

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

for the year ended 31 March 2005

GOVERNMENT OF SIKKIM

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1. The first part of the paper discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the success of any business and for the protection of the interests of all parties involved. The author argues that without accurate records, it is impossible to make informed decisions or to identify areas for improvement.

2. The second part of the paper describes the various methods used to collect and analyze data. It outlines the steps involved in designing a study, selecting a sample, and collecting data. The author also discusses the importance of ensuring the reliability and validity of the data collected.

3. The third part of the paper presents the results of the study. It shows that there is a significant correlation between the accuracy of records and the success of the business. The author also identifies some of the factors that can lead to inaccurate records, such as poor training and inadequate resources.

4. The fourth part of the paper discusses the implications of the findings. It suggests that businesses should invest in training and resources to ensure that their records are accurate. The author also recommends that businesses should regularly review their records to identify areas for improvement.

5. The fifth part of the paper concludes the study. It summarizes the main findings and reiterates the importance of accurate records. The author also expresses hope that the findings of the study will be helpful to other businesses.

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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 2005.*
3. *The remaining chapters deal with performance audits and audit of transactions in various departments including the Public Works and Irrigation Department, revenue receipts, 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 2004-05 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 2004-2005 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report Contains 28 audit paragraphs (including three general paras) and three performance audits apart from comments on the Finance Accounts and Appropriation Accounts. There is a separate chapter on Internal Control System in respect of Co-operation Department. According to existing arrangements, copies of the draft audit paragraphs and draft performance audit were sent to the Secretary to the State Government of the department concerned by the Accountant General (Audit) with the request to furnish replies within four weeks. In respect of 25 audit paragraphs (excluding three general paragraphs) and three performance audit included in this Report, replies were received from the Secretary concerned of the respective departments of the State Government for 21 paragraphs and three performance audits.

1. Finances of the State Government

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

During 2004-05, the assets of the Government increased by 18.94 *per cent* while the liabilities grew by 18.77 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs. 66.67 crore), small savings, provident fund etc. (Rs. 24.46 crore) and reserve fund (Rs. 14.48 crore).

The revenue receipts of the year amounted to Rs. 1,892.40 crore of which tax revenue constituted 6 *per cent*, non tax revenue 52 *per cent* and grants from Government of India and Central tax transfers 42 *per cent*. Against this, the revenue expenditure of the State was Rs. 1,723.49 crore resulting in a revenue surplus of Rs. 168.91 crore. A major portion of revenue expenditure was incurred on General Services (50.92 *per cent*) while Economic Services and Social Services accounted for 22.71 and 20.48 *per cent* respectively.

Although the State continued to enjoy revenue surplus, fiscal deficit increased from Rs.50.26 crore in 2003-04 to Rs. 185.55 crore in 2004-05 indicating macro imbalances.

There was increase in capital expenditure by Rs. 142.05 crore in 2004-05 as compared to the previous year. Its share in total expenditure increased from 16.51 *per cent* in 2000-01 to 17.02 *per cent* in 2004-05.

Investments to the extent of Rs. 77.46 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 1.19 *per cent* during the year. No interest was received in the last five years on the loans and advances given by the Government for corporations, local bodies etc. which stood at Rs. 6.22 crore at the end of 2004-05.

The total borrowings of Rs. 262.77 crore were almost exclusively used for debt servicing which amounted to Rs. 260.18 crore.

(Paragraph 1.1 to 1.10)

2. Allocative priorities and appropriation

The excess expenditure of Rs. 872.46 crore for the years 2001-02 to 2003-04 under 21 grants and appropriations required regularisation under Article 205 of the Constitution of India.

In 24 cases of grants/appropriations supplementary provision amounting to Rs. 47.51 crore proved unnecessary.

Against unutilised provision of Rs. 196.81 crore in 29 cases, Rs. 157.94 crore only were surrendered.

In seven cases, against the actual saving of Rs. 16.48 crore, Rs. 33.67 crore were surrendered resulting in excess surrender of Rs. 17.19 crore.

(Paragraphs 2. 3.2 to 2.3.12)

3. Performance Audits

3.1 Management of Public Distribution System

The Food & Civil Supplies and Consumer Affairs Department (FCS & CAD)'s main objectives of distribution of essential commodities like food grains, superior kerosene oil, salt, sugar etc. at controlled price to the public through the Public Distribution System (PDS) could only be partly achieved because of the failure of its programme for computerised ration cards and shortage of food items in the godowns.

Inclusion of 24,000 additional BPL families (financial burden Rs.5.38 crore), the Chief Minister's Antyodaya Annadaan Yojana (extra expenditure of Rs.2.28 crore), failure to get reimbursement from Food Corporation of India (Rs.89 lakh) and unauthorised expenditure (Rs.1.61 crore) reduced the effectiveness of the Public Distribution system.

(Paragraph 3.1)

3.2 Development of District and Rural Roads in Sikkim

The Roads and Bridges Department is responsible for construction and maintenance of the roads in the State.

The audit of 'Development of District and Rural Roads' under the Department disclosed deficient budgetary and financial management leading to large savings, alarming size of pending liabilities etc. The Department failed to meet the target of construction of road length in the State by 26 per cent under major district roads and other district roads. The audit of works relating to PMGSY also revealed failure to meet targets by 55 per cent (227.69 km roads constructed

against the target of 510.74 km), allocation of funds (Rs.23.23 crore) in violation of the guidelines for up-gradation works, and taking up of new works without adequate funds resulting in pending liabilities (Rs.69 crore) etc.

(Paragraph 3.2)

4. Audit of Transactions

4.1 Excess/Extra Expenditure

Purchase of woollen and cotton yarn for Swarojgari Udyog Yojana at higher rate and in excess of requirement of cotton yarn led to excess expenditure of Rs. 42.08 lakh.

(Paragraph 4.1.2)

Casual approach in framing estimates for "Creation of Model Village in Sikkim" resulted in excess expenditure of Rs. 2.29 crore, on account of wrong calculation and excess assessment of requirement of wood, payment of higher rate, etc.

(Paragraph 4.1.3)

4.2 Loss of Government Money/Revenue

Hasty decision of the Government to enter into an agreement with a foreign based Non-Government Organisation (NGO) to sell the land and assets of Rathongchu Hydel Project without considering the legality and security aspect ultimately led to loss of Rs. 19.22 lakh.

(Paragraph 4.2.1)

Lack of time bound action on the part of the Departmental authority resulted in non realisation of energy charges of Rs.87 lakh.

(Paragraph 5.6.1)

4.3 Undue Benefit

Inspite of the PAC's recommendation to the contrary and without any provision in the Sikkim Public Works Code, two departments granted mobilisation advances of Rs. 2.31 crore to the contractors which was irregular and led to undue favour to the contractors.

(Paragraph 4.4.1)

Excise duty of Rs. 3.84 crore was refunded to an ineligible industry.

(Paragraph 5.8.1)

4.4 Wasteful/Infructuous Expenditure

The Department incurred wasteful expenditure of Rs.24.65 lakh on pay and allowances of 44 employees engaged in three animal farms having no animals. Besides, infrastructure worth Rs. 52 lakh remained idle.

(Paragraph 4.5.1)

Involvement of a private company for implementation of the scheme, despite having sufficient infrastructure within the Department led to extra expenditure of Rs.15.16 lakh and non-achievement of the desired results even after spending Rs.38.37 lakh.

(Paragraph 4.5.2)

Power Department incurred wasteful expenditure of Rs. 4.06 crore in providing power lines to a factory at Government cost as the factory closed down their operations after a short while without paying the energy charges of Rs.87 lakh.

(Paragraph 4.5.3)

Planks and rafters worth Rs. 23.84 lakh procured by Forest Department for supply to Rural Management and Development Department (RMDD) was rejected by RMDD resulting in infructuous expenditure.

(Paragraph 4.5.4)

4.5 Non realisation of revenue

Non realisation of minimum assured revenue (MAR) of Rs. 80.33 crore and increasing quantum of prize money resulted in undue benefit of Rs. 5.15 crore to marketing agent.

