is issued from the departmental stores or procured on his own by the contractor. As such, this amount is to be deducted from the bills of the contractor when materials like cement, steel etc. are issued departmentally. Sales tax is also to be recovered in cases of self-procurement of stock materials where the contractor has not paid it at the time of original purchase.

4.4.2 A test check of all the ten major works exceeding the value of Rs.10 lakh executed by the East, West and South Divisions revealed that sales tax in respect of self-procurement of materials was not recovered in any of the cases (December 2000). In all these cases of self-procurement of materials, for which payments were made during March 1999 to August 2000, sales tax amounting to Rs. 11.40 lakh had not been recovered even though the tax had not been paid at the time of initial procurement. This amount was also not paid subsequently as these contractors had never been assessed for sales tax.

4.4.3 The Department's contention (August 2001) that it had been insisting on production of original cash memos from all contractors involved in self procurement of materials and sales tax had been collected from the dealers supplying stock materials as they had already issued cash memos to the buyers (contractor) was not tenable as sales tax had not been deducted in any of the above cases and the Department also did not insist upon "Sales Tax Clearance Certificate" from the sales tax authorities before making final payment. This was particularly relevant as no contractor had ever been assessed for Sales Tax in the State and the above cases indicated a systems defect in ensuring collection of Sales Tax from them.

POWER DEPARTMENT

4.5 Avoidable loss due to non-repair of hydel power generation units

Lackadaisical approach of the Department towards the repair of defective power generation units resulted in the shut-down of a hydel power plant for 44 months till date with consequential loss of energy and payment of idle salaries of Rs.41.64 lakh and Rs.32.70 lakh respectively.

4.5.1 Rimbi Microhydel Scheme (Stage-I) with an installed capacity of 600 KW (3X200 KW), served as the main source of back-up power and feeder for the local areas. Two out of its three units went out of operation (February

1997 and October 1997) due to damage to Servometer and heat-exchanger and failure of the bearing housing respectively. The two units were sent (May 1997 and June 1998) to a Faridabad based firm for repairs, which quoted a price of Rs.6.34 lakh for the rectification and replacement of the defective parts. No further action was taken by the Department. As a result of the breakdown of the two units, the third unit also could not be put into operation as the load was more than the generation of a lone unit. Rimbi Microhydel Scheme (Stage-I), therefore, closed down in October 1997.

4.5.2 As of date (May 2001), the two units are still in Faridabad awaiting a decision of the Department regarding their repair. In the meantime, the State continues to lose valuable energy which would have been available had timely action been taken to repair the units. During the 44 months of the plant's downtime so far, the Government has suffered a loss of net potential revenue of Rs.41.64** lakh on the sale of energy. In the absence of any power generation, the staff employed on the project are also being paid idle salaries, the amount of which worked out to Rs.32.70 lakh for the period October 1997 to May 2001.

4.5.3 The matter was referred to the Government/Department (February 2001); no reply was received (October 2001).

4.6 Infructuous expenditure on overhauling of Diesel Generating sets

Department incurred an expenditure of Rs.15.11 lakh on overhauling two Diesel Generating sets, which were immediately replaced by new sets and never put to use thereafter.

4.6.1 Four new Diesel Generating (DG) sets, each of 1 M.W. capacity, were installed (October 1997) and commissioned (January 1998), in Diesel Power House Complex, Gangtok, by replacing the four existing DG sets. Just prior to this replacement, two of the four old DG sets had been overhauled (July 1997) at a total cost of Rs. 15.11 lakh. None of the four old sets were put to use after removal and overhauling.

** *Energy loss = Capacity X hours available X PLF = 600X24X30X44X12.62/100*
= 2398810 units
Gross revenue loss = 2398810XRs.2.00=Rs.47.98 lakh
Cost of repair of the two units = Rs. 6.34 lakh
Net loss = Rs. 47.98 – 6.34 = Rs.41.64 lakh

4.6.2 The Department stated (November 2000) that utilisation of these sets was not advisable, as they required thorough repair which was not economical. Thus, undertaking major overhauling work of two DG sets and immediately thereafter replacing them with new sets rendered the amount of Rs. 15.11 lakh spent on overhauling infructuous.

POWER DEPARTMENT
AND
RURAL DEVELOPMENT DEPARTMENT

4.7 Non-recovery of establishment, tools and plant charges

Despite PAC's recommendation to levy the establishment, tools and plant charges and the assurance of the Department, the Department failed to recover the specified charges amounting to Rs.9.42 lakh.

4.7.1 Mention was made in Audit Report 1992-93 regarding non-recovery of establishment, tools and plant charges and pensionary contributions at prescribed rates in cases where works were executed on behalf of other Departments/Governments. The Public Accounts Committee (PAC) in its 27th Report had recommended that the requirement of levying the charges should be kept in view in future. Despite the Power Department's assurance in the 37th Report on Action Taken Report (ATR) that the matter had been noted for future guidance, it executed deposit works on behalf of Doordarshan Kendra (Rs.17.52 lakh) and Defence (Rs.32.42 lakh) for Rs. 49.94 lakh but did not recover the departmental charges as above amounting to Rs. 6.69 lakh. In another case, Rural Development Department (RDD) executed (1998-99) a work at a cost of Rs.19.84 lakh on behalf of the Indo Swiss Project Sikkim, a non-Government body, without realising Rs. 2.73 lakh towards departmental charges. This indicated absence of suitable controls in the Government Departments to ensure recovery of all receivables, from its clients.

4.7.2 While the Power Department accepted (March 2001) the audit observation, the reply of the RDD (May 2001) that augmentation of Water Supply Scheme did not require tools and plants was not relevant as the non-recovery related to construction of bull shed etc. and out of 13.75 per cent charges to be recovered, only 0.75 per cent were related to the cost of tools and plants.

SIKKIM PUBLIC WORKS DEPARTMENT (ROADS AND BRIDGES)

4.8 Infructuous expenditure in executing the work of strengthening of a helipad

Starting the work of extending an Army helipad without waiting for a formal clearance from the Army Headquarters resulted in an infructuous expenditure of Rs. 10.33 lakh.

4.8.1 With a view to boost tourism in the State, the Government of Sikkim decided to construct 7 numbers of helipads in different parts of the State under a special grant recommended by the 10^{th} Finance Commission. One of the proposals under this scheme was to renovate and strengthen the existing earthen helipad at Changu at an estimated cost of Rs.22.71 lakh. This involved construction of an approach road, amenities and security buildings besides increasing the size of the helipad. The matter was taken up by the State administration with the army in the Civil-Army Co-ordination Committee (January 2000) meeting in which an in-principle approval was given by the Army to the use of the helipad for civil flights on a case to case basis on specific clearance by the local Army Headquarters. There was no approval either for the extension of the existing helipad or for the construction of permanent assets there.

4.8.2 Despite this, Roads and Bridges Department took up the work of construction of helipad at Changu departmentally which was stopped by the Army (February 2000). The Army Headquarters at Gangtok again communicated to the State Government (June 2000) that their 'Standard Operating Procedures' (SOP) did not allow any change in the size of the helipad or construction of any permanent assets due to security considerations. The Department still went ahead and awarded the construction work to a contractor (September 2000). This work too was finally stopped by the Army in November 2000. Till the date of closure of the work an amount of Rs.10.33 lakh had been spent which proved to be infructuous.

4.8.3 The matter was reported to the Department and the Government (April 2001); no reply was received (October 2001).

4.9 Blockage of funds in incomplete works

Works that should have been completed between December 1994 and April 1997 remained incomplete till date thereby blocking Rs. 36.47 lakh besides causing a loss of Rs.15.67 lakh on cost of blocked funds to the Government.

4.9.1 The work of construction of Bhaluthang-Chumbung road (km. 3rd and 4th) under West Division, was sanctioned by the Cabinet (October 1994) at an estimated cost of Rs. 12.53 lakh. The work was awarded to a Panchayat nominee (May 1995) for completion by February 1996. The estimate was first revised to Rs.17.64 lakh (August 1997) due to increase in cost of land compensation and a proposal for further revision to Rs. 21.15 lakh was moved (June 1999) on the ground of execution of excess quantities of one item as well as additional items of work. Although an amount of Rs. 16.63 lakh was expended during February 1996 to October 1999, neither was the work completed nor the revised estimate of Rs. 21.15 lakh sanctioned (May 2001).

4.9.2 The construction of 5 km (km 1st to km 5th) long link road from Kongri to Labdong under West Division, was awarded to 3 contractors during March 1994 to June 1996 for completion between December 1994 and April 1997 at a total estimated cost of Rs. 24.31 lakh. An expenditure of Rs. 19.84 lakh was incurred during December 1994 to February 2001 but none of the four stretches of work had been completed (May 2001). The Department attributed (March 2001) the non-completion of work to the original estimate not being realistic due to the classification of soil varying widely and the consequent demand of the contractors for revision of the estimate, and the delay in supply of blasting material to the contractors. It further stated that the revised estimates had been framed and works would be completed if the revised estimates were sanctioned.

4.9.3 Thus, the Department failed to get both the works completed within the stipulated period. The unusual delay resulted in depriving the users of the intended benefits besides blocking Government money to the tune of Rs. 36.47 lakh over a period ranging from more than 4 years to nearly 7 years. This involved a further cost of Rs.15.67 lakh* to the Government on blocked funds.

4.9.4 The matter was reported to the Government/Department (April 2001), no reply was received (October 2001).

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* *Calculated on the basis of periodical expenditure vis-à-vis the applicable interest rate on market borrowing.*

4.10 Undue benefit to contractor and cost overrun

Repeated upward revisions of estimate without sound justification and extension of undue benefit to the contractor took the cost of construction of a 6 km. stretch of road from Rs. 32.70 lakh to Rs.1.16 crore.

4.10.1 The work of extension of Chuba-Parbing Road (Km 3rd to 8th) with an estimated cost of Rs.32.70 lakh was sanctioned by the Chief Minister in April 1995. The work, which commenced in January 1996, was completed in April 1997 at a total cost of Rs.1.16 crore. The execution of work was characterised by the following developments:

(i) The original estimate was prepared on the basis of Schedule of Rates (SOR), 1994 of Roads and Bridges Department. Prior to award of work, this was revised (December 1995) to Rs. 61.35 lakh on the basis of SOR of the Building and Housing Department. This increase of Rs. 28.65 lakh prompted by the adoption of SOR of another department was unwarranted.

(ii) The works, split up into six numbers for each kilometer stretch of the road, were awarded to three contractors, two kilometers each, at rates varying from 14.25 per cent to 15 per cent above the estimated cost. No open public tenders had been floated for these works in order to get the benefit of competitive bidding. None of the three contractors awarded the works was actually entitled to execute these works as all three of them were Class III contractors and the values of these works exceeded their monetary limits. Therefore, they were to be treated as nominees and the works awarded to them at 'Par' SOR rates. The award of works at percentages above SOR resulted in an additional expenditure of Rs. 21.00 lakh.

(iii) After the issue of work order in January 1996, one special class contractor submitted (March 1996) a power of attorney from all the three contractors for execution of works on their behalf, which was approved by the Principal Chief Engineer. Since the work was executed on power of attorney, this contractor should also have been treated as a nominee and work executed at 'Par'.

(iv) The estimate was again revised by incorporating new items of work like construction of culvert and causeway, and land compensation. The approval to this revision, which took the total cost of the work to Rs. 1.16 crore, was accorded post-facto by the Cabinet in October 1997, much after the completion of the work. As per codal provisions, the new items should have been negotiated with the contractor for execution at 'Par' as had been done by the Department in other cases. Thus, the expenditure of Rs. 4.04 lakh due to allowing percentage rate over SOR on new items of work was avoidable.

(v) Bull dozers were used for the work by hiring them from the Department for 140 days. However, payment was made for the work of hill cutting at manual rates instead of applying the mechanical rates. This resulted in excess payment of Rs.28.96 lakh for 2.03 lakh cu.m of hill cutting in mixed soils.

(vi) A total amount of Rs. 13.81 lakh was paid as land compensation by the Department. This included an amount of Rs.10.43 lakh towards cost of existing trees, bamboos etc. These were to be exploited and sold after the acquisition and sale proceeds credited to Government account. This was not done resulting in a loss of Rs. 10.43 lakh to the State exchequer.

4.10.2 To sum up, the repeated and unjustified upward revisions of estimate for the work of extending the Chuba-Parbing road resulted in a steep escalation of Rs. 69.80 lakh (excluding land compensation of Rs. 13.81 lakh) with reference to the original sanction besides bestowing undue benefit to the contractor.

4.10.3 The matter was reported to the Department and Government (April 2000); no reply was received (October 2001).

4.11 Extra expenditure on construction of a road

The work of construction of a road, undertaken departmentally, which should have been carried out on the basis of the Schedule of Rate 1994, was executed at rates which were even higher by Rs.66.30 lakh than the Schedule of Rate 1997.

4.11.1 With a view to provide an alternate route necessitated by frequent land slides on National Highway 31A, the Government approved (November 1997) the widening and carpeting of 14 km. Singtam - Chewribotey road (Rs. 89.51 lakh), construction of 3 km. long Chewribotey - Duga Maneydara road (Rs.56.08 lakh) and improvement and carpeting of 8 km. Duga Maneydara – Rangpo road (Rs. 45.90 lakh) at a total estimated cost of Rs. 1.91 crore. This estimate was prepared on the basis of Schedule of Rate (SOR) 1994, applicable at the time of preparation of estimates. SOR 1994 was revised as SOR 1997 in 1998 and the revision was made effective from December 1998.

4.11.2 The cost of the above work was revised (October 1999) to Rs. 4.80 crore on the plea that the SOR 1994 rates were not workable. After accounting for additional quantities required to be carried out and other sundry payments like crop compensation, cost of compensatory afforestation etc., the rates thus allowed were not only higher by Rs. 1.41 crore from SOR 1994 but also exceeded the SOR 1997 by Rs. 66.30 lakh.

4.11.3 The reason of non-workability of SOR 1994 put forth by the Department was without merit as another work of construction of motorable road from Sombaria to Singtam, approved by the Cabinet on the same day as the above work, was executed contractually to the satisfaction of the Department 'At Par' SOR 1994.

4.11.4 Thus, the Department incurred an extra expenditure of Rs. 66.30 lakh, even with reference to SOR 1997 as the base, which lacked justification.

4.11.5 The matter was reported to the Government and the Department (April 2001); no reply was received (October 2001).

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

4.12 Avoidable expenditure

Failure to assess the requirement at the time of initial acquisition of land and then further purchase without any requirement resulted in an avoidable expenditure of Rs. 40.66 lakh.

4.12.1 Urban Development and Housing Department moved a proposal (August 1997) to purchase 7 acres of land for dumping garbage, adjacent to the existing 3.14 acres of land acquired barely 18 months earlier (February 1996) at the rate of Rs. 10 per sq. ft. for the same purpose. The requirement for additional land was felt as the existing land-fill was found inadequate to accommodate future generation of garbage and also for construction of store and staff quarters. The District Collector assessed (November 1998) the rate of the land proposed for acquisition as Rs. 13.60 per sq. ft. However, the landowner insisted on a price of Rs. 20.00 per sq. ft., which was finally agreed to by the Department and approved by the Cabinet in March 1999. The land was acquired (September 1999) at a total cost of Rs. 63.03 lakh - including 2.5 percent establishment cost and Rs.1030 towards land rent. Had its requirement been properly assessed at the time of initial purchase in February 1996 when the rate was only Rs. 10 per sq. ft., the Government could have avoided extra expenditure of Rs. 31.52 lakh.

4.12.2 Subsequent to this acquisition, the Department acquired (November 1999) another piece of land (44563 sq.ft.) adjoining the land purchased in September 1999, on the request of the landowner at the same rate of Rs. 20 sq. ft. without any requirement. The Department paid Rs. 9.14 lakh for this transaction.

4.12.3 Thus, failure of the Department to accurately assess its requirement of land for dumping garbage at the time of initial purchase and then acquiring further land without any requirement resulted in an avoidable expenditure of Rs. 31.52 lakh and unnecessary payment and locking up of fund to the tune of Rs. 9.14 lakh.

4.12.4 The Departmental reply (June 2001) that necessity for acquiring more land was not felt at the time of initial purchase as the project was limited to dumping of garbage for open yard bio-degradation was not tenable as the Department failed to anticipate its requirement at the initial stage leading to the avoidable expenditure.

CHAPTER-V

STORE AND STOCK

CHAPTER-V

STORE AND STOCK

BUILDING AND HOUSING DEPARTMENT

5.1 Non recovery of storage charges

Non recovery of storage charges resulted in undue benefit of Rs.9.50 lakh to the contractors.

5.1.1 Estimates for civil works are prepared on the basis of Schedule of Rates (SOR) approved by the Government of Sikkim. The rate for each item of work included in the SOR is built up of various components, one of which is storage charge in respect of departmentally issued materials like cement, steel etc. This is fixed as 5 per cent of the issue price of the concerned material and forms a part of the estimate irrespective of whether the material is issued from the departmental stores or procured on his own by the contractor. As such, this amount is to be deducted from the bills of the contractor. However, the Department had not been recovering storage charges in cases of self-procurement of stock materials thereby giving undue benefit to the contractors. A test check of 10 such cases for which payments were made during March 1999 to August 2000 revealed that an amount of Rs.9.50 lakh had not been recovered on this account.

5.1.2 The Departmental reply (May 2001) that continuing these deductions from the contractor's bill may attract legal implication as a specific clause for the deductions had not been provided in the contract agreement was not tenable as the Department should have considered this aspect and incorporated an appropriate clause in the agreement to safeguard Government interest.

RURAL DEVELOPMENT DEPARTMENT

5.2 Avoidable expenditure

The Department spent an extra Rs. 8.78 lakh on purchase of sockets even though the pipes bought by it also came with sockets at one end.

5.2.1 The Rural Development Department procures GI pipes of various sizes for use in the water supply schemes in the State. As per terms and conditions of supply and the certificate of guarantee issued by the supplier, all pipes come with a socket provided at one end and hence there is no need for purchase of additional sockets.

5.2.2 While the sockets provided with the pipes purchased by it were never taken on stock, the Department bought additional sockets of all sizes at a cost of Rs.8.78 lakh between January 2000 and March 2001. This amount would rise if purchases made prior to January 2000 were also reckoned.