(Paragraph 5.7.1)

Department's reluctance to enforce the provisions of the Act led to a loss of Rs. 30.67 lakh.

(Paragraph 5.7.2)

Non assessment of income tax of three business houses resulted in non realisation of Government revenue of Rs. 25.85 lakh.

(Paragraph 5.7.4)

4.6 Blocking of funds/Idle investment

Failure on the part of the Department to get the Diesel Generating set replaced or repaired by the original supplier resulted in non yielding of value for money on the investment of Rs. 1.27 crore for more than five years.

(Paragraph 4.6.1)

Lackadaisical approach of the Tourism Department in implementing Centrally sponsored scheme led to loss of Central funds of Rs.23.88 lakh to the State and blocking of Rs.17.75 lakh for more than eight years.

(Paragraph 4.6.2)

4.7 Regularity issues

Due to indecisiveness of the Department to finalise eligibility criteria for the scheme the entire fund of Rs. 87.61 lakh remained unutilised for more than four years besides denial of intended benefits to the deserving poor.

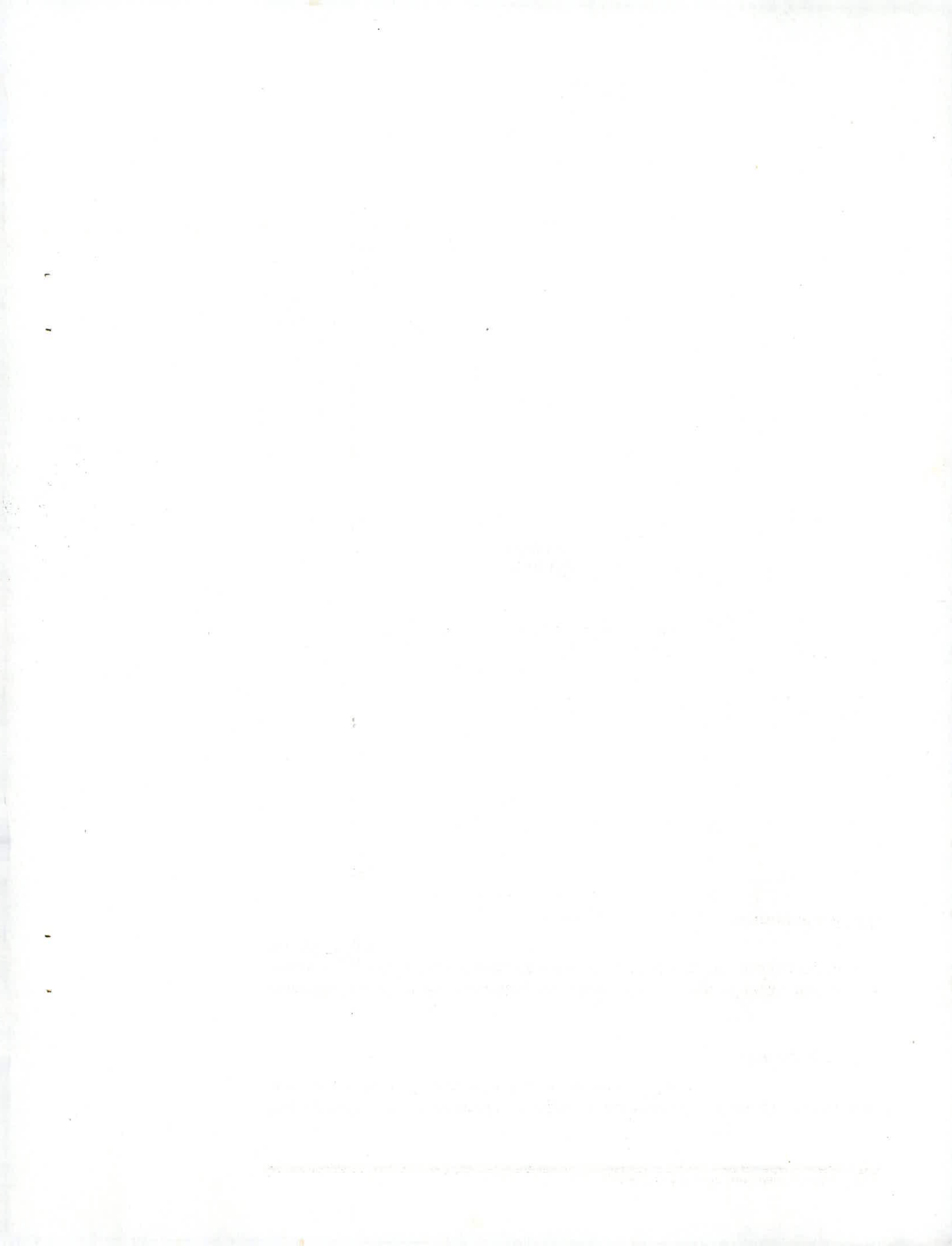
(Paragraph 4.7.2)

Negligence of the departments resulted in accumulation of unadjusted medical advances of Rs.1.35 crore in 365 cases for one to 21 years.

(Paragraph 4.7.3)

Non observance of the prescribed procedures for sanction of loans and lack of initiative in recovering the dues resulted in accumulation of outstanding dues of Rs. 60.79 lakh

(Paragraph 6.14.1)



CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

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CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large revenue and fiscal deficits year after year indicate continued macro imbalances in the State. In Sikkim, fiscal deficit increased from Rs. 50.26 crore in 2003-04 to Rs. 185.55 crore in 2004-05.

The revenue of the State consisted mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased from Rs. 862.60 crore in 2000-01 to Rs. 1,892.40 crore in 2004-05 at an average trend rate of 7.67 *per cent*. While 59 *per cent* of the revenue receipts during 2004-05 came from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 41 *per cent* of the total revenue. However, after netting off the impact of gross receipts of Rs. 912.27 crore from state lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 881.11 crore was incurred during 2004-05, the picture of State finances changed drastically. About 77.42 *per cent* of net revenue receipts of the State was constituted by Central tax transfers and grants-in-aid from Government of India.

Total expenditure of the State increased from Rs. 914.56 crore in 2000-01 to Rs. 2,077.71 crore in 2004-05 at an average trend rate of 7.90 *per cent* per annum. The rate of increase of total expenditure was higher than the rate of increase of revenue receipts during this period.

In 2004-05, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased by 93 *per cent*, 134 *per cent* and 83 *per cent* respectively as compared to 2000-01. Interest payments increased steadily by 26 *per cent* from Rs. 78.67 crore in 2000-01 to Rs. 99.19 crore in 2004-05 primarily due to ever increasing borrowings. The fiscal liabilities of the State at the end of 2004-05 was Rs. 1,107.07 crore, up by 51.78 *per cent* from 2000-01 and 14.55 *per cent* over the previous year.

State Government has not yet passed any Fiscal Responsibility Act although a Memorandum of Understanding with Government of India was entered into in April 1999 for bringing about certain fiscal reforms.

Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP could lead the State finances into a debt trap.

1.1 Introduction

The Finance Accounts of the Government of Sikkim are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in **Box-1.1**.

Box-1.1

Layout of Finance Accounts

Statement No. 1 presents the summary of transactions of the State Government- receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss etc.

Statement No. 4 indicates the summary of debt position of the State, which includes internal debt, borrowings from Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No. 9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of the current year.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies etc. up to the end of the current year.

Statement No. 15 depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balance under heads of account relating to debt, Contingency Fund and Public Account.

Statement No. 17 presents the detailed account of debt and other interest bearing obligations of the Government.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Sikkim, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.

Statement No. 19 gives the details of balances of earmarked funds.