5.2.3 The Departmental reply (August 2001) that sockets were used at bends, distribution networks, hydrants, storage tanks etc. and to cater to the repair works did not address the issue of system deficiency in the store management of these items. While the Department had not kept any account of the sockets received with the pipes, it had also procured other fittings like unions, tees, elbows, bends, etc. worth Rs. 46.45 lakh (January 2000 to March 2001) for meeting the requirement of cuts, bends, distribution, etc. Given this scenario, since the Department had no scientific basis for assessing its requirement of sockets, the purchase of additional sockets for Rs.8.78 lakh could not be vouchsafed in audit.

CHAPTER-VI

REVENUE RECEIPTS

CHAPTER VI
REVENUE RECEIPTS

6.1 Trend of Revenue Receipt

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 2000-01 alongwith the corresponding figures for the preceding two years are given below:

Table-6.1

		1998-99	1999-00	2000-01**
			(Rupees in lakh)	
I	**Revenue raised by the State Government**			
(a)	Tax Revenue	4675.67	4907.04	6538.96
(b)	Non-Tax Revenue*	102091.57 (4291.57)	104274.77 (6478.44)	28902.34 (6563.22)
	TOTAL	**106767.24**	**109181.81**	**35441.30**
II	**Receipts from the Government of India**			
(a)	State's share of divisible Union taxes	9221.00	9954.00	7220.00
(b)	Grants-in-aid	28077.95	32047.29	43598.36
	TOTAL	**37298.95**	**42001.29**	**50818.36**
III	**Total receipts of the State (I+II)**	**144066.19**	**151183.10**	**86259.66**
IV	**Percentage of I to III**	74	72	41

* *Figures in brackets indicate net receipts after deducting Rs. 978.00 crore, Rs. 977.96 crore and Rs. 223.39 crore on account of expenditure towards State Lotteries during 1998-99, 1999-00 and 2000-01 respectively. The steep decrease in Non-Tax Revenue was due to decrease in receipts from State Lotteries, which in turn was on account of introduction of Lottery Prohibition Bill.*

** *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 18 per cent of the total revenue raised by the State during 2000-01. An analysis of the tax revenue for the year 2000-01 and the preceding two years is given below:

Table-6.2

Sl. No.	Tax Revenue	1998-99	1999-00	2000-01	Increase (+) / Decrease (-) *(in 2000-01 over 1999-00)*	Percentage of variation
			(Rupees in lakh)			
1	State Excise	1185.89	1339.40	1761.13	(+) 421.73	31
2	Taxes on Income other than Corporation Taxes	1832.41	1784.38	1928.57	(+) 144.19	08
3	Sales Tax	1306.22	1363.75	2450.39	(+) 1086.64	80
4	Taxes on vehicles	151.38	169.04	154.40	(-) 14.64	(-) 09
5	Stamps & Registration Fees	50.92	61.70	50.07	(-) 11.63	(-) 19
6	Land Revenue	12.15	53.73	21.66	(-) 32.07	(-) 60
7	Other Taxes and Duties on Commodities and Services	136.70	135.04	172.74	(+) 37.70	28
	TOTAL	**4675.67**	**4907.04**	**6538.96**	**(+) 1631.92**	

6.1.3 During 2000-01, tax revenue increased by Rs.16.32 crore (33 per cent). The increase of Rs.10.87 crore under 'Sales Tax' and Rs.1.14 crore under 'Taxes on Income other than Corporation Taxes' was due to the introduction of better monitoring mechanism and follow up action on backlog cases and the increase on Rs.4.22 crore under 'State Excise' was due to upward revision of Excise duty and better management of revenue collection.

6.1.4 The reasons for variation in respect of the remaining heads of revenue have not been received (October 2001).

Non-tax revenue raised by the State

6.1.5 Lotteries, Road Transport Service, Power, Forest, Interest, Plantations, Police and Public Works were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 2000-01 constituted 68 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1998-99 to 2000-01 is given below:

Table-6.3

Sl. No.	Non-Tax Revenue	1998-99	1999-00	2000-01	Increase (+) / Decrease (-) in 2000-01 with reference to 1999-00	Percentage of variation
		(Rupees in lakh)				
1	Road Transport	749.15	1189.16	1190.44	(+) 1.28	0.1
2	Power	644.03	833.03	1003.91	(+) 170.88	21
3	Forestry and Wild Life	159.63	489.69	639.32	(+) 149.63	31
4	Interest Receipts	26.15	51.33	448.17	(+) 396.84	773
5	Plantations	222.00	235.00	239.23	(+) 4.23	2
6	Dividends and Profits	123.05	72.39	1.58	(-) 70.81	(-) 98
7	Police	344.91	283.69	583.77	(+) 300.08	106
8	Public Works	51.01	44.83	124.76	(+) 79.93	178
9	Tourism	39.44	40.39	38.72	(-) 1.67	(-) 4
10	Crop Husbandry	20.85	20.29	47.36	(+) 27.07	133
11	Stationery and Printing	94.81	95.84	85.95	(-) 9.89	(-) 10
12	Village & Small Industries	49.58	48.85	65.67	(+) 16.82	34
13	Animal Husbandry	14.13	15.54	15.80	(+) 0.26	2
14	Industries	10.95	-	-	-	-
15	Medical and Public Health	41.84	14.08	36.59	(+) 22.51	160
16	State Lotteries*	1502.62	2790.25	1720.79	(-) 1069.46	(-) 38
17	Others	197.42	254.08	321.16	(+) 67.08	26
	TOTAL	**4291.57**	**6478.44**	**6563.22**	**(+) 84.78**	**1.3**

* ***Excludes Rs. 978.00 crore, Rs. 977.96 crore and Rs. 223.39 crore on account of expenditure towards State Lotteries during 1998-99, 1999-00 and 2000-01 respectively which has been taken in the Finance Accounts for the purpose of calculating the non-tax revenue during the respective years. The decrease in receipts from State Lotteries was due to introduction of Lottery Prohibition Bill.***

6.1.6 During 2000-01, non-tax revenue increased by Rs. 84.78 lakh (1.3 per cent). The increase of Rs. 1.50 crore under 'Forestry and Wild Life' was due to streamlining of machineries; Rs.79.93 lakh under 'Public Works' was due to the increase in rate of tender forms and due to increase in the number of forms sold.

6.1.7 The reasons for variation in respect of the remaining heads of revenue have not been received (October 2001).

6.2 Variation between the budget estimates and actuals

6.2.1 The variation between the budget estimates and actuals of tax and non-tax revenue during the year 2000-01 is given below:

Table-6.4

	Budget (Revised)	Actuals	Variation increase(+) decrease (-) (percentage)
	(Rupees in lakh)		
Tax-Revenue	5477.35	6538.96	(+) 1061.61 (19)
Non-Tax Revenue	42427.58	28902.34	(-) 13525.24 (32)
TOTAL	**47904.93**	**35441.30**	(-) **12463.63** (26)

6.2.2 In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2000-01 were more than 10 per cent.

Table-6.5

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-) (Percentage)
		(Rupees in lakh)		
A	**Tax Revenue**			
1	Land Revenue	12.50	21.66	(+) 9.16 (73)
2	State Excise	1567.85	1761.13	(+) 193.28 (12)
3	Taxes on Sales, Trade etc.	1650.00	2450.39	(+) 800.39 (49)
B	**Non-Tax Revenue**			
4	Public Works	74.45	124.76	(+) 50.31 (68)
5	Education, Sports, Art and Culture	75.10	48.03	(-) 27.07 (36)
6	Medical and Public Health	20.00	36.59	(+) 16.59 (83)
7	Information and Publicity	5.00	13.50	(+) 8.50 (170)
8	Labours and Employment	3.00	4.27	(+) 1.27 (42)
9	Crop Husbandry	32.00	47.36	(+) 15.36 (48)
10	Animal Husbandry	30.00	15.80	(-) 14.20 (47)
11	Fisheries	1.20	0.49	(-) 0.71 (59)
12	Forestry and Wild Life	145.00	639.32	(+) 494.32 (341)
13	Food Storage and Warehousing	1.80	7.33	(+) 5.53 (307)
14	Other Rural Development Programme	1.50	6.03	(+) 4.53 (302)
15	Industries	21.01	Nil	(-) 21.01 (100)
16	Non Ferrous, Mining & Metallurgical Industries	2.00	5.00	(+) 3.00 (150)
17	Village and Small Industries	50.00	65.67	(+) 15.67 (31)
18	Interest Receipts	30.00	448.17	(+) 418.17 (1394)
19	Dividend and profit	100.00	1.58	(-) 98.42 (98)
20	Public Service Commission	0.55	0.64	(+) 0.09 (16)
21	Police	712.35	583.77	(-) 128.58 (18)
22	Water Supply and Sanitation	26.50	37.95	(+) 11.45 (43)
23	Housing	15.55	17.86	(+) 2.31 (15)
24	Minor Irrigation	1.50	22.60	(+) 21.10 (1407)
25	Other General Economic Services	3.00	2.10	(+) 0.90 (30)

6.2.3 The reason for increase of Rs. 800.39 lakh under 'Sales Tax' as attributed by the Department to the introduction of better monitoring mechanism and follow up action on backlog cases was not correct in view of the findings vide paragraphs 6.14.5, 6.14.6, 6.14.7 and 6.14.8 of this Chapter;

Rs.4.94 crore under 'Forestry and Wild Life' was due to streamlining of machineries; Rs. 50.31 lakh under 'Public Works' was due to the increase in rate of tender forms and due to increase in the number of forms sold.

6.2.4 The decrease of Rs.1.29 crore under 'Police' was due to non-receipt of reimbursement of expenditure from Ministry of Home Affairs, Government of India.

6.2.5 The reasons for variation in respect of the remaining heads of revenue have not been received (October 2001).

6.3 Cost of collection

6.3.1 Expenditure incurred on collection of revenue under the principal heads during the years 1998-99 to 2000-01 is given below:

Table-6.6

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 1999-2000
			(Rupees in lakh)			
1	State Excise	1998-99	1185.89	146.18	12	3.31
		1999-00	1339.40	119.81	09	
		2000-01	1761.13	106.57	06	
2	Sales Tax	1998-99	1306.22	56.36	04	1.56
		1999-00	1363.75	58.17	04	
		2000-01	2450.39	64.67	03	
3	Taxes on vehicles	1998-99	151.38	40.47	27	3.56
		1999-00	169.04	27.05	16	
		2000-01	154.40	23.56	15	

6.3.2 It would be seen from the table that the percentage of expenditure to gross collection during 2000-01 as compared to the corresponding All India Average Percentage for 1999-00 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 2000 but remaining outstanding as at the end of June 2001 was as under:

Table-6.7

Sl. No.		At the end of		
		June 1999	June 2000	June 2001
1	Number of outstanding IRs.	154	161	110
2	Number of outstanding Audit objections	381	377	281
3	Money value of the objections *(Rupees in crore)*	27.35	32.51	49.20

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

Table-6.8

Sl. No.	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount *(Rupees in crore)*
1	Sales Tax	06	16	8.77
2	Income Tax	11	46	15.26
3	Forests	34	71	0.85
4	Land Revenue	30	70	1.95
5	Motor Vehicle	07	10	0.30
6	State Excise	11	26	6.15
7	Urban Development & Housing Department	06	07	0.32
8	Power	05	35	15.60
	TOTAL	**110**	**281**	**49.20**

6.4.4 Out of 110 IRs pending settlement, even first replies had not been received (June 2001) in respect of 40 reports containing 135 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 2001).

6.5 Results of Audit

6.5.1 Test check of the records of Finance, Forest, Land Revenue, Motor Vehicle, State Excise, Power and Urban Development and Housing Departments conducted during the year 2000-01 revealed under-assessment/short levy/loss of revenue amounting to Rs. 2.40 crore in 13 cases. A review highlighting "Internal Controls and System of Registration, Assessment and Collection of Sales Tax" in respect of Sales Tax Department and a few illustrative cases involving Rs.11.43 crore highlighting important audit observations are mentioned in Sections A and B respectively of this Chapter.

CHAPTER-VI

REVENUE RECEIPTS

SECTION : A

(AUDIT REVIEW)

CHAPTER-VI

REVENUE RECEIPTS

SECTION – A
(AUDIT REVIEW)

SALES TAX DEPARTMENT

6.6 Internal Controls and the System of Registration, Assessment and Collection of Sales Tax

Highlights

Sales tax constitutes about 29 per cent of the total tax revenue of the State. Despite its importance, the procedures and controls for effective monitoring of registration of dealers, assessing them for tax, and realising tax dues from them are woefully lacking. The Sales Tax Department has no mechanism to ensure that all dealers liable for tax are being assessed. There are no records to monitor cases awaiting registration or determine the extent of registrations cancelled. The Department has no control over the submission of returns by assesses. Only a small percentage of total registered dealers are assessed each year and no norms have been laid down for the number of assessments to be done by each assessing authority at various levels. There is no assurance that all assessments are made in accordance with law and there were a number of instances of incorrect assessments resulting in huge loss of Government revenue.

No norms had been prescribed in the State for conducting regular market surveys to detect unregistered dealers.

(Paragraph 6.6.10)

Registration records were not being maintained properly with the result that no check could be exercised to ascertain overall picture of new registrations, their pendency and the cancellation of registrations.

(Paragraph 6.6.12)

There was non-maintenance of return records and absence of internal control mechanism to monitor the timely submission of quarterly returns.

(Paragraph 6.6.14)

No norms have been laid down for the assessment of registered dealers of the state and huge backlogs in assessments are piling up every year leading to possible evasion of sales tax from year to year.

(Paragraph 6.6.18)

Under assessment of sales tax on liquor, cardamom and other goods resulted in revenue loss of Rs. 5.82 crore.

(Paragraphs 6.6.16 to 6.6.28)

Non-assessment of sales tax on lottery sales resulted in revenue loss of Rs. 182.62 crore.

(Paragraph 6.6.29)

Loss of revenue of Rs. 2.38 crore due to irregular allowance of deductions and exemptions.

(Paragraph 6.6.30)

Non-recovery of assessed tax of Rs. 2.41 crore due to lack of initiative on the part of Department.

(Paragraphs 6.6.39 to 6.6.42)

Injudicious extension to deposit tax of Rs.82.33 lakh was granted against the financial interest of the State.

(Paragraph 6.6.43)

There were instances of fraudulent use of concessional Form 'C' by three registered dealers and possible fraudulent use of Form 'C' in 2 other cases.

(Paragraphs 6.6.46 and 6.6.48)

Introduction

6.6.1 Sales Tax is an indirect tax. The dealer acts as an agent for collection of the tax from the consumers and crediting it into the Government accounts. Sales Tax is one of the major sources of revenue in the State. It constituted 29.03 per cent of the total tax revenue raised by the State during 1996-97 to 2000-2001. The Sales Tax Department operates under the provisions of the following Acts and Rules:

(i) Sikkim Sales Tax (SST) Act 1983.
(ii) Sikkim Sales Tax (SST) Rules 1983.
(iii) Central Sales Tax (CST) Act 1956.
(iv) Central Sales Tax (Sikkim) Rule 1983.
(v) Sikkim (Collection of Taxes and Prevention of Evasion of Payment of Tax) Act 1987.

6.6.2 The position of Sales Tax vis-à-vis the total tax revenue of the State during the last five years is shown below:

Table-6.9

Year	Sales Tax	Total tax revenue	Percentage of Sales Tax to total tax revenue
	(Rupees in lakh)		
1997-97	822.53	2991.17	27.49
1997-98	1271.06	3649.62	34.83
1998-99	1306.22	4675.67	27.94
1999-00	1363.75	4907.04	27.79
2000-01	2450.39	13758.96	17.81

Organisational Set-up

6.6.3 The Commissioner of the Commercial Taxes (Secretary, Finance Department), Sikkim is the Head of the Department and is assisted by one Additional Secretary, two Joint Commissioners and two Deputy Commissioners of the two different circles (North/East and South/West). In each of the two circles, the Deputy Commissioners and four Assistant Commissioners are entrusted with the duties of granting registration as well as cancellation of such registration certificates, and assessment and realisation of tax payable by the dealer. In addition, there are 4 checkpost offices, at Rangpo and Reshi under North/East circle and Melli and Ramrang under South/West circle.

Scope of Audit and Audit Coverage

6.6.4 The review was conducted between February and April 2001, with reference to the records from 1996-97 to 2000-2001 maintained at the Head Office at Gangtok, one Circle Office at Jorethang, Office of the Assistant Commissioner at Rangpo and three check posts located at Rangpo, Melli and Reshi. A sample check of 20-25 per cent was done in respect of Registration, Assessment and Exemption cases, to review the effectiveness of functioning of the internal controls and monitoring system in the Sales Tax Department.

Trend of Sales Tax Receipts

6.6.5 The receipts on account of Sales Tax with reference to the budget estimates during the last 5 years were as under:

Table- 6.10

(Rupees in crore)

Year	Estimated Sales Tax	Actuals	Shortfall w.r.t. Estimates	Increase w.r.t. previous year	Percentage of increase
1996-97	9.75	8.23	1.52 (16)	0.84	11
1997-98	13.00	12.71	0.29 (02)	4.48	54
1998-99	15.50	13.06	2.44 (16)	0.35	03
1999-00	16.00	13.64	2.36 (15)	0.58	04
2000-01	16.50	24.50	Nil	10.86	80

Note: Figure in the brackets indicated percentage of shortfall to the budget estimates.

6.6.6 It would be seen from the above that except during 2000-01, the actual receipt from Sales Tax persistently fell short of the estimates ranging from 2 (1997-98) to 16 per cent (1996-97/1998-99).

Registration of dealers

Growth of registered dealers

6.6.7 As per information furnished by the Department, the number of dealers in the State registered under SST Act 1983 and CST Act 1956 during 1996-97 to 2000-2001 was as under:

Table-6.11

Year	Act	No. of registered dealers at the beginning of the year	No. of dealers registered during the year	No. of dealers whose registration was cancelled during the year	No. of dealers at the end of the year
1996-97	SST Act.	1728	110	Nil	1838 (6.37)
	CST Act.	1811	105	Nil	1916 (5.80)
1997-98	SST Act.	1838	177	Nil	2015 (9.63)
	CST Act.	1916	173	Nil	2089 (9.03)
1998-99	SST Act.	2015	165	Nil	2180 (8.19)
	CST Act.	2089	145	Nil	2234 (6.94)
1999-00	SST Act.	2180	146	Nil	2326 (6.70)
	CST Act.	2234	139	Nil	2373 (6.22)
2000-01	SST Act.	2326	141	Nil	2467 (6.06)
	CST Act.	2373	141	Nil	2514 (5.94)

Note: The figure in the brackets represents percentage increase over the previous year.