1.2 Trend of Finances with reference to previous year

The trend of finances of the State Government during the current year compared with the previous year was as under:

		(Rupees in crore)	
2003-04	Sl. No	Major Aggregates	2004-05
1,341.18	1	Revenue Receipts (2+3+4+5)	1,892.40
108.00	2	Tax Revenue	116.95
537.29	3	Non Tax Revenue*	992.47
583.56	4	Other Receipts	675.63
112.33	5	State share of union taxes and others	107.35
1.08	6	Non-Debt Capital Receipts	(-) 0.24
1.08	7	Of which, Recovery of Loan	(-) 0.24
1,342.26	8	Receipts (1+6)	1,892.16
934.71	9	Non-Plan Expenditure (10+12+13)	1,486.15
934.61	10	On Revenue Account**	1,485.47
92.50	11	Of which, Interest Payment	99.19
-	12	On Capital Account	--
0.10	13	On Loans disbursement	0.68
457.81	14	Plan Expenditure (15+16+17)	591.56
246.32	15	On Revenue Account	238.02
211.49	16	On Capital Account	353.54
-	17	On Loans disbursement	--
1,392.52	18	Total Expenditure (9+14)	2,077.71
50.26	19	Fiscal Deficit (18-1-6)	185.55
(-)160.25	20	Revenue Deficit (10+15-1)	(-) 168.91
42.24	21	Primary Deficit (-) / Surplus (+) (19-11)	86.36

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Sikkim for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from *Statement-I* and other detailed statements of Finance Accounts.

* Non-tax revenue for the year 2004-05 includes gross receipt of Rs 912.27 crore from State Lotteries before adjustment of expenditure of Rs 881.11 crore under the head.

** Expenditure includes Rs. 881.11 crore on State Lotteries against which gross receipt was Rs. 912.27 crore under the same head.

Table -1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-05*(Rupees in crore)*

2003-04	Receipts	2004-05	2003-04	Disbursements	(Rupees in crore) 2004-05		
Section – A: Revenue					Non Plan	Plan	Total
1,341.18	I. Revenue receipts	1,892.40	1,180.93	I. Revenue Expenditure	1,485.47	238.02	1,723.49
108.00	Tax revenue	116.95	689.06	General services	1,136.24	4.39	1,140.63
537.29	Non-tax revenue	992.47	250.03	Social Services	165.00	128.85	293.85
112.33	Share of Union Taxes/ Duties	107.35	204.70	Economic Services	176.83	89.63	266.46
583.56	Grants from Government of India	675.63	37.14	Grants-in-aid contributions	7.40	15.15	22.55
Section – B: Capital							
-	II. Miscellaneous Capital Receipts	--	211.49	II. Capital Outlay	--	353.54	353.54
1.08	III. Recoveries of Loans and Advances	(-) 0.24	0.10	III. Loans and Advances disbursed	0.68	--	0.68
137.02	IV. Public debt receipts	192.99	84.17	IV. Repayment Public Debt	83.72	--	83.72
-	V. Contingency Fund	0.50	0.47	V. Contingency Fund	--	--	---
1,193.34	VI. Public account receipts	1,415.38	1,204.82	VI. Public account disbursements	1,244.65	--	1,244.65
216.83	Opening Balance	207.47	207.47	Closing Balance			302.42
2,889.45	Total	3,708.50	2,889.45	Total			3,708.50

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05 and, wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in **Box 1.2**

Box-1.2

Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. GSDP as published by the Bureau of Economics and Statistics Department of the State Government has been used.

*For most series a trend growth during 2000-2005 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in **Appendix-I**.*

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in **Box-1.3**.

Box – 1.3- State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled "Consolidated Fund of State" established under Article 266(1) of the Constitution of India.	Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent and unforeseen expenditure pending authorization by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides the normal receipts and expenditure of Government which related to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources: Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources *viz.*, market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from Public Account.

As Table 2 shows, the total receipts of the State Government for the year 2004-05 were Rs. 3,500.53 crore. Of these, the revenue receipts of the State Government were Rs. 1,892.40 crore only, constituting 54 *per cent* of the total receipts. The balance of the receipts came from borrowings and the Public Account.

Table - 2 : Resources of Sikkim*(Rupees in crore)*

I.	Revenue Receipts	1,892.40
II.	Capital Receipts	192.75
	(a) Miscellaneous Receipts	--
	(b) Recovery of Loans and Advances	(-) 0.24
	(c) Public Debt Receipts	192.99
III.	Contingency Fund Receipts	--
IV.	Public Account Receipts	1,415.38
	(a) Small Savings, Provident Fund etc.	69.79
	(b) Reserve Fund	32.80
	(c) Deposits and Advances	21.22
	(d) Suspense and Miscellaneous	799.99
	(e) Remittances	491.58
Total Receipts		3,500.53

1.5.2 Revenue Receipts: Statement – 11 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts of the State comprise mainly its own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and buoyancy of the receipts are indicated in **Table-3**.

Table-3: Revenue Receipts- Basic Parameters (Values in Rupees crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	862.60	1,807.18	2,080.52	1,341.18	1,892.40
Own Taxes	65.39	80.39	105.53	108.00	116.95
Non-tax Revenue	289.02	1,128.21	1,315.84	537.29	992.47
Central tax Transfers	72.20	84.83	77.20	112.33	107.35
Grants-in-aid	435.99	513.75	581.95	583.56	675.63
Rate of Growth	(-) 42.94	109.50	15.13	(-) 35.54	41.10
GSDP	976.34	1,072.37	1,234.24(P)	1,386.18(Q)	1,530.40(A)
GSDP Growth	16.23	9.84	15.09	12.31	10.40
Revenue Receipts/GSDP	168.52	168.57	96.75	98.75	128.78
Revenue Buoyancy	*	11.13	1.00	*	3.95
Buoyancy/Own Taxes	2.05	2.33	2.07	0.19	0.80

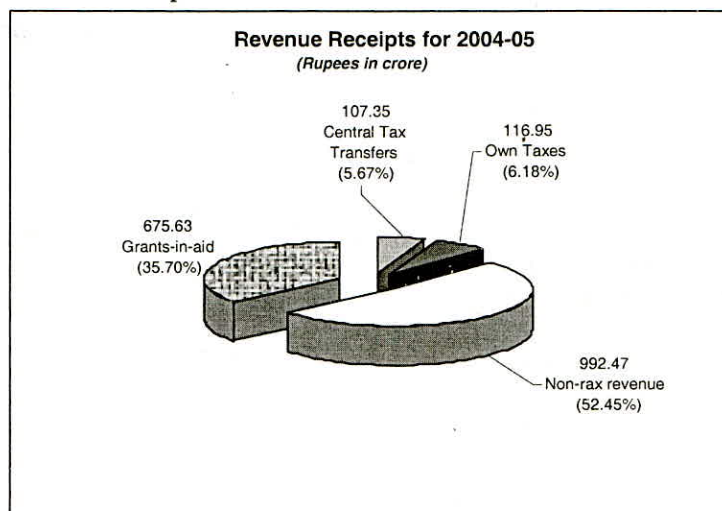
* Rate of growth of Revenue Receipts was negative

P=Provisional, Q=Quick, A=Advanced

The revenue receipts of the State increased from Rs. 862.60 crore in 2000-01 to Rs. 1,892.40 crore in 2004-05 at an average trend rate of 7.67 per cent. There were, however, significant inter-year variations in the growth rates. These were partly due to fluctuations in lottery receipt. During the five-year period 2000-2005, the State had a moderately buoyant economy with its GSDP growth averaging 12.72 per cent. Revenue receipts were particularly buoyant in 2001-02 and 2004-05. Revenue from the State's own taxes, however, recorded a better trend growth (19.11 per cent) and a relatively higher buoyancy (1.50 per cent) during 2000-05.