6.6.8 The increase in the number of registered dealers between 1996-97 and 2000-01 ranged from 5.94 to 9.64 per cent per year both under the SST Act and CST Act. However, the Department did not have consolidated information about the number of applications received for registration, applications rejected and cancelled during the last five years ending 31 March 2001. It was ascertained in South/West Circle that registration certificates of 75 registered dealers had been cancelled during the above period though this information was not available at the Head-office. This points to fact that there was no proper management information system and consequently the effective and efficient functioning of the Department suffered to this extent.

Lack of market survey for registration

6.6.9 Suitable machinery for carrying out regular market surveys is required to detect the dealers carrying on business without registration. The Department had no consolidated information about the number of applications received for registration, applications rejected and applications finally accepted during the last five years ending 31 March 2001. However, there was no such machinery for conducting periodical market surveys in the State. The Department stated (May 2001) that there was no system of regular market survey for detection of such dealers due to shortage of field staff and the registration was done on the basis of applications made by the dealer. This pointed to the possibility of dealers remaining unregistered with consequential evasion of tax.

Registration of contractor dealer

6.6.10 Under the provisions of the SST Act, 1983, if the transfer of property in goods is involved in the execution of works contract of the contractor dealer, he is liable to pay tax under the Act after getting himself registered and assessed. Information obtained from some works executing Departments and cross checking the same with reference to the records of the Sales Tax Department revealed that there were 128 unregistered contractor dealers executing works in those Departments. Sales Tax Department had not taken any initiative to get these contractor dealers registered. Further, the Sales Tax Department had never assessed 173 registered contractor dealers since the imposition of Sales Tax on the works contract. Although, the Department issued the declaration forms to the registered contractor dealers, neither any return was filed nor the dealers paid any tax. In the absence of information on value of works executed, the amount of revenue loss could not be worked out.

Non-maintenance of registers

6.6.11 Various registers like Register of Dealers, Register of Security Deposit, Register of Registration and Cancellation of Registration Certificate etc. were either not maintained or improperly maintained. In the absence of important registers, audit could not ascertain the number of cancellation of registration certificates, surrender of unused declaration forms by the dealers whose registration certificates were cancelled and actual arrears/tax due etc. Further, it was seen that there was no register/report for recording year-wise centralised information in the Sales Tax Department, Gangtok, about the total number of application received for registration under the different Acts, the number of such applications cancelled or rejected and finally the total number of registration certificates granted. In the absence of any register/record in this regard, the disposal vis-à-vis pendency of application for registration and also time taken in granting registration certificate to the dealer, could not be verified in audit.

Returns

6.6.12 Sales Tax provisions are largely based on the principle of self-assessment. According to Rule 12 of the SST Rules, 1983, the registered dealers are to submit periodical returns (quarterly) within one month following the month of the quarter to which it relates. Various control records are to be maintained to facilitate the monitoring of timely receipt of returns.

Inadequate monitoring of Quarterly Returns

6.6.13 Under the provisions of the SST Act, 1983 a dealer is liable to pay penalty if he fails to furnish the required returns within the prescribed period, at the rate not exceeding Rs.5.00 for each day of delay. Due to non-maintenance of periodical return registers, the Department had no mechanism to detect cases of late filing or non-filing of quarterly returns by dealers. Similarly, in the absence of any prescribed norms, the penalties were not levied uniformly and ranged between Re. 1.00 and Rs. 5.00 per day and were not commensurate with the delay in filing of quarterly returns.

Lack of monitoring of bank receipts

6.6.14 In order to keep effective control over the remittance of taxes, a bank receipt register with a separate folio for each dealer was to be maintained for cross verification of remittances at the time of assessment. The Department had not maintained any such register. As a result, the assessing authority had to solely rely on the information furnished by the dealer and had no means of cross verifying the amount of tax paid, which was deducted from the assessed tax, to arrive at net tax due from a dealer.

Non-levy of penalty

6.6.15 Thirty nine Small Scale Industries (SSI) were registered in the State between 1982-83 and 2000-2001. These Industries had not submitted returns (SST and CST) since their date of registration. The Department did not take any effective steps to get the returns filled by these SSIs and realise the penalty.

Assessment of Sales Tax

6.6.16 An effective and efficient tax collecting system must ensure proper and timely assessment, prompt recovery of the assessed tax and correct accountal and deposit of collected revenues to the Government treasury. The internal controls should be so designed to ensure correct application of law so that scope for leakage of Government revenue due to incorrect assessments is minimised. The assessment mechanism in the Sales Tax Department of Sikkim was beset with several lacunae viz., inadequate monitoring of cases due for assessment, underassessment, non-assessment, irregular and incorrect deductions/exemption etc., which manifested in various shortcomings in individual assessments, resulting eventually in substantial loss to the State exchequer. These varied from huge arrears in assessment, incorrect application of rates, irregular grant of exemptions and poor recovery of assessed tax.

Inadequate monitoring of cases due for assessment

6.6.17 Assessment of sales tax was being done by Assistant Commissioners, Deputy Commissioners and in some cases Joint Commissioners of the Department but no norms had ever been prescribed by the Department for the completion of assessment by an individual assessing authority. The Department did not even have the data on the number of assessments pending at the beginning of the year and number of assessments due for completion in a particular year. As a result large number of dealers remained un-assessed. The total number of assessments made were woefully low in comparison to the total number of registered dealers as shown below:

Table- 6.12

Year	Number of registered dealers at the end of the year	Assessments done during the year	Percentage of assessments done to the total
1996-97	3754	325	8.66
1997-98	4194	471	11.23
1998-99	4414	557	12.62
1999-00	4699	546	11.62
2000-01	4981	440	8.83

6.6.18 As would be seen from above, there was huge backlog of cases pending assessment during all the years covered under review. This indicated that the assessing authority could neither persuade the dealers to come forward for assessment nor assess the cases on the basis of their best judgment. This not only resulted in delay in realisation of the unassessed tax but also retention of Government dues to that extent with the dealer. Moreover, this indicates the poor ability of the Department to cope with the work.

Under assessment and non-assessment

Losses on assessment of inter-state sales

6.6.19 Under the CST Act, 1956 and rules made there-under, inter-state sales of goods other than declared goods to registered dealers are taxable at the concessional rate of 4 per cent, if such sales are supported by prescribed declarations from the purchasing dealers. Otherwise, tax is to be levied at the normal rate of 10 per cent or the rate of tax applicable under the State Act, whichever is higher. In the following cases, the Department assessed the tax on inter-state sales incorrectly causing a revenue loss of Rs. 5.72 crore to the State.

6.6.20 While making assessment of a dealer (M/s Sikkim Distilleries Limited) for the year ended March 1997, the Department allowed the claim for concessional rate of tax at 4 per cent on Rs. 56.43 crore for the period from April 1983 to March 1997 (except 1991-92 and 1992-93). However, an amount of Rs. 51.68 crore out of this claim was neither covered by prescribed declaration forms 'C' nor were the forms available in the relevant record of the Sales Tax Department. This allowance of concessional rate on Rs. 51.68 crore resulted in under assessment of tax by Rs. 3.10 crore.

6.6.21 As per notification issued in January 1991, tax (first point) on the inter-state sale of cardamom (big) is leviable at the concessional rate of 3 per cent. For advance realisation of tax on such sale, the Department fixed the sale price per kilogram of cardamom provisionally at Rs. 65.00 prior to 4 August 1999, Rs. 85.00, Rs. 125.00 and Rs. 170.00 from 4 August 1999, 19 January 2000 and 01 January 2001 respectively. Separate price fixation for sales tax purposes was not covered under any provision of the Act and Rules. As against this, the average market price per kilogram of cardamom in Sikkim at the time of harvesting, collected from the Central Spices Board, Gangtok, was Rs. 68.28 in 1997-98, Rs. 82.51 in 1998-99 and Rs. 217.50 in 1999-2000. This incorrect fixation of market price of cardamom resulted in loss of revenue amounting to Rs.1.19 crore as detailed below:

Table- 6.13

Circle	Year	Quantity involved in interstate trade *(Kg. in lakh)*	Value at the Central Spices Board rate	CST on the said value @3%	Actual CST realised	Difference
			(In lakhs of rupees)			
Rangpoo	97-98	31.78	2170.22	65.11	61.98	3.13
	98-99	24.92	2056.09	61.68	48.59	13.09
	99-00	19.92	4288.96	128.67	51.87	76.80
Jorethang (Melli)	97-98	6.97	475.72	14.27	13.16	1.11
	98-99	7.20	594.13	17.82	12.69	5.13
	99-00	5.10	1110.24	33.31	13.35	19.96
Total short collection						**119.22**

6.6.22 The Department stated (June 2001) that the observation of the audit is being brought to the notice of the Government. The decision and order in respect of revision of rates of CST and SST will be intimated.

6.6.23 As per Supreme Court's decision, in case producing state reduces the tax, without 'C' form, on the inter-state sale to a very low rate and maintains high rate of tax under the local Sales Tax Act, it will be detrimental to the revenue interest of the other States and is, therefore, not legal (Indian Cement Vs State of Andhra Pradesh – 1988). This implied that goods produced inside the state could not be taxed at a lower rate in CST (inter-state transaction) than the rate applicable in case of SST. This had, however, happened in the case of cardamom, ginger and orange as shown below:

Table-6.14

Goods	Rate of CST	Rate under SST	Remark
Cardamom	i. 2 per cent with effect from 20.03.90 ii. 3 per cent with effect from 9.1.97. iii. 3 per cent even from 17.1.2000	i. 2 per cent with effect from 21.03.90 ii. 3 per cent with effect from 9.1.97 iii. 4 per cent with effect from 17.1.2000	Up to 16.1.2000, the prevalent rates were correct. From, 17.1.2000, the rate of CST became lower.
Ginger, Orange	i. 3 per cent with effect from 15.01.91 ii. 3 per cent even from 7.1.2000.	i. 3 per cent with effect from 15.01.91 ii. 4 per cent with effect from 17.1.2000.	-do-

6.6.24 Hence, undue benefits were extended to the dealers in inter-state business on cardamom, ginger and orange with effect from 17 January 2000 due to non-revision of CST rate. This also resulted in loss of revenue to the tune of Rs. 45.33 lakh. On this being pointed out, the Department stated (June 2001) that action for revision of the CST rate or that of the SST rate is being initiated and decision of the Government is awaited (October 2001).

6.6.25 A dealer is liable to pay tax under CST Act on sale of any goods affected by him in the course of inter state trade or commerce notwithstanding that no tax would have been leviable under the sales tax law/rules of the appropriate state if the sale had taken place inside that state. The dealer, M/s Himal Laboratories (P) Ltd, had been dealing with the business of manufacture of ayurvedic medicines. Goods valued at Rs. 24.28 crore were sold during 1983-84 to 1990-91 in the course of inter state trade. The assessing authority, while finalising the assessment, did not levy tax on the sale of such goods. This resulted in non-realisation of tax of Rs. 97.13 lakh. In the absence of prescribed declaration form 'C', the dealer was liable to pay tax of Rs.2.43 crore. On this being pointed out, the Department stated (June 2001) that during the period of sale, the same was not brought to the purview of local sales tax. Reply is not tenable as sale of such goods is not exempted under CST Act, 1956.

Concealment of turnover

6.6.26 M/s Yuksom Engineering Works, Gangtok disclosed the turnover of Rs.40.74 lakh for the year 1991-92 and Rs. 87.83 lakh for the year 1992-93. Considering the said disclosed turnover, tax to the tune of Rs. 1.63 lakh and Rs.3.64 lakh was assessed (May 1995) for the year 1991-92 and 1992-93 respectively. On crosschecking with the records of the supplies made to the Power Department, it was noticed that the assessee had concealed the turnover of Rs.21.31 lakh and Rs.1.38 crore for the year 1991-92 and 1992-93 respectively. This concealment of turnover led to short collection of tax of Rs.6.37 lakh, excluding penalty and interest.

6.6.27 In four other cases, cross verification of assessment records of registered dealers with the tax deducted at source records of Government departments for supplies received from these dealers for the period from 1993-94 to 1998-99 revealed that there was incorrect determination of turnover by Rs.59.06 lakh. This resulted in short levy of tax of Rs.3.54 lakh (**APPENDIX-VIII**).

Non-realisation of sales tax on sale of lottery tickets

6.6.28 The scheme of state lotteries was introduced by the Government of Sikkim in April 1978. Explanation to Section 2 of the CST Act states that a Government which, whether or not in the course of business, buys and sells, supplies or distribute goods directly or otherwise, for cash or deferred payment or for commission, remuneration or other valuable consideration, shall be deemed to be a ***dealer.*** Hence, the Lottery Department of the Government is deemed to be a dealer and subject to assessment. Further, lottery tickets were considered as "Goods" in terms of Supreme Court decision (M. Anraj Vs Government of Tamil Nadu - 1986) and, therefore, came within the definition of "Goods" under Section 2(d) of the CST Act. Therefore, both CST and SST were applicable for the inter and intra state sale. From 1994 to March 2000, the Lottery Department sold tickets to the tune of Rs.4515.44 crore to two different distributors residing in other states without charging CST. This resulted in a huge revenue loss of Rs. 182.62 crore to the Government of Sikkim.

Irregular/incorrect deduction and exemption

6.6.29 Besides non-assessments and under assessments, there were several instances where ineligible exemptions or deductions were granted to the assesses resulting in short levy of tax. The total revenue loss in such cases detected during the course of audit was Rs. 2.38 crore.

6.6.30 As per notification issued on 07 May 1983, sales of liquor attract tax at the stage of first point sale. However, while assessing a dealer, M/s Sikkim

Distilleries Limited, for the period ending March 1995, the dealer's sales aggregating Rs. 30.35 crore for the period from April 1991 to March 1995 were allowed as deduction treating the same as Bond Sales effected within Sikkim. As liquor attracts tax at the first point of sale, it was liable to be assessed for such sales. Incorrect allowance of deduction from turnover resulted in under assessment of tax of Rs. 1.74 crore.

6.6.31 Under the SST Act, 1983 and Rules made thereunder, deduction for CSD commission and broken bottles is not covered. While assessing M/s Sikkim Distilleries Limited for the years 1983-84 to 1996-97, the turnover of CSD commission and broken bottles aggregating Rs. 92.82 lakh was deducted from taxable turnover. This resulted in under assessment of tax of Rs. 4.59 lakh. The Department stated (June 2001) that action is being taken against the dealer. Further development is awaited (October 2001).

6.6.32 In terms of Section 2(h) and Section 2(j) of the CST Act, 1956 and read with Supreme Court decision the freight charges incurred on transportation of goods from the place of production to the place of storage or sale form part of the price and hence subject to sales tax (Dyer Meakin Beweries Ltd. Vs State of Kerala – 1970). It was noticed that in assessing two dealers namely, Sikkim Distilleries Limited (SDL) and Yuksum Breweries Limited (YBL), for the year ending March 1997, freight and insurance charges of Rs. 3.92 crore in respect of SDL and Rs. 1.57 crore in respect of YBL for the period from 1984-85 to 1996-97 and 1987-88 to 1996-97 respectively were allowed as deductions. This resulted in under assessment of tax of Rs.21.96 lakh.

6.6.33 According to the SST Act, Total Turnover (TTO) is arrived at after allowing deduction from the Gross Turnover (GTO) for the sale of goods listed in Schedule-I as tax-free goods. However, deduction of Rs. 6.04 crore from GTO was allowed to two dealers for the assessment period 1986-87 to 1999-2000 in respect of the items/goods not specified in Schedule I. Thus, due to incorrect grant of exemption, the above amounts escaped assessment and the Government sustained a loss of Rs 30.22 lakh.

6.6.34 Under the CST Act, 1956, a sale or purchase of goods will be deemed to have taken place in the course of export of the goods out of the territory of India if such sales or purchases are effected by a transfer of documents of title to the goods after they have crossed the customs frontiers of India. Test check of assessment records for the years 1984-85 to 1996-97 of M/s Sikkim Distilleries Limited revealed that sales amounting to Rs. 22.45 lakh were exempted from levy of tax considering them as sales in the course of export out of India. But the sales were neither supported by prescribed declaration form 'H' nor by any document of export and custom clearance. These sales were, therefore, to be treated as inter-state sale not supported by prescribed declarations. Accordingly CST at the rate of 10 per cent was leviable. This incorrect exemption resulted in non-levy of tax amounting to Rs. 2.24 lakh.

6.6.35 A registered dealer under the CST Act, 1956 can purchase goods intended for being used as fuel, raw materials etc. for manufacture of goods for sale. All goods, which are to be directly used in the manufacturing process, can be purchased at concessional rate of tax. Accordingly, Government of India prepared a model list of goods with reference to certain industries that could be purchased at concessional rate of tax. A sample check of the CST and SST assessments of six dealers engaged in manufacturing and processing activities revealed that in the case of two dealers, the Department included certain items like cement, rods, office furniture etc. in the respective Certificates of Registration. The details of such ineligible purchases at the concessional rates of 4 per cent were as under:

Table-6.15

Name of the manufacturer	Eligible goods as per the notification of the Government of India for inclusion in the Certificate of Registration	Ineligible goods brought into the territory of Sikkim at the concessional rate of tax of 4 per cent	Cost of the ineligible goods (Rs. in lakh)
M/s STP Pharmaceutical (P) Ltd.	Fuels, Lubricating Materials, Minerals and metals excluding coal	Kota stones, furniture, plywood, cement, rods.	8.71
M/s Yuksum Breweries	Fuels, lubricating materials, basic materials such as barley, molasses, hops, mahua and others, if any, chemicals	Furniture and fixtures, motor vehicles, office equipments, computers, building materials.	84.20
TOTAL			92.91

6.6.36 As a result of inclusion of ineligible goods in the Certificate of Registration and availing the concessional rate of tax in procuring them from outside the state, undue CST benefit was given to the dealers to the tune of Rs.5.30 lakh. On this being pointed out, the Department stated (June 2001) that necessary amendment and setting right of the previously granted certificates of the Registration is being taken up. Further development is awaited (October 2001).

Non-recovery of assessed tax or delay in recovery of assessed tax

6.6.37 In addition to the loss of revenue due to incorrect assessments, there were shortcomings in the collection mechanism too. Review of recovery cases reflected an inadequate recovery mechanism resulting in nil or low recovery in some cases caused by factors varying from inordinate delay in assessment, ineffective pursuance of recovery in court, and lackadaisical approach to collection of assessed tax. The instances listed below highlighted these flaws, which resulted in an amount of Rs. 2.41 crore remaining unrecovered.

6.6.38 Assessment records of the Sales Tax Office, Jorethang revealed (March 2001) that in the case of an assessee M/s Sikkim Vanaspati Limited, Manpur, dealing in manufacture of Vanaspati and its by-products, the final assessment for the years 1988-89 to 1990-91 was made in March 2000 after a lapse of about 11 years. Demands of Rs. 2.01 crore under CST and Rs. 4.16 lakh under SST were raised in March 2000. The dealer in the meantime had closed down his business (February 1995) and sold out the plant and machineries through auction. Thus, delay in assessment resulted in non-recovery of Government dues amounting to Rs. 2.05 crore. While accepting the fact, Department stated (June 2001) that the recovery proceedings had been initiated through the Court of Law.

6.6.39 An assessee dealing in Bata Shoes and Hosiery goods was assessed (November 2000) to tax of Rs 12.73 lakh for the years 1992-93 to 1999-00. The demand of Rs.10.60 lakh was raised but the dealer had not paid the assessed tax till date (April 2001). The Department did not initiate any recovery proceedings against the errant dealer. Thus non-pursuance of the assessment in time resulted in non-realisation of tax to the tune of Rs 10.60 lakh.

6.6.40 Section 21(2)(a) of the SST Act, 1983 prohibits entertainment of any appeal unless it is accompanied by a proof of payment of the amount of tax admitted by the dealer to be due from him and 10 per cent of the difference between such amount and the amount of the tax including penalty and interest assessed. A dealer in Gangtok, M/s Denzong Automobiles Private Limited, was assessed in April 1990 for the years 1984-85 to 1988-89 and in January 1992 for the year 1989-90. Notices of demand of Rs. 4.77 lakh for 1984-85 to 1989-90 were issued. The dealer did not submit any appeal or application against these assessments. However, aggrieved upon subsequently the assessed tax of Rs. 13.19 lakh for the year 1990-91 and for the year 1991-92 of Rs.7.05 lakh the dealer filed appeals on 21 May 1992 and 8 September 1992 respectively under Section 21(1) of the SST Act, 1983 without depositing the tax as required under the law. At this appellate stage, the Deputy Commissioner re-assessed the dealer for the year 1984-85 to 1991-92 and a fresh demand notice of reassessed tax of Rs. 13.12 lakh was issued to the dealer on 23 March 1996 imposing a penalty of Rs. 3.85 lakh for the years 1990-91 to 1991-92 on the ground that the dealer had not remitted the tax amount within the stipulated time as mandatory under the provisions of the SST Act. Again, aggrieved by the appellate assessment order and notice of demand, the dealer applied on 19 April 1996 for reconsideration. Accordingly, the case was re-examined and tax re-assessed and notice of demand for re-assessed tax of Rs. 9.33 lakh was served to the dealer on 31 August 1996. Against the said demand of Rs. 9.33 lakh, the dealer deposited Rs. 1.50 lakh leaving a balance of Rs. 7.83 lakh which was increased to Rs.8.28 lakh by the Additional Secretary of the Department unpaid till date (April 2001). No legal proceedings to realize the tax had been taken so far (April 2001). Thus, ineffective pursuance of the recovery case deprived the Department of a revenue of Rs.12.05 lakh, including interest upto 31 March 2001.

6.6.41 As per law, if the sales tax dues (including interest, penalty etc) are not paid by the dealer within the time specified in the demand notice, the assessing authority may apply to the Magistrate of the First Class for recovery of the Government dues as if it were fine imposed by him. A dealer, M/s Bata Shoe Company, was assessed during December 1991 and August 1993 to tax of Rs.11.28 lakh for the years 1988-89 to 1989-90 and from 1990-91 to 1992-93 respectively. According to the assessments, the dealer was to deposit the tax within one month from the date of issue of the demand notice. On his failure to pay the dues of Rs. 12.16 lakh, including penalty and interest, within the stipulated period, recovery proceedings were started by the Department on 5 March 1994 under Section 14(4) of the SST Act. The dealer filed a petition on the last date of hearing praying that he might be allowed to pay the decreed dues in monthly installments of Rs. 0.10 lakh until the recovery of the entire decreed dues was completed. Accordingly, the Court fixed the monthly installment at Rs. 0.15 lakh for one month i.e. July 1994, and the balance at monthly installments of Rs. 0.17 lakh until the dues were fully recovered. Consequently, the dealer paid an amount of Rs. 3.21 lakh up to 29 July 1996 leaving a balance of Rs. 8.96 lakh unpaid. Adding interest on the unpaid arrears of tax for the period from 30 July 1996 to 31 March 2001, the total non-recovery of dues amounted to Rs. 13.15 lakh. The Department has not initiated any further steps to recover the amount. On this being pointed out, the Department stated (June 2001) that direction has been issued to the dealer to settle the dues within 15 days. Further development is awaited (October 2001).

6.6.42 In terms of notification issued in May 1983, sale of beer attract tax at the stage of first point sale. A dealer of South Sikkim was granted extension to deposit the tax amount of Rs. 82.33 lakh for the period 1990-91 to 1995-96 to allow him to clear the interest and the principle amount of loan obtained from IDBI, ICICI, IFCI Bank etc. The delay in deposit of tax ranged from more then 2 years to 4 years. Since the tax stood charged and collected by the assessee from the consumer, such an attempt to withhold the tax beyond the due date of deposit amounted to utilisation of Government money for private purposes. The injudicious grant of extension in depositing tax resulted in undue financial benefit to the assessee.

Other points

Sale and purchase of goods not covered under SST Registration

6.6.43 Section 10(2) of the SST Act stipulates that no dealer should sell or purchase goods unless he possesses a valid Certificate of Registration granted to him by a prescribed authority. Section 23(1)(a) further lays down that if a dealer took part in sales or purchases of goods, in contravention of the above section of the SST Act should be punished with imprisonment upto a maximum period of one year or with a fine upto ten thousand rupees and if the offence was a continuing one a daily fine not exceeding one hundred rupees during the period of the offence continued should be imposed. Assessment records of three dealers revealed that tax was assessed for specific items of goods valued at Rs. 2.15 crore not included in their Certificate of Registration. They were, therefore, liable to pay penalty and fine amounting to Rs.10.16 lakh (**APPENDIX-IX**). The Department however failed to impose any penalty or fine, as specified in the act, on the dealers.

6.6.44 In terms of Central Sales Tax Rules, Form 'C' is to be obtained by the registered dealer of the state from the Sales Tax authority to avail concessional rate of 4 per cent of CST instead of 10 per cent for inter-state trade. Cross verification of some of the Forms 'C' produced by the registered dealers of the state during inter-state purchases with the Forms 'C' issued by the Sales Tax authority revealed the following cases of discrepancies where dealers made concessional purchases against Form 'C' that were never issued from Sales Tax Office, Gangtok:

- M/s Calcutta Hardware Stores, Gangtok purchased cement worth Rs. 17.73 lakh during 1995-96 against Forms 'C' numbered 016844 and 016815.
- M/s Sarda Radio Company, Gangtok purchased cement worth Rs.0.92 lakh during 1994-95 against Form 'C' numbered HH 050849.
- M/s Ramanand Prasad, Gangtok purchased materials worth Rs.6.85 lakh during 1998-99 against Form 'C' numbered 802434.

6.6.45 Evasion of 6 per cent CST in above cases led to a revenue loss of Rs.1.53 lakh. Further, production of false declaration forms amounted to a criminal offence and was punishable with imposition of penalty and imprisonment as per Sales Tax Rules.

6.6.46 In addition to the above aberrations, the Department could not confirm the issuance of Forms 'C' from the Sales Tax Office, Gangtok in the following cases:

- State Trading Corporation of Sikkim (STCS), Gangtok, which purchased cement worth Rs. 43.74 lakh during 1994-95 and 1995-96 against Forms 'C' numbered 025192, 025210, 127831 and 127987.
- M/s Universal Shipping and Trading Co, Gangtok, which purchased cement worth Rs. 25.44 lakh during 1994-95 against Forms 'C' numbered 003651 to 003659, 003661 to 003662 and 003664 to 003667.

6.6.47 Thus, the possibility of CST evasion of Rs.4.15 lakh in the above two cases could not be ruled out.

CHAPTER-VI

REVENUE RECEIPTS

SECTION : B

(AUDIT PARAS)

CHAPTER-VI

REVENUE RECEIPTS

SECTION – B

(AUDIT PARAS)

EXCISE DEPARTMENT

6.7 Non-recovery of full rate of Excise duty

Despite non-production of 'excise verification certificates' in support of delivery of goods at the destinations, the Department did not levy/collect full rate of excise duty.

6.7.1 In terms of Rule 17(3) and 17(6) of the Sikkim Foreign Liquor (Import, Export and Transport) Rules, 1993, the exporter is bound to deliver the consignment at the "importing place" and obtain the 'excise verification certificate' (EVC) against the export pass. Failing this, the excise officer may levy on such consignment the full rates of excise duty applicable at that point of time in the State of Sikkim.

6.7.2 In four cases, the consignments during March 1998 to November 1999 from two Sikkim based companies did not reach their destinations and no EVC was produced to that effect by the companies till the date of audit (November 2000). Due to non-levy of applicable excise duty the Government suffered a loss of Rs.6.64 lakh.

6.7.3 While accepting the facts, the Department stated (June 2001) that out of the four cases, it had received EVCs in two cases (Rs.0.70 lakh) and in respect of the remaining two (Rs.5.94 lakh), the matter was under investigation with Sub-Judicial Magistrate, Jalpaiguri.

6.7.4 Scrutiny of copies of the EVCs furnished to audit revealed that one consignment of 1000 cases of beer (bearing Export Pass No. 3511 dated 04 March 1998) involving excise duty of Rs.0.42 lakh was shown to have been delivered at Delhi on 13 March 1998. However, the stated consignment was in fact seized by the Indian Customs Authority and was not released till 26 April 1999. According to the letter written by Yuksom Breweries Ltd. on 26 April 1999 to the Commissioner of Excise (Abkari) Department, the Breweries decided not to take back the seized materials as the shelf life of the beer had already expired. Therefore, the EVC against the Export Pass No. 3511 was not genuine.

6.8 Non-imposition of full rate of excise duty on sale not covered under the rules

Exemption from the levy of excise duty on the export of beer to foreign countries by M/s Yuksom Breweries Ltd. between 1994-95 to 1999-00 was beyond the scope of the rules and resulted in non-recovery of Rs. 2.91 crore.

6.8.1 Sikkim Foreign Liquor (Import, Export and Transport) Rules, 1993 provide exemption from the levy of excise duty on consignments of liquor exported to places outside the State of Sikkim. Only an 'export pass' fee, at prescribed rates for different types of liquors, is required to be paid under Rule 12. For the purposes of these Rules, "importing place" is defined in Rule 1(j) as any ***place in India*** outside the State of Sikkim to which the foreign liquor is to be sent from the State of Sikkim.

6.8.2 A brewery in Sikkim, M/s Yuksom Breweries Limited, exported 828,000 cases of beer to ***countries outside India*** (USA and Bhutan) during the period 1994-95 to 1999-2000, paying only Rs. 12.70 lakh as 'export pass' fee during the years 1997-98 to 1999-2000. No excise duty was assessed by the Excise Department on this sale, treating it as an export within the meaning of the Rules ibid, even though these transactions were beyond the scope of Rule 1(j). Further, as per clause 19A (ii) of the license issued by the Department to the breweries, the sales were to be restricted to other States within India. However, verification of concerned assessment records in the Sales Tax Department revealed that these sales were treated as export of goods out of territory of India and Central Sales Tax was also not paid against these sales. The total excise duty liability worked out to Rs. 3.04 crore at the applicable rates.

6.8.3 Thus, the irregular exemption resulted in non-realisation of excise duty amounting to Rs. 2.91 crore – obtained after netting the amount paid as 'export pass' fee applicable for inter state transaction from the leviable duty.

6.8.4 The Department stated (June 2001) that the State of Sikkim having no jurisdiction to impose Excise Duty on exports to the United States of America, the export was made under the Central Excise Rules 1944. Regarding the export of beer to Bhutan, the Department stated that the export fell under the Sales Tax and Excise Duty Exemption list of the Indo Bhutan Trade Agreement. The reply was not tenable as duties of excise on alcoholic liquors for human consumption are included in the State List (List II) under the Seventh Schedule (Article 246) of the Constitution. Hence, the State Legislature had the exclusive jurisdiction for imposing duties on alcoholic liquors. Regarding the sale of beer to Bhutan, the Brewery has availed of irregular exemption not covered under the applicable State Act.

FOREST DEPARTMENT

6.9 Loss of revenue due to irregular disposal of seized timber

Owing to non-imposition of appropriate penalty as compensation and non-realisation of value of seized timbers from the offenders and buyers in auction, the Government sustained a total loss of Rs 6.65 lakh.

6.9.1 As per Sikkim Forests, Water Courses and Road Reserve (Preservation and Protection) Act 1988, any person who committed any forest offence shall be liable to pay penalty a sum equivalent to twice the value of the property involved by way of compensation. The confiscated property shall be put to auction or shall be released to the person after payment of the value of the forest produce as notified by the Government.

6.9.2 Scrutiny of records (March 2000) of the Divisional Forest Officer (Territorial), North District revealed that 1029 cft. of timber log valued at Rs. 2.10 lakh was seized from 6 offenders. The offenders were liable to pay an amount of Rs.6.33 lakh (compensation : Rs. 4.22 lakh + value : Rs. 2.11 lakh). However, the timber log was released to the same persons after realizing only an amount of Rs.0.88 lakh resulting in short realisation of Rs. 5.45 lakh.

6.9.3 Similarly, 544 cft. of timber seized from 3 offenders were sold through auction and the Department instead of realising Rs. 2.18 lakh, realised only Rs.0.98 lakh resulting into short realisation of Rs. 1.20 lakh.

6.9.4 Thus, due to non-imposition of appropriate penalty as compensation and non-realisation of value of seized timbers from the offenders and buyers in auction, the Government sustained a loss of Rs. 6.65 lakh.

6.9.5 The Department replied (June 2001) that the market value of the forest produce seized following commission of the forest offence was to be determined by the compounding or auctioning officer, according to the Notification issued on 10 August 1998 by the Government of Sikkim. The Department further stated that the utilisation rate of finished timber cannot be applied in the remote areas where forest produce was seized in the form of trees, logs etc. Further, the price of the timber varied from time to time and depended on the purchasing power of the local people.

6.9.6 The reply was not acceptable on the following ground:

(a) Out of the 9 cases under reference, 3 cases occurred before the issue of the Notification dated 10 August 1998. Further, 6 cases related to seizure of timbers and balance 3 related to logs.

(b) In terms of Notification dated 25 April 1998, the "value" of forest produce was to be as notified by the Government. Audit had taken the value as notified by the Department for computation of the loss.

(c) The Notification dated 10 August 1998 vests the compounding or auctioning authority with absolute discretion in determining the market value. The actual realised value was only 13.97 per cent of the sale value notified by the Department in cases where timbers/logs were released to the offenders and 45.17 per cent in the case of auction of timbers. This left enough margin with offenders to make a profit even after paying the penalty, by selling the timbers/logs etc. in urban areas after incurring expenditure towards transportation and permit fees. It may be mentioned that the Department had not notified any separate rate/value for the districts/remote areas.

6.9.7 Thus, the prevailing practice adopted by the Department indicated inadequacy of the system in collection of revenue arising out of commission of forest offences in pursuance of the enacted law on the subject.

6.10 Loss of Government revenue

Realisation of its share of cardamom much below the average yields from individuals to whom forest lands had been leased out for its cultivation, resulted in a loss of Rs.83.52 lakh.

6.10.1 The Forest Department had been leasing out forest land in the State to private individuals for cultivation of cardamom since 1987. One of the conditions in the agreement executed between the Department and the individuals stipulated the delivery of 25 per cent of the total production of cardamom per annum by the lessees to the Department as Government of Sikkim's share. While the Department had never undertaken any survey to ascertain the yield of cardamom in the leased areas to satisfy itself that it was receiving its rightful share, Audit independently verified the average district-wise production of cardamom during the two years from the Regional Office, Central Spices Board (CSB), Gangtok.

6.10.2 Audit scrutiny revealed that during the years 1998-99 and 1999-2000, as compared with the actual production surveyed by the CSB for the years 1998-99 and 1999-2000, the Department realised 72178.25 kg. less than what it should have actually realised (74642 kg.) in all the four districts. The revenue loss to the Government on this count worked out to Rs.83.52 lakh for 72178.25 kg. of cardamom. The Department did not have the details pertaining to the years prior to 1998-99, regarding either the dates of leasing out the forest land to various individuals or the Government share realised from the individual lessees.

6.10.3 Thus, the lack of internal control which manifested in the failure of the Department to monitor the actual production of cardamom in leased out forest lands resulted in an abysmally low share accruing to the Government causing a revenue loss of Rs.83.52 lakh during 1998-99 and 1999-2000.

6.10.4 The Department replied (August 2001) that it was leasing out land for the cultivation of cardamom to people who were unemployed or did not have a steady source of income. It could not wind up these fields due to the policy of the Government to retain them for the benefit of the lessees and due to poor site quality of the departmental cardamom fields, high yield was not possible. Further, the quality of yield was not at par with those produced by private growers who tended their crops better. It was further stated that the assessment by the CSB was based on ideal field situation.

6.10.5 While the reply did not address the issue of ascertaining the yield of cardamom in the leased out areas with reference to the statistics of CSB at Gangtok, the difference sought to be imputed between the private growers and the growers in leased out areas was invalid as the lessees of forest lands were also private individuals. Further, the report of the CSB was based on the existing field situation for the whole State and not on selected field areas or ideal field situation.

INCOME TAX AND SALES TAX DEPARTMENT

6.11 Irregular exemption of income tax to the tune of Rs.55.64 - lakh

Despite clear notification on levy of income tax, the Department irregularly exempted income tax and sustained consequential loss of revenue to the tune of Rs.55.64 lakh.