While 59 per cent of the revenue receipts during 2004-05 have come from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 41 per cent of the total revenue. Sales Tax was the major contributor (41 per cent) of State's own tax revenue followed by State Excise (28 per cent), taxes on Income other than Corporation Tax (25 per cent), taxes on vehicles (3 per cent), Stamps and Registration fees (1 per cent) and other tax (2 per cent). Of non-tax revenue sources principal contribution was receipts from State Lotteries (92 per cent) followed by Road Transport and Power (2 per cent each) and others (4 per cent). Central tax transfers as percentage to total revenue of the State witnessed a decrease from 8.37 per cent in 2000-01 to 5.67 per cent in 2004-05. Similarly, grants-in-aid from Government of India also decreased from 50.54 per cent in 2000-01 to 35.70 per cent in 2004-05. However, after netting off the impact of gross receipts of Rs. 992.47 crore from State lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 881.11 crore was incurred during 2004-05, the picture of the State finance changed drastically. About 77.42 per cent of net revenue receipts of

the State was financed by Central tax transfers and grants-in-aid from Government of India. The contribution of State lotteries was 82.23 *per cent* of own tax and non-tax revenue indicating dependency of the State's finances to the fluctuations in receipts from lotteries.



Besides, the arrears of revenue increased by 265 *per cent* from Rs.1.07 crore in 2000-01 to Rs. 3.91 crore* at the end of 2004-05.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of some of the important social services by Government were 0.79 *per cent* for secondary education, 1.83 *per cent* for medical and public health and 8.91 *per cent* for water supply and sanitation. The sources of total receipts under different heads and GSDP during 2000-2005 are indicated in Table 4.

Table – 4: Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	862.60	1.46	69.12	823.68	1,756.86	976.34
2001-02	1,807.18	1.14	91.37	967.41	2,867.10	1,072.37
2002-03	2,080.52	1.28	78.53	1,356.15	3,516.48	1,234.24 (P)
2003-04	1,341.18	1.08	137.02	1,193.34	2,672.62	1,386.18 (Q)
2004-05	1,892.40	(-) 0.24	192.99	1,415.38	3,500.53	1,530.40 (A)

P=Provisional, Q=Quick, A=Advanced

1.6 Application of resources

1.6.1 Trend of growth: Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs. 914.56 crore in 2000-01 to Rs. 2,077.71 crore in 2004-05 at an average trend rate of 7.90 *per cent* per annum. The rate of increase of total expenditure was higher than the rate of increase of revenue receipts during this period.

* Arrear of revenue furnished by Mines & Geology, SNT, Printing & Stationary, Food Security & Agriculture Development and Food & Civil Supplies departments

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in **Table-5** below:

Table-5 : Total Expenditure- Basic Parameters (value in rupees crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure	914.56	1,875.17	2,091.66	1,392.52	2,077.71
Rate of Growth	(-)43.03	105.04	11.55	(-)33.43	49.21
TE/GSDP Ratio	93.67	174.86	169.47	100.46	135.76
Revenue Receipts/ TE Ratio	0.94	0.96	0.99	0.96	0.91
Buoyancy of Total Expenditure with					
GSDP	*	10.68	0.76	*	4.73
Revenue Receipts	1.00	0.96	0.76	0.94	1.20

Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances

- Total expenditure had a negative growth.

Total expenditure in 2004-05 increased by Rs. 685.19 crore over previous year. The increase was mainly due to more expenditure incurred on State on line lotteries (Rs. 440.16 crore), power (Rs. 55.54 crore), education (Rs. 16.80 crore), medical (Rs. 14.28 crore), natural calamities (Rs. 7.45 crore), road transport (Rs. 6.49 crore) and others (Rs 144.47 crore).

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest payments, Social and Economic Services, grants-in-aid and other contributions to institutions and loans and advances. Relative share of these components in total expenditure is indicated in **Table-6**.

Table-6: Components of Expenditure- Relative Share (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	35.36	62.13	63.05	43.76	50.92
Interest Payments	8.60	4.49	4.28	6.64	4.77
Social Services	26.55	16.00	15.41	24.95	20.48
Economic Services	28.53	16.68	16.83	21.97	22.71
Loans and Advances	0.04	0.01	0.01	0.01	0.03
Grants in aid	0.92	0.64	0.37	2.67	1.09

The movement of relative share of these components of expenditure indicated that all components of expenditure had significant inter-year variations. The share of General Services excluding interest payments in total expenditure increased from 35.36 per cent in 2000-01 to 50.92 per cent in 2004-05, the relative share of interest payments, Social Services and Economic Services decreased. However, interest payment and expenditure on General Services considered as non-developmental together accounted for as much as 55.69 per cent of total expenditure in 2004-05 and 44.28 per cent of expenditure on Social and Economic Services.

Incidence of Revenue expenditure: In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to

maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in **Table-7**.

Table-7: Revenue Expenditure- Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (Rupees in crore)	763.31	1,664.25	1,882.62	1,180.93	1,723.49
Rate of Growth (per cent)	(-)49.45	118.03	13.12	(-)37.27	45.94
RE/GSDP	78.18	155.19	152.53	85.19	112.62
RE as percentage of TE	83.46	88.75	90.01	84.81	82.95
RE as percentage of RR	88.49	92.09	90.49	88.05	91.07
Buoyancy of Revenue Expenditure with (per cent)					
GSDP	*	12.00	0.87	*	4.42
Revenue Receipts	1.15	1.08	0.87	1.05	1.12

* Indicate negative figures

Overall revenue expenditure of the State increased at an average trend rate of 6.16 per cent. On an average, 86 per cent of the total expenditure was on current consumption.

i) *High salary expenditure:* Salaries accounted for 18.34 per cent of the revenue receipts and 20.13 per cent of the revenue expenditure of the State during 2004-05. The expenditure on salaries increased from Rs.329.17 crore in 2002-03 to Rs. 347.02 crore in 2004-05 registering an increase of 5.42 per cent. The details are indicated in **Table 8**.

Table - 8

Heads	2002-03	2003-04	2004-05
Salary expenditure (Rupees in crore)	329.17	355.97	347.02
As a percentage of GSDP	26.31	26.21	22.68
As a percentage of Revenue Receipts	15.82	26.54	18.34
As a percentage of Revenue Expenditure	17.48	30.14	20.13

ii) *Huge expenditure on pension payments:* Payment of pension and other retirement benefits increased by 68.51 per cent from Rs. 18.26 crore in 2000-01 to Rs. 30.77 crore in 2004-05. Year-wise break-up of expenditure on pension payments during the years 2000-01 to 2004-05 was as under:

Table - 9

(Rupees in crore)		
Year	Expenditure	Percentage to total revenue expenditure
2000-01	18.26	2.39
2001-02	21.29	1.28
2002-03	29.18	1.55
2003-04	39.82	3.37
2004-05	30.77	1.79

Expenditure on pension during the year 2004-05 has gone down by 23 per cent due to decrease in number of retirees both on superannuation and voluntary retirement scheme.

iii) *Interest payment:* The interest payments and percentage of interest payment with reference to revenue receipts and revenue expenditure were as shown below:

Table-10*(Rupees in crore)*

Year	Interest payments	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	78.67	9.12	10.31
2001-02	84.16	4.66	5.06
2002-03	89.53	4.30	4.76
2003-04	92.50	6.90	7.83
2004-05	99.19	5.24	5.76

Interest payments increased steadily by 26.08 *per cent* from Rs. 78.67 crore in 2000-01 to Rs. 99.19 crore in 2004-05 primarily due to ever increasing borrowings. The interest payment was on Internal Debt (Rs. 45.04 crore), loans received from Central Government (Rs.32.65 crore) and Small Savings, Provident Fund, etc. (Rs.21.50 crore).

1.7 Expenditure by Allocative priorities

The expenditure of the State in the nature of Plan expenditure, Capital expenditure and Development expenditure reflects its quality. The higher the ratio of these components to total expenditure the better is the quality of expenditure. **Table-11** below gives these ratios during 2000-2005.

Table-11: Quality of Expenditure (*per cent* to total expenditure)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	33.56	21.51	21.85	32.88	28.47
Capital Expenditure	16.51	11.24	9.99	15.19	17.02
Development Expenditure	55.10	32.71	32.24	49.60	44.28

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure indicated inter-year variations. In the year 2004-05, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased by 93 *per cent*, 134 *per cent* and 83 *per cent* respectively compared to 2000-01.