6.11.1 As per the State Government Notification No. 2/TIC dated 16 February 1974, the industries shall be exempted from paying income tax for 5 years from the date the industry goes into production. Clause VII of the said notification regarding participation stipulated that the guiding principle for such exemption would be that the majority share in any new enterprise should be that of the Government of Sikkim. Such participation should, however, be open for negotiation depending on the merits of each case and in case of small industries, the majority share should be of Sikkimese people if that was to be undertaken with the collaboration of outside entrepreneurs.

6.11.2 Scrutiny of records (October 2000) revealed that M/s Yuksom Breweries Limited, Melli, which neither had a majority Government share nor fell under the category of small industries was exempted from paying income tax for the period of 5 years from May 1987 to March 1992 by the Department on the strength of the aforesaid notification. This resulted in an irregular exemption of income tax and consequential loss of revenue to the tune of Rs. 55.64 lakh.

6.11.3 The Department stated (July 2001) that the Government of Sikkim had an investment of Rs.3 lakh in equity shares of Rs.10 each in the company and the rest of the shares were held by the Sikkimese. The reply was not acceptable as no documentary evidence in support of the stated investment could be shown to Audit. Further, such investment was also not reflected in the Finance Accounts of the State Government.

6.12 Irregular grant of rebate on Income Tax

Despite PAC's recommendation to maintain the grant of 25 percent rebate on Income Tax, the Department irregularly granted rebate of 90 to 97.50 per cent resulting in loss of revenue to the tune of Rs 1.26 crore.

6.12.1 The Sikkim Income Tax Manual 1948 does not provide for any rebate in Income Tax. Based on the representations of the petroleum dealers in Sikkim for rebate in Income Tax, the erstwhile Chogyal of Sikkim had approved (July 1969) that petroleum dealers be given 25 per cent rebate on Income Tax.

6.12.2 Mention was made in the Audit Report (1988-89 and 1990-91) about the irregular grant of rebate on income tax to the petroleum dealers. The Public Accounts Committee (PAC) in its 11th Report (1992-93) observed that there was no provision in the Income Tax Manual 1948 for grant of rebate and had recommended that the existing law should be maintained and if any concession was considered justified, it could be provided in the shape of suitable compensation without overstepping jurisdiction. The PAC in its 25th Report (1995-96) insisted upon the recommendation made in its 11th Report.

6.12.3 The PAC recommendation to maintain 25 per cent rebate on Income Tax, notwithstanding, the Department irregularly granted rebate of 90 per cent in 9 cases and 97.5 per cent in 1 case on the tax assessed for the assessment years from 1991-92 to 1998-99. This resulted in irregular grant of relief and eventual loss of revenue to the tune of Rs 1.26 crore.

6.12.4 The Department stated (July 2001) that the rebate of 90 per cent was allowed to preserve the sustainability of the business and the rationality of the tax structure. The reply was not tenable as the Department had overstepped its jurisdiction in allowing rebate beyond 25 per cent. Further, the Department was silent in the case where the rebate of 97.5 per cent was allowed.

6.13 Non-realisation of Income Tax from house property

Non-assessment of income from house property led to non-realisation of Income Tax of Rs 2.67 lakh.

6.13.1 As per notification issued by the Income and Sales Tax Department in April 1970, income arising or accruing directly or indirectly from the properties situated in the Bazaar areas will be assessed to income tax at the prescribed rate after allowing a standard deduction of 20 per cent on account of maintenance.

6.13.2 Further, a mention was made in para 6.9 of the Audit Report 1996-97 for non-recovery of income tax on house property and Public Accounts Committee (PAC) in its 39th Report recommended that the departmental organisation should be properly equipped to detect cases of non-assessment on its own. While replying to the PAC, Department stated that if assessees failed to make payment of income tax, the Department would take recourse to recovery proceeding as per the law.

6.13.3 Test check of records of Income Tax Department relating to the assesses of Bazaar area in Gangtok revealed (October 2000) that the Department had still neither collected nor prepared any comprehensive list of persons having house property. Only after the observation in the Audit Report and recommendation of PAC thereto, the Department had started assessing individual cases on pick and choose basis and assessed Rs. 2.67 lakh in respect of 37 cases. It was further seen that most of the cases so assessed had remained unassessed for a long period as under:

Table-6.16

Sl. No.	No. of cases	Year upto which assessed	Number of years remaining unassessed upto 1999-2000
1	01	1990-91	9
2	03	1993-94	6
3	06	1994-95	5
4	10	1995-96	4
5	05	1996-97	3
6	07	1997-98	2
7	05	1998-99	1
TOTAL	**37**		

6.13.4 The reason for not assessing the cases for such a long period was not on record. No amount was realised from either any of the individuals already mentioned in earlier Audit Report or the 37 cases mentioned above. Thus, the Department failed to initiate any action for recovery of taxes under the provision of the Sikkim (Collection of Taxes and Prevention of Evasion of Payment of Taxes) Act, 1987. Besides resulting in non-realisation of government revenue to the tune of Rs. 2.67 lakh, it showed that lacunae still persisted in the system of assessment and collection of income tax.

6.13.5 The Department attributed (July 2001) the failure to realise Income Tax from House Property to the absence of clear cut demarcation of Bazaar area. It further stated that a proposal to demarcate the boundary of 'Bazaar area' for the purpose of House Property Tax was being moved. The reply was not tenable as the areas falling under Gangtok Town and Bazaars were already notified vide Local Self Government and Housing Department's notification dated 07 November 1985 followed by Urban Development and Housing Department's Notification dated 15 July 1992.

6.14 Loss of revenue

An executive decision to reduce the rate of taxation, besides being extra-constitutional, caused a loss of Rs.5.71 crore in five cases alone.

6.14.1 It is an established principle of jurisprudence that any amendment to a law can only be made by the appropriate legislature. The Sikkim Income Tax Manual, 1948 provides the framework for levying and collecting income tax in the State of Sikkim. After the merger of Sikkim with India in 1975, the State Income Tax Manual obtained the force of law, which could be amended or repealed by a competent legislature only.

6.14.2 Notwithstanding the above, the Finance Department had been allowing tax concessions in individual cases in the past and in May 1998, the Finance Minister of Sikkim approved a slab rate of taxation. Against the statutory rate of 3 per cent per annum leviable on the gross sale proceeds beyond Rs.10 lakh (Rs.23,230 on sale proceeds upto Rs.10 lakh) of the previous year, the slab approved laid the rate of tax as 3 per cent for gross turnover of up to Rs.30.00 lakh, 2 per cent for gross turnover between Rs. 30.00 lakh and Rs.1.00 crore and 1 per cent for gross turnover above Rs. 1 crore.

6.14.3 In five cases test-checked in Audit, the application of reduced rates resulted in short levy of income tax to the tune of Rs.5.71 crore as detailed below:

Table-6.17

Sl. No.	Name of Assesse	Year of Accounts assessed	Total Turnover	Tax leviable	Tax levied	Short levy
			(Rupees in crore)			
1	M/s Kamala Traders	1995-96 to 1998-99	77.70	2.33	0.36	1.97
2	M/s Parasai Traders	-do-	37.71	1.13	0.27	0.86
3	M/s Mittal General Stores	1995-96 to 1999-2000	3.54	0.10	0.07	0.03
4	M/s Yuksom Breweries Ltd.	1992-93 to 1998-99	98.76	2.96	0.99	1.97
5	M/s Krishna Company	1990-91 to 1998-99	44.10	1.32	0.44	0.88
TOTAL			**261.81**	**7.84**	**2.13**	**5.71**

***Note:** Figures in the bracket indicate the percentage on which tax as assessed on turnover.*

6.14.4 The executive decision of the Government to reduce the rate of taxation is not only causing huge loss to Government revenues, but is also without jurisdiction and legally untenable.

6.14.5 The matter was referred to the Department (December 2000 and May 2001); no reply has been received.

CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

CHAPTER-VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Introduction

7.1.1 Autonomous bodies and authorities are set up to discharge generally non-commercial functions 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 2000-2001, financial assistance of Rs.14.48 crore was released to various autonomous bodies and others, broadly grouped as under:

Table-7.1

Sl. No.	Name of institutions	Amount of assistance paid *(Rupees in crore)*
1.	Universities and Educational Institutions	2.10
2.	Zilla Parishad and Panchayati Raj Institutions	1.07
3.	Development Agencies	9.39
4.	Hospitals and other Charitable Institutions	0.35
5.	Other Institutions	1.57
	TOTAL	**14.48***

* *The total figure of Rs.14.48 crore is based on departmental figures. It differs with the figure of Rs 8.39 crore shown in the Detailed Appropriation Accounts 2000-01 of the State Government. The difference is under reconciliation.*

7.2 Delay in furnishing utilisation certificates

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

7.2.2 Of the 178 utilisation certificates due in respect of grants and loans aggregating Rs.14.48 crore paid during the period 2000-2001, only 42 certificates for Rs.9.14 crore had been received by the grant releasing departments by 30 September 2001 and 136 certificates for an aggregate amount of Rs.5.34 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Table-7.2

Department	Number of certificates	Amount *(Rupees in lakh)*
Social Welfare	03	0.40
Rural Development	13	122.60
Ecclesiastical	13	45.20
Art and Culture	35	32.28
Sports and Youth Affairs	09	2.59
Women and Child Welfare	01	10.00
Co-operation	24	229.25
Tourism	24	56.37
Agriculture	05	29.55
Health	08	4.37
Irrigation	01	1.58
TOTAL	**136**	**534.19**

7.3 Delay in submission of accounts

7.3.1 In order to identify the institutions which attract Audit under Section 14/15 of the Comptroller and Auditor General's (DPC) Act 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which the assistance was sanctioned and the total expenditure of the institutions. Information for the year 2000-01 called for (August/September 2001) from 28 Departments of Government/Heads of Departments, was furnished by all the Departments/Heads of Departments.

7.4 Audit arrangement

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

Table-7.3

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	2000-01 to 2004-2005	15 December 1999
2.	Sikkim Co-operative Milk Producers' Union Limited	1998-99 to 2002-2003	17 September 1998

7.4.2 The primary audit of local bodies (Zilla Parishad, Panchayat Raj Institutions), Educational Institutions and others is conducted by the State Government. The audit of Co-operative Societies is also conducted by the State Government. Only 2 bodies/authorities attracted Audit under Section 20 (1) of the Comptroller and Auditor General'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	1994-1995	1994-1995
2	Sikkim Co-operative Milk Producers' Union Limited	1999-2000	1998-1999

7.4.3 Against the 8 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 2001 was as below:

Table-7.5

Sl. No.	Name of Body	Annual accounts finalised upto	Annual accounts audited
1	Tashi Namgyal Academy	1999-2000	1999-2000
2	Paljor Namgyal Girls Senior Secondary School	1999-2000	1999-2000
3	Sikkim Rural Development Agency	1999-2000	1999-2000
4	Sikkim Research Institute of Tibetology	1999-2000	1999-2000
5	Sikkim Higher & Nyingma Studies	2000-2001	2000-2001
6	Sikkim State Illness Assistance Fund Association	Accounts not prepared	-
7	Institute of Hotel Management and Hotel Mount Jopuno	1998-1999	1998-1999
8	State Urban Development Agency	Accounts not prepared	-

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government Companies and Statutory Corporations

8.1 Introduction

8.1.1 As on 31 March 2001, there were 8 Government Companies (5 working Companies and 3 non-working Companies) and 3 Statutory Corporations (3 working Statutory Corporations) as against the 7 Government Companies (4 working Companies and 3 non-working Companies) and the same number of Statutory Corporations (3 working Statutory Corporations) as on 31 March 2000 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 on the request of the State Government under Section 20(1) 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 entrusted to the Comptroller and Auditor General under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971 at the request of the State Government 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 CAG's (DPCS) Act 1971	Audit by Chartered Accountant and superimposed audit by Comptroller and Auditor General of India.
2. State Bank of Sikkim (SBS)	-do-	-do-
3. State Trading Corporation of Sikkim (STCS)	-do-	-do-

8.1.4 There are two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport (SNT) under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

8.1.5 The accounts of these departmentally managed undertakings are audited by Chartered Accountants who are directly appointed by the respective Departments. Audit by the Comptroller and Auditor General of India of these undertakings is taken up under Section 13 of the Comptroller and Auditor General'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 2001, the total investment in 8 Public Sector Undertakings (5 Government Companies and 3 Statutory Corporations) was Rs. 51.97 crore (equity : Rs. 49.58 crore and long-term loans• : Rs.2.39 crore.) as against a total investment of Rs. 40.83 crore (equity: Rs. 38.44 crore and long term loans : Rs. 2.39 crore in 7 PSUs (4 Government Companies and 3 Statutory Corporations) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs:

Working Government Companies

8.2.2 Total investment in 5 Government Companies as on 31 March 2001 was Rs. 42.97 crore (equity: Rs. 40.58 crore; long term loans: Rs. 2.39 crore) as against total investment of Rs. 33.01 crore (equity: Rs. 30.62 crore; long term loans: Rs.2.39 crore) as on 31 March 2000 in the 4 Government Companies.

8.2.3 Increase in investment of Rs.9.96 crore was due to additional equity investment of Rs.4.39 crore received during 2000-2001 in 3 working companies (including 1 new company) and inclusion of Rs. 6.37 crore in one company under others paid-up capital (column 3d) which was not included in

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

the Audit Report 1999-2000. The difference of Rs. 0.80 crore as compared with the Audit Report 1999-2000 was due to less investment shown in respect of one company in the Finance Accounts 1999-2000.

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

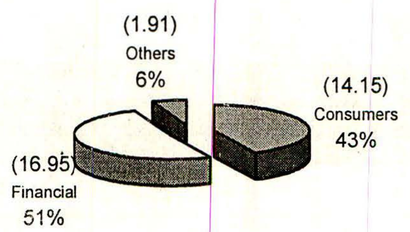
Sectorwise investment in Government Companies

8.2.5 As on 31 March 2001, in total investment of working Government Companies, 94 per cent comprised equity capital and 6 per cent comprised loans compared to 93 per cent and 7 per cent respectively as on 31 March 2000. The sector-wise investment (equity including share application money and long term loans) for the years ended 31 March 2000 and 31 March 2001 is given in two separate pie charts below:

Chart-8.1

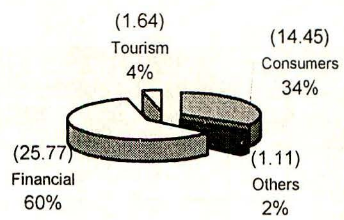
Sector-wise investment for the year ending 31 March 2000

(Figures in the brackets indicate investment Rupees in crore)



Sector-wise investment for the year ending 31 March 2001

(Figures in the brackets indicate investment Rupees in crore)



Working Statutory Corporations

8.2.6 The total investment in 3 Working Statutory Corporations at the end of March 2001 and March 2000 was as follows:

Table-8.2

Name of Corporation	1999-2000		2000-2001	
	(Rupees in crore)			
	Capital	**Loan**	**Capital**	**Loan**
State Bank of Sikkim (SBS)	0.53	Nil	0.53	Nil
Sikkim Mining Corporation (SMC)	6.17	Nil	7.36	Nil
State Trading Corporation of Sikkim (STCS)	1.11	Nil	1.11	Nil

Note: *Figures shown in the table are based on Finance Accounts and exclude Rs.2.94 crore invested by GOI in SMC.*

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

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-X** and **XII.**

8.3.2 The budgetary outgo from the State Government to working Government Companies and working Statutory Corporations for the 3 years upto 2000-01 in the form of equity capital, loans and subsidy is given below:

Table-8.3

	1998-1999				1999-2000				2000-2001			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
	(Rupees in crore)											
Equity capital	1	1.00	1	0.23	1	0.50	1	0.23	4	3.98	1	0.68
Loans	-	-	-	-	-	-	-		-	-	-	-
Grants	-	-	-	-	-	-	-		-	-	-	-
Subsidy	-	-	-	-	-	-	-		-	-	-	-
	1	1.00	1	0.23	1	0.50	1	0.23	4	3.98	1	0.68

8.3.3 During the year 2000-2001, the Government had guaranteed the loan/advance aggregating Rs. 3.90 crore obtained by 1 working Company. However, at the end of the year, guarantees amounting to Rs.21.90 crore against 2 Government Companies (Rs.13.90 crore) and 1 Statutory Corporations (Rs. 8.00 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. There was also no case of guarantee commission either paid or payable to the Government 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-XI**, out of 5 working Government Companies, only 2 Companies had finalised their accounts for the year 2000-2001 and out of 3 Statutory Corporations, none of the corporations had finalised their accounts for the year 2000-01within the stipulated period.

8.4.2 During the period from October 2000 to September 2001, 3 working Government Companies finalised 5 accounts for previous years. Similarly, during this period only 1 working Statutory Corporation finalised account for previous year.

8.4.3 The accounts of 3 working Government Companies and 3 working Statutory Corporations were in arrears for the period from 1 year to 6 years as on 30 September 2001 as detailed below:

Table-8.4

Sl. No.		Period upto which accounts finalised	Period for which accounts in arrears 2000-2001	No. of years for which accounts in arrears
I	**A. Name of the Company**			
	i. Sikkim Time Corporation Ltd.	1999-2000	2000-2001	1
	ii. SC, ST and OBC Development Corporation Ltd.	1998-1999	1999-2000 2000-2001	2
	iii. Sikkim Tourism Development Corporation	1999-2000	2000-2001	1
II	**B. Name of the Statutory Corporation**			
	i. State Bank of Sikkim	1999-2000	2000-2001	1
	ii. Sikkim Mining Corporation	1998-1999	1999-2000 2000-2001	2
	iii. State Trading Corporation of Sikkim	1997-1998	1998-1999 1999-2000 2000-2001	3

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-XI.** 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-XIII** and **XIV** respectively.

8.5.2 According to latest finalised accounts of 5 working Government Companies and 3 working Statutory Corporations, 2 Companies and 2 Corporations had incurred an aggregate loss of Rs. 0.51 crore and Rs. 4.12 crore respectively, 3 Companies and a Corporation earned an aggregate profit of Rs. 0.19 crore and Rs. 0.20 crore respectively.

8.6 Working PSUs

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 2000-01(one company) and 1999-2000 (two companies) earned profit of Rs. 0.19 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 making Companies, one company had accumulated loss aggregating Rs.0.58 crore which represented 30 per cent of its paid-up capital.

Working Statutory Corporations

Profit earning Statutory Corporation

8.6.3 As per latest finalised account, State Trading Corporation of Sikkim (STCS) which finalised its accounts for 1997-98, earned a profit of Rs. 0.20 crore but had not declared any dividend.

Loss incurring Statutory Corporation

8.6.4 Of the 2 loss incurring working Statutory Corporations, one corporation had accumulated loss aggregating Rs. 19.41 crore which exceeded its aggregate paid up capital of Rs. 0.58 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 2 Corporations is given in **APPENDIX-XV.**

Return on Capital Employed

8.6.6 As per the latest finalised account (up to September 2001), the capital employed[1] worked out to Rs. 48.23 crore in 5 working Companies and total return[2] thereon amounted to Rs 0.34 crore which is 0.71 per cent as compared to total return of Rs 0.75 crore in 3 Companies (1.97 per cent) in 1999-2000. Similarly, the capital employed and total return thereon in case of working Statutory Corporations as per the latest finalised accounts (up to September 2001) worked out to Rs. 143.53 crore and Rs. 0.20 crore (0.14 per cent), respectively, against the total return of Rs. 0.20 crore (0.12 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-XI.**

8.7 Non-working PSUs

Investment in non-working PSUs

8.7.1 As on 31 March 2001, 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 2000.

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

Table-8.5

Sl. No.	Status of Non-working PSUs	Number of companies	Numbers of corporation	Investment (Rupees in crore)			
				Companies		Corporations	
				Equity	Long terms loan	Equity	Long terms loan
i.	Under liquidation	-	-	-	-	-	-
ii.	Under closure	2	-	0.58	-	-	-
iii.	Under Merger	-	-	-	-	-	-
iv.	Other*	1	-	0.69	-	-	-
	TOTAL	**3**	-	**1.27**	-	-	-

* *The operational function has been leased out.*

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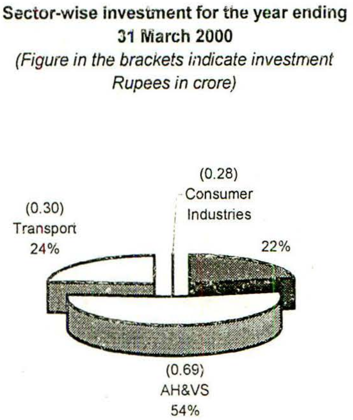
1 *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance Companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including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

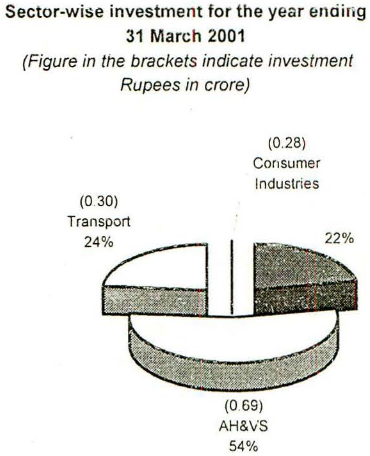
2 *For calculating total return on capital employed, interest on borrowed funds is added to net profit / subtracted from the loss as disclosed in the profit and loss account.*

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

8.7.4 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated in the below pie charts.

Chart-8.2





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

8.7.5 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-X** and **XII.**

8.7.6 The State Government had not given any budgetary support during 2000-2001 to these non-working PSUs.

Total establishment expenditure of non-working PSUs

8.7.7 The year-wise details of total establishment expenditure of non-working PSUs and the source of financing them during the last 3 years up to 2000-2001 (reporting years) could not be analysed due to non-finalisation of accounts by the respective PSUs.

Finalisation of accounts by non-working PSUs

8.7.8 The accounts of 3 non-working Companies were in arrears for the periods ranging from 3 years to 6 years as on 30 September 2001 as could be noticed from **APPENDIX-XI.**

Financial position and working results of non-working PSUs

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

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

Table-8.6

(Rupees in crore)

Name of the Company *(Year of Accounts)*	Paid-up capital	Net-worth	Cash loss (-) / Cash profit (+)	Accumulated loss (-) / accumulated profit (+)
A. Non-working Companies				
i. Sikkim Flour Mill Ltd. (1994-95)	0.60	0.47	-	(-) 12.76
ii. Sikkim Livestock Processing and Development Corporation (1997-98)	0.69	0.76	0.02	(+) 6.57
iii. Chanamari Workshop and Automobiles Ltd (1994-95)	0.002	0.18	0.14	(-) 1.53

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

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	20.6.2000 under process	Not intimated by the Government
ii.	State Bank of Sikkim (SBS).	1994-95	1995-96 1996-97 1997-98 1998-99	27.7.2000 -do- -do- under process	-do-
iii.	State Trading Corporation of Sikkim (STCS)	1996-97	1997-98	3.11.2000	-do-

8.9 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

During the year 2000-2001, there has been no privatisation (partial or complete) of any activity of these Companies or Corporations, and the Government has also not gone for disinvestment for 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 2000 to September 2001, the audit of 9 accounts of 6 Companies (working 5 and non- working 1) 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	4	2	-	-	127.50	26.87	-	-
(ii) Increase in profit	1	-	-	-	2.26	-	-	-
(iii) Increase in loss	-	-	3	-	-	-	2872.15	*
(iv) Decrease in loss	1	-	-	-	0.17	-	-	-
(v) Non-disclosure of material facts	1	-	1	-	43.41	-	0.85	-
(vi) Errors of classification	3	-	-	-	170.60	-	-	-

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) Deferred revenue expenditure of Rs. 3.52 crore on the advertisement and sales promotion expenditure from 1994-95 to 1998-99 has not been charged off in the profit and loss account. The deferred revenue expenditure should have been charged @ 20 per cent per annum in the profit and loss accounts. As a result, the deferred revenue expenditure is overstated by Rs.70.32 lakh (20 per cent of Rs.3.52 crore) with a corresponding overstatement of profit.

(Sikkim Time Corporation Ltd., Annual Accounts 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. 13.30 lakh with a corresponding understatement of liabilities.

(Sikkim Time Corporation Ltd., Annual Accounts 1999-2000)

(iii) An amount of Rs. 74.80 lakh received as share capital and assets valuing Rs. 95.85 lakh were transferred from the State Tourism Department. However, these were booked under 'Administrative Expenditure Fund' and 'Fixed Assets (Government) Fund' respectively. Thus, the Share Capital was understated by Rs. 1.71 crore.

(Sikkim Tourism Development Corporation, Annual Accounts 1999-2000)

(iv) An amount of Rs. 9.08 lakh and Rs. 22.35 lakh towards administrative expenses of STDC Head Office during the year 1998-1999 and 1999-2000 were not charged to the Profit and Loss Accounts but was set off against the amount received from the Government of Sikkim as share capital. This resulted in overstatement of profit by Rs. 9.08 lakh and Rs. 22.35 lakh during 1998-1999 and 1999-2000 respectively.

(Sikkim Tourism Development Corporation, Annual Accounts 1998-99 and 1999-2000)

(v) Despite the management's assurance, the depreciation on the fixed assets was neither charged nor any fixed assets register maintained. Due to non-charging of depreciation, profit was overstated by Rs. 10.50 lakh during 1996-97 and 1997-98.

(Sikkim Livestock Processing and Development Corporation, Annual Accounts 1996-97 and 1997-98)

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 2001 pertaining to 10 PSUs disclosed that the 259 paragraphs relating to 58 Inspection Reports remained outstanding at the end of September 2001. Of these, 37 Inspection Reports containing 125 paragraphs had not been replied for more than 10 years. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2001 are given in **APPENDIX-XVI.**

8.11.2 Similarly, Draft Paragraphs and Reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary to the Administrative Department concerned demi-officially seeking information of facts and figures and their comments thereon within a period of 6 weeks. It was, however, observed that 1 draft paragraph forwarded to Administrative Department during June 2001 as detailed in **APPENDIX-XVII**, had not been replied (October 2001).

8.11.3 It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to Inspection Reports/Draft Paragraphs/Reviews as per the time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

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 2001 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	Nil	2	Nil	2

8.13 Departmentally managed Government commercial/quasi commercial undertakings

General aspects

8.13.1 As on 31 March 2001, there were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

Finalisation of Accounts

8.13.2 The Sikkim Nationalised Transport and Sikkim Tea Board finalised their accounts up to the year 1996-97 and 1999-2000 respectively.

SIKKIM JEWELS LIMITED

8.14 Loss due to imprudent financial management

Investing in a bank without verifying its antecedents and financial soundness resulted in a loss of Rs. 44.67lakh.

8.14.1 Sikkim Jewels Limited (Company), a fully owned company of the Government of Sikkim, invested a total amount of Rs. 87.71 lakh with Sikkim Bank Limited (SBL) between the periods January 1997 to November 1998, in term deposits having a total maturity value of Rs. 1.16 crore. Another amount of Rs. 12.20 lakh was also invested (September 1998 to March 1999) with the same bank in term deposits from the Employee's Provident Fund account. Before making these investments with SBL (a private bank registered during 1985 under the Registration of Companies (Act), Sikkim, 1961), the Company did not verify the antecedents of the bank and its financial soundness. Due to adverse financial condition, SBL went under moratorium in March 1999 and was amalgamated with Union Bank of India (UBI) (December 1999). Out of a total claim (including interest) of Rs. 1.23 crore of the Company against SBL as on the date of amalgamation, UBI paid only Rs. 4.03 lakh as its pro-rata share in terms of the scheme of amalgamation. The balance amount of Rs.1.19 crore was not taken over by UBI as a liability. After adjusting the outstanding overdrafts and cash credits including interest thereon of Rs. 73.96 lakh availed by the Company as on the date of amalgamation, an amount of Rs. 44.67 lakh still remained due with no scope for recovery.

8.14.2 The Company stated (October 2000) that SBL agreed to advance them working capital against hypothecation of raw materials and finished goods and subject to the condition that the Company transfer Fixed Deposits lying with other banks to SBL on maturity, when no other bank was willing to extend them this facility. Besides pointing to the poor credit worthiness of the Company, the reply does little else to counter the audit contention as no evidence has been adduced to show that the Management did explore the possibility of getting the loan against the security of its Fixed Deposits from other nationalised banks. Borrowing despite availability of huge surplus fund in Fixed Deposit was totally unjustified. Moreover, the cost of borrowing at 20.5 per cent was much higher than the interest earned on Fixed Deposits, which ranged from 11 per cent to 15 per cent.

8.14.3 The Management confirmed the facts and figures stated in the para in August 2001.

8.14.4 Thus, an imprudent decision to invest in a private bank without verifying its credentials caused a loss of Rs. 44.67 lakh to the Company.

SIKKIM LIVESTOCK PROCESSING AND DEVELOPMENT CORPORATION

8.15 Loss due to injudicious fixation of lease rent

Leasing of an abbatoir at a rent, which did not cover even the annual charge resulted in a loss of Rs. 53.88 lakh to the Company during the lease period.

8.15.1 Sikkim Livestock Processing and Development Corporation was incorporated (September 1988) as a fully owned Government of Sikkim company to implement and manage the 'Modern Abattoir' project undertaken earlier (March 1988) by the Animal Husbandry and Veterinary Services Department at an estimated cost of Rs. 77.60 lakh. The project was finally completed in January 1994 at a total cost of Rs. 1.54 crore.

8.15.2 The abattoir, which was expected to yield an annual return of 14.37 per cent to 21.88 per cent on investment, was leased out to a private party for a period of five years with effect from 1 December 1994 at an annual rent of Rs.1.30 lakh. Various aspects relating to the execution of the project and the process of leasing out, including the meagre return in the form of lease rent, were commented upon in the Audit Report 1994-95. While tendering evidence before the Public Accounts Committee, the Management assured exercise of greater vigilance and avoidance of such lapses in future.

8.15.3 The Company has a gross block of fixed assets of Rs.1.68 crore attracting a depreciation of Rs.7.87 lakh annually on the assets leased out. Coupled with the yearly administrative expenditure of Rs.1.25 lakh, the annual fixed costs of the Company add up to Rs.9.12 lakh. As against this and inspite of the assurance given to the Public Accounts Committee, the abattoir was again leased out for five years with effect from 1 January 2000 at an annual rent of Rs.1.30 lakh with a likely recurring loss of Rs.7.87 lakh per annum.

8.15.4 Thus, instead of earning a projected return of a minimum 14.37 per cent on the investment made, the leasing of the abattoir at an abysmally low rate resulted in a loss of Rs. 53.88 lakh including preliminary and pre-operative expenses of Rs. 14.78 lakh charged at 20 per cent annually for 5 years during the 1st lease period (1 December 1994 to 30 November 1999). The Company is also likely to incur a further loss of Rs.39.10 lakh during the operation of the current lease period (1 January 2000 to 31 December 2004).

8.15.5 The Management attributed (August 2001) the reasons for leasing out the abattoir at an abysmally low rate to the distant location of the slaughter house from the State capital and other major towns due to which the number of animals brought for slaughter was very low. It further stated that the highest bid received on tender for leasing out the abattoir was Rs.1.30 lakh only, inspite of the Management's effort to get the maximum lease amount. The reply of the Management revealed that the abattoir was established without proper planning and survey relating to the suitability of its location resulting in low capacity utilisation and the consequent huge loss to the Government on its investment.

TEMI TEA ESTATE

8.16 Sale of tea amounting to Rs. 6.63 lakh on credit without any authority

Credit sale of tea to various individuals/government servants/traders without any authorisation from the Board resulted in sale proceeds to the tune of Rs 6.63 lakh remaining outstanding for long periods.

8.16.1 Sikkim Tea Board, Temi, manages one tea estate as a departmental undertaking of the Government of Sikkim. It is entrusted with the running of the tea garden and a factory for processing the tea, including its marketing on a commercial basis.

8.16.2 The Management of the estate had been selling tea on credit to various government servants, other individuals and private traders without the approval of the Board. The total amount outstanding was Rs. 6.63 lakh as on October 2000 pertaining to sales made during the period 1995-96 to 1999-2000. Details are shown below:

Table-8.10

Year	Amount outstanding *(Rs.)*
1995-96	27035.05
1996-97	92051.95
1997-98	56101.55
1998-99	253111.02
1999-2000	234579.05
TOTAL	**662878.62**

8.16.3 On this being pointed out in audit (October 2000), the Management stated (November 2000) that steps would be taken to recover the outstanding amounts. It further intimated (February 2001) the fact of recovery of Rs. 3.39 lakh during December 2000 to February 2001. In a further reply (July 2001), the management stated that credit sale being a regular and unavoidable feature of a commercial unit, such sales were being made with the approval of the Board. The last intimation (September 2001) indicated a total recovery of Rs. 5.29 lakh upto September 2001.

8.16.4 The reply of the Management skirted the core issue of sale on credit in the absence of a laid-down credit policy adopted by the Sikkim Tea Board, as this pointed towards a flaw in the control systems of the Board. The recovery was only a knee-jerk reaction after the outstanding amount had been placed under audit objection. Further, mere approval of the credit sales by the Board was no condonation of the outstanding since 1995.

8.16.5 The matter was reported to the Government in January 2001; their reply was still awaited (May 2001).

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

Countersigned

V. K. Shunglu

New Delhi **(V.K. SHUNGLU)**
The **Comptroller and Auditor General of India**

APPENDICES

APPENDIX - I

(Ref: Paragraph No. 2.3.4)

Statement showing unnecessary supplementary provision

Grant No.	Name of the Grant	Original Provision	Supplementary Provision	Expenditure during the year	Savings
		(Rupees in lakh)			
	REVENUE				
3	Administrative of Justice	216.54	40.00	189.04	67.50
4	Election	76.85	3.50	64.06	16.29
6	Land Revenue	306.03	20.00	305.17	20.86
8	Excise (Abkari)	251.05	5.30	106.57	149.78
12	District Administration	250.86	9.99	245.69	15.16
14	Police	3991.23	130.49	3806.50	315.22
18	Other Administrative Services	619.92	49.15	570.53	98.54
23	Art and Culture	151.46	132.00	143.60	139.86
24	Medical and Public Health	4144.28	187.61	3190.87	1141.02
25	Water Supply and Sanitation	1072.11	25.00	1019.71	77.40
29	Labour and Labour Welfare	93.16	0.40	81.40	12.16
34	Agriculture	2442.72	152.76	1722.39	873.09
38	Fisheries	128.76	8.36	124.68	12.44
40	Other Agricultural Programme	657.57	111.70	625.82	143.45
43	Rural Development	1071.69	25.00	932.49	164.20
44	Irrigation and Flood Control	3707.68	5.74	1724.06	1989.36
48	Roads and Bridges	2421.91	65.00	1460.47	1026.44
	CAPITAL				
17	Public Works (Buildings)	4904.34	559.71	3311.24	2152.81
25	Water Supply and Sanitation	3519.89	179.01	1771.61	1927.29
45	Power	3634.00	192.00	3235.43	590.57
48	Roads and Bridges	4296.30	3320.00	3846.65	3769.65
	GRAND TOTAL	**37958.35**	**5222.72**	**28477.98**	**14703.09**

APPENDIX - II

(Ref: Paragraph No.2.3.8)