Out of the developmental expenditure of Rs. 919.91 crore during the year, Social Services accounted for 47.64 *per cent* (Rs. 438.28 crore). Expenditure on General Education, Health, Medical and Family Welfare and Water Supply and Sanitation constituted 73.62 *per cent* of the expenditure on Social sector.

Table-12: Social Sector Expenditure*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05
General Education	134.09	152.44	161.19	174.15	189.87
Health, Medical and Family Welfare	34.72	41.38	43.01	42.81	56.96
Water Supply and Sanitation	27.92	36.42	40.47	47.58	75.83
Total	196.73	230.24	244.67	264.54	322.66
Expenditure on Social Sector	242.81	300.11	322.40	360.28	438.28
As a percentage of expenditure on Social sector	81.02	76.72	76.00	73.43	73.62

Similarly, the expenditure on Economic Services (Rs. 481.63 crore) accounted for 52.35 *per cent* of the development expenditure, of which, Irrigation and Flood Control, Energy and Transport accounted for 67.37 *per cent* as shown in table below:

Table-13: Economic Sector Expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Irrigation and Flood Control	19.55	21.07	21.91	15.20	9.21
Energy	58.22	76.44	104.50	80.63	191.78
Transport	73.16	93.40	84.33	82.04	123.47
Total	150.93	190.91	210.74	177.87	324.46
Expenditure on Economic Sector	260.96	312.71	351.96	330.31	481.63
As a percentage of expenditure on Economic sector	57.83	61.05	60.00	53.85	67.37

1.7.1 Financial Assistance to Local Bodies and other Institutions

i) *Extent of assistance:* The quantum of assistance provided by way of grants (Rs. 22.55 crore) to different local bodies, Cooperative Societies etc, during the period of five years ending 2004-05 was as follows:

Table-14

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Zilla Parishads and other Panchayati Raj Institutions	-	2.42	4.47	24.05	6.91
Cooperative Societies	0.72	0.45	0.89	0.34	2.65
Universities and Educational Institutions	2.27	2.68	1.82	0.97	1.35
Others (including State Housing Corporation)	5.40	6.52	0.62	11.78	11.64
Total	8.39	12.07	7.80	37.14	22.55
Percentage of increase (+)/decrease (-) over previous year	140.40	43.86	(-)35.38	376.15	(-) 60.72
Assistance as a percentage of revenue expenditure	1.10	0.04	-	3.14	1.31

The total assistance at the end of 2004-05 had grown by 168.77 *per cent* over the level of 2000-01. The assistance to local bodies as a percentage of total revenue expenditure increased from 1.10 *per cent* in 2000-01 to 1.31 *per cent* in 2004-05.

ii) *Delay in furnishing utilisation certificates:* At the end of September 2005, 157 utilisation certificates (UCs) for grants amounting to Rs. 7.59 crore released upto March 2005 were outstanding from departments as detailed below:

Table -15

	(Rupees in crore)		
Sl. No	Department	Number of UCs outstanding	Amount
1	Panchayati Raj and Rural Development	35	3.68
2	Social Welfare (including Tribal Welfare)	2	0.20
3	Others	120	3.71
	Total	157	7.59

1.8 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land, buildings etc, owned by Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Appendix-II* gives an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India and receipts from the Public Account and Reserve Funds, assets comprise mainly capital outlay, loans and advances given by the State Government and cash balances. *Appendix-II* shows that while the liabilities grew by 18.77 *per cent* and assets increased by 18.94 *per cent*. The liabilities of Government of Sikkim depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to retired State employees. Abstract of receipts and disbursements for the year 2004-05, Sources and Applications of funds and the Time Series Data on State Government Finances for the period 2000-2005 are given in *Appendices III, IV and V* respectively.

1.8.1 Incomplete projects: As of March 2005, there were 60 incomplete projects in which Rs. 222.84 crore were blocked. This showed that Government was spreading its resources thinly. Details are given in *Appendix-VI*.

1.8.2 Investments and returns: As on 31 March 2005, Government had invested Rs. 77.46 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. Government's return on this investment was less than 2.53 *per cent* in the last three years. With an average interest rate of 10.36 *per cent* being paid by Government on its borrowings, the average annual subsidy amounted to 8.79 *per cent* and the implicit subsidy during the period 2002-2005 was Rs.19.55 crore.

Table -16: Return on Investment

	2002-03	2003-04	2004-05
Investment (<i>Rupees in crore</i>)	69.56	75.63	77.46
Returns (<i>Rupees in crore</i>)	1.76	0.74	0.92
Percentage of returns	2.53	0.98	1.19
Average interest rate paid by Government	11.47	10.32	9.29
Difference between interest rates and return	8.94	9.34	8.10
Implicit subsidy (<i>Rupees in crore</i>)	6.22	7.06	6.27

1.8.3 Loans and advances by State Government: In addition to investments in co-operatives, corporations and companies Government has also been providing support in terms of loans and advances to many of these bodies. Total outstanding balance as on 31 March 2005 was Rs. 6.22 crore. Interest on these was not received in any of the years 2000-2005 (*Table-17*). Total implicit subsidy during 2000-2005, on such loans was Rs. 3.09 crore.

Table-17: Average interest received on loans advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	9.95	8.45*	7.50	6.28	5.30
Amount advanced during the year	0.33	0.19	0.06	0.10	0.68
Amount repaid during the year	1.46	1.14	1.28	1.08	(-) 0.24
Closing Balance	8.82	7.50	6.28	5.30	6.22
Net addition	(-) 1.13	(-) 0.95	(-) 1.22	(-) 0.98	0.92
Interest Received	nil	nil	nil	nil	Nil
Interest Received as percentage to Loans advanced	nil	nil	nil	nil	Nil
Average interest paid by the State (<i>per cent</i>)	NA	12.14	11.47	10.32	9.29
Difference between interest paid and received (<i>per cent</i>)		12.14	11.47	10.32	9.29
Implicit subsidy	--	1.09	0.86	0.65	0.49

* The variation of opening balance for 2001-02 is due to proforma correction in the Finance Accounts

1.8.4 Commercial activities- Lack of accountability in the use of public funds in departmental commercial undertakings: Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government Departments. These undertakings are required to prepare annually proforma accounts in prescribed formats showing the results of financial operations so that Government can assess their functioning. The Heads of departments in Government are to ensure that undertakings funded by budgetary releases prepare the accounts in time and submit them to Accountant General for Audit.

As of 31 March 2005, there were two departmentally managed commercial and quasi-commercial undertakings under the control of Government of Sikkim. However, the preparation of proforma accounts for these units was in arrears for one year as follows:

Table -18

Sl. No.	Name of departmentally managed commercial and quasi-commercial undertakings	Proforma Accounts received upto	Proforma Accounts due
1	Temi Tea	2002-03	2003-04
2	Government Fruit Preservation Factory	2002-03	2003-04

1.8.5 Undercharged liabilities

i) Fiscal liabilities- public debt and guarantees: The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no such law has been passed by the State to lay down any such limit. **Table-19** below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-19: Fiscal Liabilities-Basic Parameters*(Value in rupees crore and ratios in per cent)*

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities*	729.37	806.06	867.68	966.45	1,107.07
Rate of Growth	7.84	10.51	7.64	11.38	14.55
Ratio of Fiscal Liabilities to					
GSDP	74.70	75.17	70.30	69.72	72.34
Revenue Receipts	84.55	44.60	41.70	71.94	58.48
Own Resources	205.80	66.69	61.05	149.25	100.00
Buoyancy of Fiscal Liabilities to					
GSDP	0.48	1.07	0.51	0.92	1.40
Revenue Receipts	(-) 0.18	1.38	0.07	0.75	(-) 0.41
Own resources	(-) 0.12	0.04	0.43	(-) 0.21	-

*Includes internal debt, loans and advances from GOI and other obligations

Overall fiscal liabilities of the State increased from Rs. 729.37 crore in 2000-01 to Rs. 1,107.07 crore in 2004-05 with an average growth rate of 10.14 per cent during 2000-05. The ratio of these liabilities to GSDP decreased from 74.70 per cent in 2000-01 to 72.34 per cent in 2004-05.