Statement showing surrender less than actual savings

Sl. No.	Numbers and Name of the Grant		Actual Saving	Amount actually surrendered	Less amount surrendered
			(Rupees in crore)		
REVENUE					
1	3	Administration of Justice (Charged)	0.06	0.04	0.02
2	3	Administration of Justice	0.68	0.20	0.48
3	4	Election	0.16	0.13	0.03
4	5	Income Tax and Sales Tax	0.04	0.03	0.01
5	6	Land Revenue	0.21	0.14	0.07
6	8	Excise (Abkari)	1.50	1.48	0.02
7	9	Taxes on Vehicles	0.02	0.01	0.01
8	10	Public Service Commission	0.11	0.09	0.02
9	11	Secretariat General Services	0.33	0.28	0.05
10	12	District administration	0.15	0.07	0.08
11	14	Police	3.15	1.54	1.61
12	15	Jails	0.44	0.03	0.41
13	18	Other Administrative Services	0.99	0.45	0.54
14	20	Misc. General Services	132.00	0.45	131.55
15	21	Education	7.83	6.37	1.46
16	22	Sports and Youth Services	0.60	0.47	0.13
17	23	Art and Culture	1.40	0.06	1.34
18	24	Medical and Public Health	11.41	10.76	0.65
19	25	Water supply and Sanitation	0.77	0.73	0.04
20	27	Information and Publicity	0.10	0.09	0.01
21	28	Social Security and Welfare	0.35	0.17	0.18
22	29	Labour and Labour Welfare	0.12	0.09	0.03
23	31	Relief on account of Natural Calamity	6.15	2.97	3.18
24	32	Other Social Services	0.08	0.03	0.05
25	33	Secretariat Social Services	0.02	0.00	0.02
26	34	Agriculture	8.73	8.55	0.18
27	35	Soil and Water Conservation	0.24	0.22	0.02
28	38	Fisheries	0.12	0.04	0.08
29	39	Forestry and Wildlife	1.65	0.82	0.83
30	40	Other Agricultural Programme	1.43	0.43	1.00
31	42	Co-operation	0.19	0.04	0.15
32	43	Rural Development	1.64	1.55	0.09
33	44	Irrigation and Flood Control	19.89	15.21	4.68
34	45	Power	0.38	0.34	0.04
35	46	Industries	0.16	0.14	0.02
36	47	Mines and Geology	0.04	0.03	0.01
37	48	Roads and Bridges	10.26	0.14	10.12
38	51	Secretariat Economic Services	1.47	0.46	1.01
39	52	Tourism	0.62	0.53	0.09
		TOTAL	**215.49**	**55.18**	**160.31**
CAPITAL					
1	17	Public Works (Buildings)	21.53	18.91	2.62
2	34	Agriculture	0.09	0.08	0.01
3	44	Irrigation and Flood Control	1.96	1.80	0.16
4	46	Industries	0.12	0.05	0.07
		GRAND TOTAL	**239.19**	**76.02**	**163.17**

APPENDIX - III

(Ref: Paragraph No.2.3.9)

Statement showing surrender in excess of actual savings

Sl. No.	Number and Name of the Grant No.		Actual Savings	Amount Surrendered	Amount surrendered in Excess
			(Rupees in lakh)		
REVENUE					
1.	13	Treasury and Accounts Administration	6.81	7.26	0.45
2.	16	Stationery and Printing	3.55	4.00	0.45
3.	17	Public Works (Buildings)	94.41	98.54	4.13
4.	19	Pension and other retirement Benefits	183.90	187.69	3.79
5.	26	Urban Development	15.73	16.30	0.57
6	41	Food Storage and Ware Housing	988.25	992.69	4.44
7.	50	Other Scientific Research	3.01	3.62	0.61
CAPITAL					
1	25	Water Supply and Sanitation	1927.28	1962.29	35.01
2	43	Rural Development	41.63	43.20	1.57
3	51	Secretariat Economic Services	233.82	312.09	78.27
TOTAL			**3498.39**	**3627.68**	**129.29**

Amount surrendered in Excess = Rs. 129.29 lakh = Rs. 1.29 crore

APPENDIX - IV

(Ref: Paragraph No.2.3.10)

Statement showing persistent savings

Sl. No.	Grant No. and Name		Savings		
			(Rupees in lakh)		
			1998-99	**1999-00**	**2000-2001**
REVENUE					
1.	23	Art and Culture	37.11 (21)	18.40 (11)	139.86 (49)
2	44	Irrigation and Flood Control	82.66 (11)	732.59 (53)	1989.36 (54)
3	51	Secretariat Economic Services	62.30 (18)	158.62 (48)	147.11 (30)
4	52	Tourism	85.02 (20)	348.18 (52)	62.16 (12)
CAPITAL					
5	17	Public Works (Buildings)	1734.78 (52)	1397.43 (51)	2152.81 (39)
6	26	Urban Development	490.38 (94)	109.93 (50)	216.87 (27)
7	41	Food Storage and Ware Housing	3.01 (14)	7.35 (33)	7.13 (48)
8	45	Power	467.52 (12)	1468.10 (36)	590.57 (15)
9	48	Roads and Bridges	1490.06 (44)	1557.04 (48)	3769.65 (49)

(Percentage of total grant in brackets)

APPENDIX - V

(Ref : Paragraph No.2.3.11)

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

Sl. No.	Number and name of the grant/appropriation	Amount of Saving (Percentage of saving to the provision) (Rupees in lakh)	Reason for saving
REVENUE			
1	3 Administration of Justice	67.50 (26)	Partly due to non/late filling up of posts. No reasons were intimated for bulk of the savings.
2	4 Election	16.29 (20)	Mainly due to non-receipt of clearance for creation of new posts, economy in expenditure, non-replacement of transferred officials & non-taking up of printing works.
3	8 Excise (Abkari)	149.78 (58)	Mainly due to abolition of export pass fee on liquor.
4	10 Public Service Commission (Charges)	10.91 (25)	Mainly due to non-appointment of staff and non-conduction of examinations during the fiscal year.
5	15 Jails	43.52 (39)	Mainly due to non-utilisation of fund provided for up-gradation of prison security, vocational training and medical facilities for inmates awarded under 11th Finance Commission.
6	18 Other Administrative Services	98.54 (15)	Saving of Rs. 45.99 lakh was attributed to non-conduction of training, non-filling up of vacant post, transfer/retirement/death/ suspension cases, non-finalisation of claims and non-procurement of equipments. No reasons intimated for the balance amount.
7	20 Miscellaneous General Services	13199.58 (37)	Due to reduction of turnover from the State Lottery in the middle of the year owing to introduction of lottery prohibition bill.
8	22 Sports and Youth Services	(60.09 (27)	Due to non-filling-up of vacant posts, premature retirement, wrong provisioning under Revenue Head of account, non-receipt of fund from GOI etc.
9	23 Art and Culture	139.86 (49)	Reasons not intimated.
10	24 Medical and Public Health	1141.02 (26)	Mainly due to restriction imposed on appointments, reduction of grant under externally aided projects, non-finalisation of projects, non-receipt of central assistance and transfer of staff.
11	29 Labour and Labour Welfare	12.16 (13)	Mainly due to transfer/retirement of officers.
12	31 Relief on account of Natural Calamities	614.68 (36)	Due to excess budgeting by State Government and non-release of share by GOI.
13	34 Agriculture	873.09 (34)	Mainly due to overall restructuring of Department resulting in transfer of staff, introduction of Macro-management as per GOI's instruction, non-receipt of fund etc.
14	40 Other Agricultural Programme	143.45 (19)	Partly due to non-receipt of Central share and inclusion of scheme under Macro-management. Reasons for bulk of the savings were not intimated.
15	41 Food Storage and Warehousing	988.25 (71)	Mainly due to late launching of subsidy, delay in finalisation of construction works and non-completion of land acquisition for construction of Consumer Disputes Redressal Forum.
16	43 Rural Development	164.20 (15)	Mainly due to reduction of provision for meeting excess expenditure under other sectors and non-release of fund by GOI.
17	44 Irrigation and Flood Control	1989.36 (54)	Partly due to the AIBP being a two years scheme, unspent amount were proposed to be used in the next fiscal and due to non-receipt of bills in time. Reasons for bulk of the savings were not intimated.
18	48 Roads and Bridges	1026.44 (41)	Mainly due to non-receipt of expenditure statements from Border Road Task Force, necessary book adjustment for the charges for maintenance work done by Border Road Development Board could not be carried out.
19	51 Secretariat Economic Services	147.11 (30)	Partly due to non-taking up of repair works adoption of economy measures, transfer of officials, non-filling up of posts, non-receipt of fund from GOI. Reasons for bulk of the savings were not intimated.
20	52 Tourism	62.16 (12)	Mainly due to delay in finalisation of tender/implementation of scheme, non-acceptance of proposal for surrender by Government as the provision was earlier augmented by supplementary, transfer and retirement of staff, non-creation of Engineering cell.

Sl. No.	Number and name of the grant/appropriation	Amount of Saving (*Percentage of saving to the provision*) *Rupees in lakh*	Reason for saving
	CAPITAL		
21	17 Public Works (Buildings)	2152.81 (39)	Mainly due to non-implementation of scheme, delay in finalisation/completion of scheme, non-receipt of fund from world Bank/GOI, non-commissioning of scheme etc.
22	25 Water Supply and Sanitation	1927.29 (52)	Due to non-receipt of fund for externally aided projects, non-completion of scheme and deferment of project due to non-finalisation of pilot project involving public participation.
23	26 Urban Development	216.87 (27)	Reasons not intimated.
24	34 Agriculture	9.44 (24)	Due to applying for supplementary grant in the next fiscal for grant of fertilizer subsidy to SIMFED.
25	40 Other Agricultural Programme	503.66 (95)	Due to non-availing of scheme financed by NABARD by the Government during the year and non-taking up of some works.
26	41 Food Storage and Warehousing	7.13 (48)	Due to utilising provision towards payment of fertilizer subsidy to SIMFED under MH 2401 and non-completion of work.
27	43 Rural Development	41.63 (28)	Due to regularization of excess expenditure under other sector of the grant for which supplementary provision was not ultimately provided by Government.
28	44 Irrigation and Flood Control	196.42 (39)	Due to NABARD being a continuous scheme, the unspent balance had been spilled over to the next fiscal.
29	48 Roads and Bridges	3769.65 (49)	Partly due to non-receipt of expenditure statement from the Ministry of Surface Transport due to which book adjustment for construction of roads could not be carried out. Reasons for bulk of the savings were not intimated.
30	51 Secretariat Economic Services	233.82 (26)	Due to meeting up the expenditure meant for Border Road Area Development Programme from the Revenue Section.
31	53 Loans to Government Servants	88.00 (73)	Due to change of policy of Government to provide HBA and MCA through Financial Institutions and Banks.

APPENDIX - VI

(Ref: Paragraph No.2.3.13)

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

Sl. No.	Grant No and Head of Account	Total grant (original plus Supplementary)	Actual expenditure	Excess	Amount of re-appropriation
		(Rupees in lakh)			
1	**26 – Urban Development** 01 Capital Development 001 Direction and Administration	45.73	47.42	1.69	0.45

(b) Cases where funds were withdrawn by re-appropriation in excess of the available savings

Sl. No.	Grant No and Head of Account	Total grant (*original plus supplementary*)	Actual expenditure	Actual savings	Amount of appropriation
		(Rupees in lakh)			
(1)	(2)	(3)	(4)	(5)	(6)
1	**13 – Treasury & Accounts Administration** 096 Pay & Accounts Office 43 East District	122.18	117.99	4.19	6.10
2	**14 -- Police** (i) 003 Education and Training 41 Police Training Centre	52.85	49.66	3.19	7.00
	(ii) 114 Wireless and Computers 53 Police Wireless Branch	163.75	154.25	9.5	10.27
3	**19 -- Pension and Other Retirement Benefits** (i) 102 Commuted Value of Pensions	350.00	308.86	41.14	41.96
	(ii) 105 Family Pension	650.00	486.30	163.70	168.56
4	**21 -- Education** 107 Teachers Training 49 Teachers Training Institute	30.47	24.01	6.46	10.50
5	**22 – Sports and Youth affairs** 001 Direction and administration	76.91	74.91	2.00	3.80
6	**24 – Medical and Public Health** (i) 44 Namchi Hospital	186.50	185.65	0.85	2.95
	(ii) 800 Other Expenditure 46 Centralised Purchase of Dietary Materials	79.00	76.58	2.42	2.75
	(iii) 103 Primary Helath Centre 55 North District	43.85	40.89	2.96	3.50
	(iv) 112 Public Health Education 80 Health Campaign	44.45	40.67	3.78	8.04
7	**25 – Water Supply and Sanitation** (i) 62 South District	74.55	65.67	8.88	10.70
	(ii) 101 Urban Water Supply Programme 70 Maintenance of other Bazar WS Scheme	355.50	330.10	25.40	29.02
	(iii) 4215 Capital Outlay On Water Supply and Sanitation 102 Rural Water Supply	2358.98	1229.62	1129.36	1164.29
8	**27 -- Information and Publicity** 109 Photo Services	12.60	10.14	2.46	3.47
9	**28 – Social Security and Welfare** 02 Social Welfare 001 Direction and Administration 40 Social Welfare Department	38.03	32.35	5.68	11.46
10	**31 – Relief on account of Natural Calamities** (i) 02 Flood, Cyclones, etc. 101 Gratuitous Relief	50.00	47.36	2.64	7.95
	(ii) 800 Other Expenditure 72 Other works	848.20	32.17	816.03	325.98
11	**34 -- Agriculture** (i) 107 Plant Protection 45 Establishment	41.21	24.83	16.38	19.36
	(ii) 108 Commercial Crops 64 Development of Other Commercial Crops	66.50	62.49	4.01	6.50
12	**35 – Soil and Water Conservation** 41 Agriculture Department	105.16	100.28	4.88	7.26
13	**41 – Food Storage and Ware Housing** 46 One time assistance for 100 per cent disposal of pending cases in State Commissions	15.91	6.91	9.00	15.82
14	**43 -- Rural Development** 4515 Capital outlay on other Rural development Programme 101 Panchayat Raj	100.00	58.37	41.63	43.20

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

Sl. No.	Grant No and Head of Account	Total grant (original plus supplementary)	Actual expenditure	Excess	Amount of re-appropriation
		(Rupees in lakh)			
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
1	**14 Police** (i) 101 Criminal Investigation and Vigilance 43 Crime Investigation Branch (ii) 109 District Police 50 East District	64.85 375.80	66.88 381.91	2.03 6.11	7.55 12.06
2	**17 Public Works (Buildings)** 4202 Capital outlay on Education, Sports, Art and Culture 201 Elementary Education	1231.00	1312.52	81.52	121.78
3	**25 Water Supply and Sanitation** 01 Water Supply 001 Direction and Administration 40 Public Health Engineering	158.75	160.58	1.83	7.02
4	**34 Agriculture** 113 Agriculture Engineering 47 Establishment	26.68	36.97	10.29	10.84
5	**41 Food Storage and Warehousing** 01 Food 001 Direction and Administration	133.28	159.95	26.67	27.42
6	**42 Co-operation** 001 Direction and Administration 46 Mangan (North)	10.78	13.21	2.43	2.86
7	**45 Power** (i) 001 Direction and Administration 56 West District (ii) 4801 Capital Outlay on Power Projects 66 Miscellaneous Distribution Schemes	88.89 15.00	104.66 574.42	15.77 559.42	18.00 560.00

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

Sl. No.	Grant No and Head of Account	Total grant (original plus supplementary)	Actual expenditure	Amount of re-appropriation
		(Rupees in lakh)		
(1)	*(2)*	*(3)*	*(4)*	*(5)*
1	**3 Administration of Justice** 2014 Administration of Justice 105 Civil and Session Courts 40 District and Session Court East and North	89.20	56.58	1.90
2	**17 Public Works (Building)** 4059 Capital outlay on Public Works 72 Prison Works	360.23	331.57	5.66
3	**18 Other Administrative Services** 107 Home guards (Expenditure to be reimbursed by GOI)	28.55	25.84	4.50
4	**21 Education** 45 Junior Schools	401.00	397.38	0.03
5	**23 Art and Culture** (i) 001 Direction and Administration (ii) 102 Promotion of Art and Culture	36.28 96.88	30.60 88.21	1.07 3.27
6	**24 Medical and Public Health** 42 Gyalshing Hospital	73.50	72.10	4.50
7	**32 Other Social Services** 31 Grants-in-aid	34.60	32.77	2.20
8	**42 Co-operation** 43 Gyalshing West	15.25	13.81	0.31
9	**48 Roads and Bridges** 64 Chief Engineer (Mechanical) Establishment	133.31	129.86	3.80

APPENDIX - VII

(Ref: Paragraph No.2.3.15)

Statement showing trend of recoveries and credits

Sl. No.	Grant Number and Name of Grant	Budget Estimates	Actuals	Actuals compared with Budget Estimates More(+) / Less(-)
		(Rupees in lakh)		
1	**17 Public works**			
	(i) Buildings	50.00	92.67	(+) 42.67
	(ii) Roads and Bridges	100.00	36.32	(-) 63.68
2	**31 Relief on account of Natural Calamities**	900.00	607.03	(-) 292.97
3	**39 Forestry and Wildlife**	150.00	69.15	(-) 80.85
4	**44 Irrigation and Flood Control**	60.00	76.01	(+) 16.01
5	**48 Roads and Bridges** (Rural Development Department)	50.00	115.98	(+) 65.98
	TOTAL	**1310.00**	**997.16**	**(-) 312.84**

APPENDIX - VIII

(Ref: Paragraph No. 6.6.27)

Statement showing incorrect determination of turnover

Name of the Dealer	Period of assessment	Deduction of IT at source	GTO calculated in reverse way taking IT amount only	All corresponding turn over in which no ST deduction exist	Thus TTO for ST should have been	TTO Shown	Difference TTO escaping ST would be
M/s Deo Karna Das Pawan Kumar	1997-98	1,26,656	42,21,867	8,800	42,13,067	39,03,831	3,09,236
M/s S.K. Enterprise	1997-98	2,33,185	77,72,833	26,10,733	51,62,100	41,40,678	10,21,422
	1998-99	2,30,246	76,74,867	Nil	77,72,833	73,53,589	3,21,278
M/s.Baliram and Sons	1994-95	17,224	5,74,149	Nil	5,74,149	1,50,664	4,23,485
	1995-96	1,40,053	46,68,419	1,12,634 20,267	45,55,785	18,88,052	26,67,733
	1996-97	4,736	57,880		1,37,613	69,340	68,273
M/s Goyal Sales Agency	1993-94	1,92,672	64,22,400	Nil	64,22,400	63,55,005	67,395
	1994-95	1,50,159	50,05,300	50,616 64,566	50,05,300	47,21,988	2,83,312
	1995-96	1,85,985	61,99,500		61,34,934	59,67,400	1,67,534
M/s Tulshi Enterprises	1997-98	1,86,118	62,03,933	Nil	62,03,933	56,27,273	5,76,660
TOTAL					**4,61,82,114**	**4,01,77,820**	**59,06,328**

APPENDIX - IX

(Ref: Paragraph No. 6.6.43)

Statement showing details of sale and purchase of goods not covered under SST Registration