In addition to these liabilities, Government have guaranteed loans raised by various corporations and others which at the end of 2004-05 stood at Rs. 82.47 crore. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State.

Average buoyancy of the liabilities with respect to revenue receipts was 1.32 indicating that for each one per cent increase in revenue receipts fiscal liabilities were growing at the rate of 1.32 per cent.

The weighted interest rates witnessed a moderately declining trend as interest rates had generally softened and annual incremental borrowing attracted lower rates of interest. This also resulted in continuance of positive spread between GSDP growth and interest rates which is considered as one of the indicators of debt sustainability except in 2001-02.

Table-20: Debt Sustainability- interest Rate and GSDP Growth (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	11.19	10.96	10.70	10.09	9.57
GSDP Growth	16.23	9.84	15.09	12.31	10.40
Interest spread	5.03	(-)1.13	4.40	2.22	0.84

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. **Table 21** below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including Public Account) became 0.99 per cent in 2004-05 from 3.72 per cent during 2000-01, as depicted in the following table.

Table -21: Net Availability of Borrowed Funds*(Rupees in crore)*

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal debt					
Receipt	32.94	39.10	34.81	75.96	110.32
Repayment (Principal + Interest)	35.41	37.83	45.33	59.96	88.69
Net Funds Available	(-)2.47	1.27	(-)10.52	16.00	21.63
Net Funds Available (per cent)	-	3.25	-	21.07	19.61
Loans and advances from GOI					
Receipt	36.18	52.27	43.73	61.06	82.67
Repayment (Principal + Interest)	55.97	60.49	64.71	97.83	72.73
Net Funds Available	(-)19.79	(-)8.22	(-)20.98	(-)36.77	9.93
Net Funds Available (per cent)	-	-	-	-	12.01
Other obligations					
Receipt	79.75	92.09	114.85	65.09	69.79
Repayment (Principal + Interest)	51.95	62.94	81.12	86.12	98.76
Net Funds Available	27.80	29.15	33.73	(-)21.03	(-) 28.97
Net Funds Available (per cent)	34.86	31.65	29.37	-	--
Total liabilities					
Receipt	148.87	183.46	193.39	202.11	262.77
Repayment (Principal + Interest)	143.33	161.26	191.16	243.91	260.18
Net Funds Available	5.54	22.20	2.23	(-)41.80	2.59
Net Funds Available (per cent)	3.72	12.10	1.15	-	0.99

1.9 Management of deficits

1.9.1 Fiscal imbalances: The deficit in Government accounts represents the gap between its receipts and expenditure. The extent of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The fiscal deficit representing the total borrowings of the Government and the total resource gap increased from Rs. 50.50 crore in 2000-01 to Rs. 185.55 crore in 2004-05 (Table-22).

Table-22: Fiscal Imbalances- Basic Parameters (Values in rupees crore and ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Surplus	99.29	142.93	197.90	160.25	168.91
Fiscal Deficit	(-)50.50	(-)66.85	(-)9.86	(-)50.26	(-) 185.55
Primary Deficit/Surplus	28.17	17.31	79.67	42.24	86.36
FD/GSDP	(-)5.17	(-)6.23	(-)0.80	(-)3.63	(-) 12.12
PD/GSDP	2.89	1.61	6.45	3.05	5.64

(Negative figure indicates deficit)

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 23 below presents a summarised position of Government finances over 2000-05, with reference to certain key indicators that help assessing the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important features.

Table -23: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05
I. Resource Mobilisation					
Revenue Receipts/ GSDP	168.52	168.57	96.75	98.75	128.78
Revenue Buoyancy	11.13	1.00	0.60	*	0.60
Own tax/ GSDP	6.70	7.50	8.55	7.79	7.64
II Expenditure Management					
Total Expenditure/GSDP	93.67	174.86	169.47	100.46	135.76
Revenue Receipts / Total Expenditure	94.32	96.37	99.47	96.31	91.00
Revenue Expenditure/ Total Expenditure	83.46	88.75	90.01	84.81	82.95
Plan Expenditure/ Total Expenditure	33.56	21.51	21.85	32.88	28.47
Capital Expenditure/ Total Expenditure	16.51	11.24	9.99	15.19	17.02
Development Expenditure/ Total Expenditure	55.10	32.68	32.24	49.60	44.28
Buoyancy of TE with RR	1.00	0.96	0.76	0.94	1.20
Buoyancy of RE with RR	1.15	1.08	(-)10.01	1.05	1.12
III. Management of Fiscal Imbalances					
Revenue Surplus (Rupees in crore)	99.29	142.93	197.90	160.25	168.91
Fiscal Deficit (Rupees in crore)	(-)50.50	(-)66.85	(-)9.86	(-)50.26	(-) 185.55
Primary Deficit/Surplus (Rupees in crore)	28.17	17.31	79.67	42.24	86.36
Revenue Deficit/ Fiscal Deficit	\$	\$	\$	\$	\$
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/ GSDP	74.70	75.17	70.30	69.72	72.34
Fiscal Liabilities/ RR	84.55	44.60	41.70	71.94	58.48
Buoyancy of FL with RR	84.55	44.60	41.70	71.94	58.48
Buoyancy of FL with OR	205.80	66.69	61.05	149.25	100.00
Interest spread	5.03	(-)1.13	4.40	2.22	0.84
Net Funds Available	3.72	12.10	1.15	-	0.99
V. Other Fiscal Health Indicators					
Return on Investment	0.03	0.02	2.53	0.98	1.19
BCR (Rupees in crore)	(-)22.33	(-)38.83	77.84	(-) 15.64	(-) 101.78
Financial Assets/ Liabilities	1.66	1.73	1.88	1.97	1.13

* Rate of growth of Revenue Receipt was negative.

\$ State had a revenue surplus in all these years

The ratio of own taxes to GSDP had shown continuous improvement in the five-year period. The ratio of revenue receipts to GSDP and its buoyancy also were on a rising trend from 2000-01 to 2002-03, but the revenue buoyancy steeply declined in 2003-04 and again marginally increased during 2004-05. Various ratios concerning expenditure indicated quality of expenditure and sustainability in relation to resources. Revenue expenditure was on the increasing trend over the three-years period 2000-03 but slightly decreased during 2003-04 and 2004-05. Revenue expenditure comprised 82.95 per cent

of total expenditure in 2004-05 leaving very little for capital formation or asset creation. Increasing fiscal deficit over the last five years indicated growing fiscal imbalances of the State.

There was a sharp decline (negative) in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's insignificant return on investment indicated huge implicit subsidy and utilisation of high cost borrowing for investments that yielded little. The balance from current revenue of the State also continued to be negative indicating continued dependence on borrowings for plan or developmental expenditure.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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2.2	<i>Summary of Appropriation Accounts</i>	20
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CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

APPROPRIATION ACCOUNTS 2004-2005 AT A GLANCE

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

Appropriation Accounts : Government of Sikkim

Total Number of Grants : 44 (42 Grants, 2 Appropriations)

Total provision and actual expenditure

Table-2.1

(Rupees in crore)

Provision	Expenditure		
Original	2,229.69	Expenditure	2,182.86
Supplementary	164.35		
Total Gross provision	2,394.04	Total Gross expenditure	2,182.86
Deduct-Estimated recoveries in reduction of expenditure	34.02	Deduct-Actual recoveries in reduction of expenditure	21.43
Total Net provision	2,360.02	Total Net expenditure	2,161.43

Voted and Charged provision and expenditure

Table-2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1,709.35	115.29	1,630.12	114.80
Capital	510.39	59.01	354.22	83.72
Total Gross	2,219.74	174.30	1,984.34	198.52
Deduct-recoveries in reduction of expenditure	34.02	-	21.43	-
Total Net	2,185.72	174.30	1,962.91	198.52