Name of the Dealer	Name of Goods stated in the CST & SST certificate of registration	Other goods, not covered by certificate of registration, sold and rate of tax	Date /Month from which the other goods, not covered by certificate of registration, were sold by the dealer	Amount of other goods sold *(Rs.)*	Minimum Penalty + Fine *(Rs.10,000/- + fine @ Rs.100/- per day) (Rs)*
M/s Mittal Trading Co,	Medical Equipments, Hardware, Stationary, Scientific Instruments, Glass Apparatus (Utensil) (@8%)	Drugs and Medicine (@ 3%)	4/89 to 31.03.2001	46,90,649	4,48,000
M/s Amber Enterprise	Electronics, Electrical goods, Stationary, Paints, Motor Parts, Tyres, Furniture, Lubricant, Xerox (@6%, @8%, & @ 10%)	Some items not specified in the registration certificate assessed at the rate 3%.	4/95 to 31.3. 2001	58,02,474	2.29,000
M/s Rajeev Electronics	Radio, Watch & Electrical Goods (@8% & @10%)	Some items not specified in the registration certificate assessed at the rate 3%	4/92 to 31.3.2001	1,10,00,000	3,38,500
TOTAL				**2,14,93,123**	**10, 15,500**

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©*	*3(d)*	*3(e)*
A.	Government Companies					
1	**I. Consumer Industries** Sikkim Jewels Limited	443.56	-	-	-	443.56
2	Sikkim Time Corporation Limited (SITCO)	965.04	-	-	-	965.04
	Sector wise Total	**1408.60**	-	-	-	**1408.60**
3	**II. General Financial and Trading Institutions** Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	1737.00	-	-	636.80@	2373.80
	Sector wise Total	**1737.00**	-	-	**636.80**	**2373.80**
4	**III. Welfare** Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited.	78.60	32.18	-	-	110.78
	Sector wise Total	**78.60**	**32.18**	-	-	**110.78**
5	**IV. Tourism** Sikkim Tourism Dev. Corporation (STDC)	164.40	-	-	-	164.40
	Sector wise Total	**164.40**	-	-	-	**164.40**
	Total A (All sector wise Government Companies)	**3388.60**	**32.18**	--	**636.80**	**4057.58**
B	**Working Statutory Corporations**					
1.	**I. Financing** (i) State Bank of Sikkim	53.38	-	-	-	53.38
	Sector wise total	**53.38**	-	-	-	**53.38**
2.	**II. Miscellaneous** Sikkim Mining Corporation (SMC)	391.50	344.00	-	-	735.50
3.	State Trading Corporation of Sikkim (STCS)	111.38	-	-	-	111.38
	Sector wise total	**502.88**	**344.00**	-	-	**846.88**
	Total B (All sector wise Statutory Corporations)	**556.26**	**344.00**	-	-	**900.26**
	GRAND TOTAL (A+B)	**3944.86**	**376.18**	-	**636.80**	**4957.84**
C	**Non-working Government Companies**					
	I. Consumer Industries Sikkim Flour Mills Ltd.	27.90	-	-	-	27.90
	Sector wise total	**27.90**	-	-	-	**27.90**
5	**II. Animal Husbandry** Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00
	Sector wise total	**35.00**	**34.00**	-	-	**69.00**
	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)	**4037.76**	**410.18**	-	**636.80**	**5084.74**

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

@ *Note – Rs. 636.80 equity participation of IDBI was not taken in previous years Audit Report.*

Loans outstanding at the close of 2000-2001 represents long terms loan only.

X

graph No.8.2.4,8.2.7, 8.3.1, 8.7.5)

date paid-up capital, budgetary outgo, loans as on 31 March 2001 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 2000-2001			Debt equity ratio for 1999-2000 (previous year) 4(f) /3(e)
Equity	Loans		Govt.	Others	Total	
4(a)	*4(b)*	*4(c)*	*4(d)*	*4(e)*	*4(f)*	*5.*
30.00	-	-	36.13	-	36.13	0.08:1 (0.09:1)
-	-	-	-	-	-	-
30.00	**-**	**-**	**36.13**	**-**	**36.13**	**-**
244.50	-		202.87	-	202.87	0.09:1 (0.11:1)
244.50			**202.87**	**-**	**202.87**	**0.09:1 (0.11:1)**
78.60	-	-	-	-	-	-
78.60	**-**	**-**	**-**	**-**	**-**	**-**
44.80	-	-	-	-	-	-
44.80	**-**	**-**	**-**	**-**	**-**	**-**
397.90	**-**	**-**	**239.00**	**-**	**239.00**	**0.06:1 (0.07:1)**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
68.00	-	-	-	-	-	-
-	-	-	-	-	-	-
68.00	**-**	**-**	**-**	**-**	**-**	**-**
68.00			**-**	**-**	**-**	
465.90	**-**	**-**	**239.00**	**-**	**239.00**	**0.05:1 (0.06:1)**
-	-	-	-	-	-	-
-	-	-	-	-	-	
-	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
465.90			**-**	**-**	**-**	
465.90			**239.00**		**239.00**	**0.05:1 (0.06:1)**

APPENDIX -

(Ref: Paragraph

Summarised financial results of Government
for the latest year for which

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

Sl. No	Sector and name of Company/Corporation	Name of Depart-ment	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+) / Loss (-)	Net impact of Audit comments
1.	*2.*	*3.*	*4.*	*5.*	*6.*	*7.*	*8.*
A.	**Working Government Companies**						
1	**I. Consumer Industries** Sikkim Jewels Limited (SJL)	Industries	July 1976	2000-2001	2001	(-) 24.75	-
2	Sikkim Time Corporation Limited (SITCO)	Industries	October 1976	1999-2000	2001	(+) 6.06	(-) 82.07
	Sector wise total					(-) 18.69	
3	**II.General Financial and Trading Institutions** Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	Industries	March 1977	2000-2001	2001	(+) 10.13	-
	Sector wise total					(+) 10.13	-
4	**III. Welfare** Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited (SABCO)	Welfare	April 1996	1998-99	2000	(-) 25.97	(+) 0.17
	Sector wise total					(-) 25.97	
5	**IV. Tourism** Sikkim Tourism Development Corporation	Tourism	February 1998	1999-2000	2001	(+) 3.28	(-) 31.63
	Sector wise Total					(+) 3.28	
	Total (A – Working Government Companies)					**(-) 31.25**	
B.	**Working Statutory Corporation**						
1	**I. Financing** State Bank of Sikkim (SBS)	Finance	June 1960	1999-2000	2001	(-) 385.30	(-) 2871.53
	Sector wise total					**(-) 385.30**	
2.	**II. Miscellaneous** .Sikkim Mining Corporation (SMC)	Mines and Geology	February 1960	1998-99	2000	(-) 26.63	(-) 0.62
3	State Trading Corporation of Sikkim (STCS)	Finance	March 1972	1997-98	1999	(+) 19.91	(-) 4.07
	Sector wise total					**(-) 6.72**	
	Total (B – Working Statutory Corporation)					**(-) 392.02**	
	GRAND TOTAL (A+B)					**(-) 423.27**	
C	**Non-working Government Companies**						
	I. Consumer Industries Sikkim Flour Mills Limited (SFML)	Industries	July 1976	1994-95	1994	Nil	-
	Sector wise total					**Nil**	-
	II.Animal Husbandry Sikkim Livestock Processing and Development Corporation Limited (SLPDC)	AH&VS	April 1998	1997-98	2001	(+) 2.21	(-) 13.51
	Sector wise total					**(+) 2.21**	
	III. Transport Department (SNT) Chanmari Workshop and Auto Mobiles Ltd.	SNT	April 1988	1994-95	1997	(-) 14.19	-
	Sector wise total					**(-) 14.19**	-
	Total (C – Non-working Government Companies)					**(-) 11.98**	
D	**Non-working Statutory Corporation**						
	Nil	-	-	-	-	-	-
	Sector wise total					-	-
	GRAND TOTAL (C+D)					**(-) 11.98**	
	GRAND TOTAL (A+B+C+D)					**(-) 435.25**	

XI

Nos.8.4.1, 8.5.1,8.6.6, 8.7.8, 8.7.9)

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
9.	10.	11.	12.	13.	14
499.65	(+) 64.74	669.31	-	-	-
957.54	(+) 594.72	1198.20	8.83	0.74	1 year
1457.19	**(+) 659.46**	**1867.51**	**8.83**	**0.74**	-
1554.30	(-) 1073.53	1889.47	22.12	1.17	-
1554.30	**(-) 1073.53**	**1889.47**	**22.12**	**1.17**	-
190.68	(-) 57.79	693.03	-	-	2 years
190.68	**(-) 57.79**	**693.03**	-	-	-
231.12	(+) 3.51	372.63	3.28	0.88	1 year
231.12	**(+) 3.51**	**372.63**	**3.28**	**0.88**	-
3433.29	**(-) 468.35**	**4822.64**	**34.23**	**0.71**	-
-	-	-	-	-	
58.38	(-) 1941.34	9610.24	-	-	1 year
58.38	**(-) 1941.34**	**9610.24**	-	-	
644.50	(-) 356.29	423.70	-	-	2 years
111.37	(+) 255.48	366.86	19.91	5.43	3 years
755.87	**(-) 100.81**	**790.56**	**19.91**	**2.52**	-
814.25	**(-) 2042.15**	**10400.80**	**19.91**	**0.19**	-
4247.54	**(-) 2510.50**	**15223.44**	**54.14**	**0.36**	-
60.16	(-) 12.76	84.50	--	-	6 years
60.16	**(-) 12.76**	**84.50**	--	-	
69.00	(+) 6.57	199.64	2.21	1.11	3 years
69.00	**(+) 6.57**	**199.64**	**2.21**	**1.11**	-
0.20	(-) 1.53	69.00	-	-	6 years Closed w.e.f 12.1999
0.20	**(-) 1.53**	**69.00**	-	-	
129.36	**(-) 7.72**	**353.14**	**2.21**	**0.63**	-
-	-	-	-	-	-
-	-	-	-	-	-
129.36	**(-) 7.72**	**353.14**	**2.21**	**0.63**	-
4376.90	**(-) 2518.22**	**15576.58**	**56.35**	**0.36**	

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

APPENDIX -
(Ref: Para
Statement showing subsidy received, which moratorium allowed and loans subsidy receivable and guarantees

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

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year*				
		Central Govern-ment	State Gover nment	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total
1.	*2.*	*3(a).*	*3(b)*	*3(c)*	*3(d)*	*4(a)*	*4(b)*	*4(c)*	*4(d)*	*4(e)*
A.	**Working Government Companies** i) SC,ST, OBC Development Corporation Ltd. ii) SITCO						(1000.00) 390.00			(1000.00) 390.00
	Total - A						**1390.00**			**1390.00**
B	**Working Statutory Corporation** (i) State Bank of Sikkim						(800.00)			(800.00)
	Total - B						**800.00**			**800.00**
	Grand Total (A+B)						**2190.00**			**2190.00**

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

XII

graph No. 8.3.1, 8.7.5)

guarantees received, waiver of dues, loans on converted into equity during the year and outstanding at the end of March 2001

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 - XIII

(Ref: Paragraph No. 8.2.7, 8.5.1)

Statement showing financial position of Statutory Corporations

1. State Bank of Sikkim		*(Rupees in crore)*	
Particulars	**1998-1999**	**1999-2000 (Provisional)**	**2000-2001**
A. Liabilities			Provisional figure not furnished
Paid up Capital	0.58	0.58	
Share application money	-	-	
Reserve funds and other reserves and surplus	9.48	9.48	
Deposits	43.97	141.25	
Borrowings i) others	18.99	3.84	
Other liabilities and provisions	8.32	10.02	
TOTAL j A	**81.34**	**165.17**	
B. Assets			
Cash and Bank Balances	22.78	100.18	
Investments	0.25	0.25	
Loans and Advances	13. 44	15.05	
Net fixed assets	0.60	0.60	
Other assets	8.36	8.99	
Accumulated loss	15.56	19.41	
Miscellaneous expenditure	20.35	20.69	
TOTAL - B	**81.34**	**165.17**	
C. Capital Employed*	**59.83**	**96.10**	
2. State Trading Corporation of Sikkim			
A. Liabilities			
Paid up Capital	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished
Reserve and surplus			
Trade dues and current Liabilities and provisions			
TOTAL A			
B. Assets			
Gross Block	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished
Less: Depreciation			
Net fixed assets			
Current assets, loans and advances			
TOTAL: B			
C. Capital employed**			
3. Sikkim Mining Corporation			
A. Liabilities			
Paid up capital	6.45	Provisional figures not furnished	Provisional figures not furnished
Reserve and Surplus	--	--	
Borrowing i) Government	1.35		
Trade dues and Current Liabilities and provisions	0.71		
TOTAL A	**8.51**		
B. Assets			
Gross Block	1.80		
Less Depreciation	1.03		
Net fixed Assets	0.77		
Mine Development expenditure	2.90		
Current assets loans and advances	1.28		
Accumulated Losses	3.56		
TOTAL B	**8.51**		
Capital Employed **	**4.24**		

\# *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 - XIV

(Ref: Paragraph No.8.2.7, 8.5.1)

Statement showing working results of Statutory Corporations

1.	**State Bank of Sikkim (SBS)**			
	Particulars	**1998-1999**	**1999-2000 (Provisional**	**2000-2001**
			(Rupees in crore)	
1.	Income			Provisional figure not furnished
a)	Interest on loans	2.65	3.74	
b)	Other income	0.48	0.56	
	Total-1	**3.13**	**4.30**	
2.	Expenses			
a)	Interest on long-term and short-term loans	2.83	4.14	
b)	Provision for non-performing assets	-	-	
c)	Other expenses	3.70	3.98	
	Total-2	**6.53**	**8.12**	
3.	Profit+)/Loss (-) before tax (1-2)	(-) 3.40	(-) 3.82	
4.	Prior period adjustments	1.14	-	
5.	Provision for tax	-	-	-
6.	Profit (+)/Loss (-) after tax	(-) 4.54	(-) 3.82	
7.	Other appropriation	-	-	
8.	Amount available for dividend	-	-	
9.	Dividend paid/payable	-	-	
10.	Total return on Capital employed	-	-	
11.	Percentage of return on Capital employed	-	-	
2.	**Sikkim Mining Corporation (SMC)**			
	Particulars	**1998-1999**	**1999-2000**	**2000-2001**
1.	Income		Provisional figures not received	Provisional figure not furnished
	a) Sales of concentrates	1.14		
	b) Other income	0.01		
	c) Increase (+)/Decrease (-) in stock of concentrates	(+) 0.06		
	Total-1	**1.21**		
	2. Expenses			
	a) Establishment charges	0.74		
	b) Manufacturing expenses	0.46		
	c) Other expenses	0.29		
	Total-2	**1.49**		
3.	Profit (+)/Loss (-) before tax	(-) 0.28		
4.	Provision before tax	-		
5.	Prior period adjustment	-		
6.	Other appropriation	-		
7.	Amount available for dividend	-		
8.	Dividend for the year	-		
9.	Total return on Capital employed	-		
10.	Percentage of return on Capital employed	-		
3.	**State Trading Corporation of Sikkim (STCS)**			
	Particulars	**1998-1999**	**1999-2000**	**2000-2001**
a)	Income	Provisional figure not furnished	Provisional figure not furnished	Provisional figure not furnished
	i) Sale of trading goods			
	ii) Other income			
	iii) Increase (+)/Decrease (-) in stock			
	Total-a			
b)	Expenses			
	i) Establishment charges			
	ii) Purchase of trading goods			
	iii) Other expenses			
	Total-b			
	Profit (+)/Loss (-) before tax			
4.	Provision for tax			
5.	Prior period adjustment			
6.	Other appropriation			
7.	Amount available for dividend			
8.	Dividend for the year			
9.	Total return on Capital employed			
10.	Percentage of return on Capital employed			

APPENDIX – XV

(Ref: Paragraph No. 8.6.5)

Statement showing operational performance of Statutory Corporations

Sl. No.	Particulars	1998-1999	1999-2000 (Provisional)	2000-2001 (Provisional)
	State Bank of Sikkim			
1	Earning per share *(Rs.)*	Not furnished by the Bank		
2	Number of Branches	21	22	22
3	Number of Employees	317	310	298
4	Profit per Employee *(Rs. in lakh)*	(-) 0.80	(-) 1.24	(-) 0.67
5	Deposits *(Rs. in crore)* Government Others	 0.24 43.73	 81.80 59.45	 73.35 83.91
	TOTAL	**43.97**	**141.25**	**157.26**
6	Advances (including bills) Government Other	 - 13.44	 - 15.05	 - 16.88
	TOTAL	**13.44**	**15.05**	**18.88**
7	Debts written off	NIL	NIL	Nil
	Sikkim Mining Corporation			
1	Total mining area in possession	27 (Hec.)	27 (Hec.)	27(Hec.)
2	Mining area excavated	Not furnished by the Corporation		
3	Number of Employees	227	243	--
1	Installed capacity (a) Ore (b) Waste Rock (c) Others	 100 TPD NIL NIL	 100 TPD	 100 TPD
	TOTAL	**100 TPD**	**100 TPD**	**100 TPD**
2	Targets (a) Ore (b) Waste Rock (c) Others	 20000 MT NIL NIL	 16700 MT NIL NIL	 2340MT NIL NIL
	TOTAL	**20000 MT**	**16700 MT**	**2340MT**
3	Actual Production of waste Rock			
	(a) Own (b) Contractual	3422 MT NIL	1751 MT NIL	1871MT
	TOTAL	**3422 MT**	**1751 MT**	**1871MT**
4	Actual production	15438 MT	15901MT	22018MT
5	Percentage of capacity utilisation	51.46	53	73
6	Production of by products if any (i) Targets (MT) (ii) Production (MT) (iii) Capacity utilisation in per cent	 NIL NIL NIL	 NIL NIL NIL	 NIL NIL NIL

APPENDIX – XVI

(Referred to in paragraph No. 8.11.1)

Statement showing the 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	03	22	65	1979-1980
2	AH andVS	01	01	09	2001-2002
3	SNT	02	15	60	1981-1982
4	Welfare	01	04	12	1999-2000
5	Finance	02	14	108	1987-1988
6	Mines and Geology	01	02	05	1998-1999
	TOTAL		**58**	**259**	

APPENDIX – XVII

(Referred to in paragraph No. 8.11.2)

Statement showing the Department wise draft Paragraphs/Reviews reply to which are awaited

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue
1	STCS	01	NIL	13 June 2001