ALLOCATIVE PRIORITIES AND APPROPRIATION

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 charged as well as voted items of the budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whether 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 2004-05 against 44 grants/appropriations was as follows:

Table-2.3

(Rupees in crore)

Name of Expenditure		Original grant / Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	1,657.42	51.93	1,709.35	1,630.12	(-)79.23
	II. Capital	419.42	90.82	510.24	354.16	(-)156.08
	III. Loans and Advances	0.15	Nil	0.15	0.06	(-)0.09
Total Voted		2,076.99	142.75	2,219.74	1,984.34	(-) 235.40
Charged	IV. Revenue	112.36	2.93	115.29	114.80	(-)0.49
	V. Capital	Nil	Nil	Nil	Nil	Nil
	VI. Public Debt	40.34	18.67	59.01	83.72	(+)24.71
Total Charged		152.70	21.60	174.30	198.52	(+)24.22
Appropriation to Contingency Fund (if any)	Nil	-	-	-	-	-
Grand Total		2,229.69	164.35	2,394.04	2,182.86	211.18

2.3 Fulfilment of Allocative Priorities

Appropriation by Allocative Priorities

2.3.1 Out of overall savings of Rs.211.18 crore major savings of Rs.131.87 crore (62 per cent) occurred in nine grants as mentioned below:

Table-2.4

(Rupees in crore)

Grant No. & name	Grant		Total	Actual Expenditure	Saving
	Original	Supplementary			
7-Human Resources and Development (C)	31.48	8.09	39.57	20.26	19.31
10-Finance, Revenue and Expenditure (R)	928.04	0	928.04	922.13	5.91
12-Forestry and Environment Management (R)	24.73	0.82	25.55	22.22	3.33
13-Health Care, Human Services and Family Welfare (R)	55.55	2.31	57.86	54.46	3.40
22-Land Revenue and Disaster Management (R)	27.01	27.27	54.28	42.95	11.33
29-Development Planning , Economic Reforms and North Eastern Council Affairs (R)	13.84	0.54	14.38	4.95	9.43
29-Development Planning , Economic Reforms and North Eastern Council Affairs (C)	11.00	1.00	12.00	3.07	8.93
31-Energy and Power (C)	90.67	45.01	135.68	99.87	35.81
35-Rural Management and Development (R)	43.80	1.10	44.90	32.53	12.37
35-Rural Management and Development (C)	76.72	9.22	85.94	74.02	11.92
40-Tourism (C)	14.87	1.35	16.22	6.09	10.13
Total	1,317.71	96.71	1,414.42	1,282.55	131.87

R= Revenue, C= Capital

Reasons for savings as intimated by the departments were as follows:

- (a) The saving under Human Resources and Development grant (Capital) was due to non-receipt of funds from Government of India and partial implementation of the schemes.
- (b) The saving under Finance, Revenue and Expenditure grant (Revenue) was due to non-implementation of Value Added Tax during the year, retirement of fewer number of persons than anticipated and non-receipt of claims during the year.
- (c) Saving under Forestry and Environment Management (Revenue) was due to non-filling of vacant posts and transfer of staff to other sectors, change of pattern of funding by the Government of India, non-release of funds by Central Zoo Authority of India and delay in sanction of projects and execution of works as per the guidelines.
- (d) The saving under Health care, Human Services and Family Welfare grant (Revenue) was due to non-receipt of funds from Government of India and North Eastern Council and higher estimation of flow of funds from Government of India.
- (e) The saving under Land Revenue and Disaster Management grant (Revenue) was mainly due to non-receipt of bills in time, non-filling of vacant posts.
- (f) The saving under Development Planning, Economic Reforms and North Eastern Council Affairs grant (Revenue & Capital) was due to slow progress of works by implementing departments and meeting of supplementary grants of other departments.

(g) The saving under Energy and Power grant (Capital) was due to non-receipt of funds from Government of India and surrender of funds on the basis of actual release of funds during the year.

(h) Saving under Rural Management and Development grant (Revenue and Capital) was due to non-implementation of programmes, non-receipt of funds from Government of India and non-receipt of bills for works executed.

(i) The saving under Tourism grants (Capital) was due to delay in progress of various Centrally sponsored schemes and non-receipt of final instalments of funds from Government of India.

Areas in which major savings occurred in these nine grants are given in the **Appendix-VII**.

Excess over provision relating to previous years requiring regularisation

2.3.2 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.872.46 crore for the last three years was yet to be regularised.

Table-2.5

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/ Appropriation No(s)	Amount of excess	Amount for which explanations not furnished to PAC
2001-02	06	5,10,,20,30,41 & Governor	868.50	868.50
2002-03	09	5,10,12,14,19,20,23,30,38	2.75	2.75
2003-04	06	2,15,20,23,31,32	1.21	1.21
Total	21		872.46	872.46

Excess over provision during 2004-05 requiring regularisation

2.3.3 In Revenue Section, there was an excess of Rs.2,79,962 in two grants and one appropriation and in Capital Section, there was an excess of Rs.24,79,44,218 in two grants. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Table-2.6

(In Rupees)

Sl. No.	Number and name of grant / appropriation	Total grant / appropriation	Actual expenditure	Excess
	REVENUE			
1	Governor	1,97,43,000	1,97,45,121	2,121
2	23-Law	1,47,98,000	1,48,28,523	30,523
3	24-Legislature	3,81,02,000	3,83,49,318	2,47,318
	Total Revenue			2,79,962
	CAPITAL			
4	2-Animal Husbandry, Livestock, Fisheries and Veterinary Services	39,32,000	48,86,425	9,54,425
5	10-Finance, Revenue and Expenditure	59,02,25,000	83,72,14,793	24,69,89,793
	Total Capital			24,79,44,218
	Grand Total			24,82,24,180

Savings

2.3.4 The ultimate net savings of Rs.211.18 crore was the result of total gross savings of Rs.236 crore marginally reduced by excess of Rs.24.82 crore. The details of savings and excesses are as shown below:

Table-2.7

(Rupees in crore)

Section	No. of Grants/ Appropriation	Amount of Savings	No. of Grant/ Appropriation	Amount of Excess	Net amount of Savings
Revenue	42	79.74	03	0.03	79.71
Capital	25	156.26	02	24.79	131.47
Total		236.00		24.82	211.18

Unnecessary/Excessive Supplementary provision

2.3.5 Supplementary provision made during the year constituted 7.37 per cent of the original provision as against 7.48 per cent in the previous year. Supplementary provision of funds amounting to Rs.47.51 crore was made in 24 cases during the year where the expenditure did not even come up to the level of original provision. Details are in *Appendix-VIII*.

Unutilised Provision and surrender thereof

2.3.6 For the year 2004-05, against net savings of Rs.211.18 crore, the amount surrendered at the fag end of financial year was Rs.208.45 crore.

Anticipated savings not surrendered

2.3.7 Unutilised provisions of funds amounting to Rs.21.29 crore in 11 cases were not surrendered during the year. The details are given below:

Table-2.8

(Rupees in crore)

Sl. No.	Grant No.	Name	Amount
Revenue			
1	05	Cultural Affairs and Heritage	0.28
2	06	Ecclesiastical	0.15
3	20	Judiciary	1.06
4	26	Motor Vehicles	0.24
5	28	Personnel, Administrative Reforms ,Training, Public Grievance, Career Options and Employment Skill Development and Chief Minister's Self Employment Schemes	0.57
6	34	Roads and Bridges	8.51
7	35	Rural Management and Development	10.19
8	36	Science and Technology	0.08
9	37	Sikkim Nationalised Transport	0.02
Capital			
1	05	Cultural Affairs and Heritage	0.06
2	38	Social Justice, Empowerment and Welfare	0.13
Grand Total			21.29

Less surrender than actual savings

2.3.8 Against the unutilised provision of funds amounting to Rs.196.81 crore in 29 cases, an amount of Rs.157.94 crore only were anticipated and surrendered on the last day of the financial year leaving an amount of Rs.38.87 crore to lapse as detailed in ***Appendix-IX***

Non-receipt of explanations for Savings/ Excess

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

Appropriation Accounts 2004-05 included 42 Grants and two Appropriations involving 402 sub-heads. Of this 296 sub-heads required comments from Government for excess/savings. Explanations for variations were not received for 143 sub-heads. The replies received in respect of 115 sub-heads were incomplete.

Surrender in excess of actual savings

2.3.10 Against the actual savings of Rs.16.48 crore in seven cases, an amount of Rs.33.67 crore was surrendered by the Government during the year i.e., an amount of Rs.17.19 crore was surrendered in excess as detailed in ***Appendix-X***.

Persistent savings

2.3.11 Persistent savings of 10 *per cent* and above were noticed in three cases during last three years. Out of three cases, in one case there was persistent excess of above Rs.9 crore ranging from 66 *per cent* to 81 *per cent* of the provision as detailed in ***Appendix-XI***.

Unutilised Provision

2.3.12 Savings in the grants/appropriations were indicative of inaccurate budget estimation and a tendency of the concerned departments to overestimate their requirement of funds. Scrutiny of Appropriation Accounts revealed that in the Revenue section in three Grants and in the Capital section in eight Grants, the 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. Details are in ***Appendix-XII***.

Injudicious/irregular/inadequate re-appropriation

2.3.13 Re-appropriation is transfer of funds 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 funds 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. Further, funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings became available under other units later in the year.

Scrutiny of re-appropriation orders revealed non-observance of the rules resulting in incorrect re-appropriation. Some important instances are given in *Appendix-XIII*.

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. The anticipated recoveries and credits are being shown separately in the budget estimates.

During the year 2004-05, against the estimated recoveries of Rs.34.02 crore, actual recoveries were Rs. 21.43 crore as shown in *Appendix-XIV*.

Expenditure without provision

2.3.15 As per rules, no expenditure should be incurred on a scheme/service without provision of funds thereof. It was, however, noticed that expenditure of Rs.0.47 crore was incurred in five cases as detailed below without the provision having been made in the original estimate/supplementary demands and no re-appropriation orders also were issued.

Table – 2.9

(Rupees in lakh)

Sl. No.	Major Head and name of grant	Amount
1.	2-Animal Husbandry, Livestock, Fisheries and Veterinary Services 2415-Agriculture Research and Education 03-Animal Husbandry 004-Research 62-Disease and Nutrition Research	0.99
2.	7-Human Resources and Development 4059-Capital Outlay on Public Works 60-Others 051-Construction 07-Education	14.28
3.	10-Finance, Revenue and Expenditure 2075-Miscellaneous General Services 104-Pension and awards in consideration of distinguished services	1.28
4.	31-Energy and Power 4801-Capital Outlay on Power Projects 01-Hydel Generation 800-Other expenditure 67-Renovation of old Power House	17.16
5.	31-Energy and Power 4801-Capital Outlay on Power Projects 05-Transmission and distribution 800-Other expenditure 60-Other distribution scheme	13.30
	Total	47.01

CHAPTER-III

PERFORMANCE AUDITS

FOOD & CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.1 Management of Public Distribution System

Highlights

Audit of Public Distribution System in Sikkim disclosed short lifting of allotted quota of rice and sugar by 58 and 49 per cent respectively, especially in Above Poverty Line (APL) quota. Families living above the poverty line were brought under additional below poverty line (BPL) category leading to extra burden on State Government. Management of food godowns was not up to the mark as there were shortages of food grains beyond the permissible limit. Issue of wheat and superior kerosene oil was handled by the nominees selected by the Government instead of godown in charge.

Department's effort to obtain reimbursement of expenditure towards Hill Transport Subsidy and differential cost on distribution of levy sugar from Food Corporation of India (FCI) did not fructify leading to blocking of substantial funds with Government of India. Revolving Fund was not managed effectively as substantial amount of unauthorised expenditure was met from the Fund leading to its depletion. Audit review of the scheme revealed the following deficiencies/irregularities:

Identification of additional 24,000 families below the poverty line (BPL) over and above Government of India approved list of 43,450 families not only led to financial burden of Rs. 5.38 crore on the State exchequer on account of subsidy but also raised the BPL population to 67 per cent against the Government of India approval of 43 per cent.

(Para 3.1.16)

Decision of the State Government to launch the "Chief Minister's Antyodaya Annadaan Yojna" (CMAAY) to provide rice free of cost to the beneficiaries resulted in additional expenditure of Rs. 2.28 crore on account of subsidy.

(Para 3.1.20)

In spite of incurring Rs. 71.52 lakh towards computerization of ration cards, the programme was not launched till date resulting in unfruitful expenditure besides defeating of purpose of eliminating bogus ration cards.

(Para 3.1.23)

There was shortage of rice and sugar to the tune of 277.61 MT and 58.63 MT respectively during the period 2002-05, corresponding to Rs 32.78 lakh.

(Para 3.1.26)

The Department did not handle the procurement and distribution of PDS wheat and instead nominated various flour mills to deal with the procurement of allotted quota and distribution of wheat products to the beneficiaries.

(Para 3.1.29)

Failure of the Department to submit bills for reimbursement to FCI on account of expenditure towards distribution of sugar resulted in charging of higher rate to the consumers and non- reimbursement of Rs. 89.03 lakh from FCI.

(Para 3.1.40)

The Department utilised the Revolving Fund for incurring unauthorized expenditure of Rs. 1.61 crore on payment of salaries, muster rolls / work charged, miscellaneous office expenses etc, during 2000-01 to 2004-05 which also led to depletion of balance of Revolving Fund.

(Para 3.1.43)

Introduction

3.1.1 The Food & Civil Supplies and Consumer Affairs Department (FCS & CAD) is responsible for the control and distribution of essential commodities like food grains, superior kerosene oil, salt, sugar etc. to the public through the Public Distribution System (PDS) besides, control of price of salt, kerosene, motor spirit, high speed diesel etc.

3.1.2 The Department deals with following schemes relating to PDS:

- **Below poverty line (BPL):** Introduced by Government of India with a view to ensuring food security for all those falling under the category of BPL. Under this scheme, 35 kilograms of rice is provided to the identified BPL families on monthly basis at the subsidized rate of Rs. 4/- per kilogram *w.e.f.* April 2002.
- **Antyodaya Annadaan Yojana (AAY):** Launched by the Prime Minister of India in December 2000 to reform and improve the PDS so as to serve poorest of the poor in the rural and urban areas. Under this scheme 35 kilograms of rice is provided to the beneficiaries at Rs. 3/- per kilogram per month per family. The scheme was implemented in the State from October 2001.
- **Annapurna Yojana (APS):** Introduced by Government of India *w.e.f.* 2000 for providing rice (10 kg) to helpless, indigent senior citizens above the age of 65 years, who though eligible for old age pension, are not in receipt of National Old Age Pension. The State Government implemented the scheme from July 2001 and covered 2,411 beneficiaries.
- **Nari Niketan/Welfare Institute:** Introduced by Government of India in April 2003. Under this scheme 5 kg of rice to each inmates of welfare

institute and 15 kg of rice to SC/ST students of Monastic school is distributed at the rate of Rs.4/kg.

- **Mukhya Mantri Khadya Suraksha Abhiyan** : Introduced by the Government of Sikkim in September 2004 to provide rice at subsidized rate to other economically weaker section of society not covered under any of the above scheme.

3.1.3 As on 31 March 2005 the State Government identified 3,61,888 beneficiaries under different categories as detailed below :

Table 3.1

Scheme	Below Poverty Line (BPL)	Annapurna Yojana (APS)	Antyodaya Annadan Yojana (AAY)	Addl. BPL	Welfare institution / Nari Nikatan	Mukhya Mantri Khadya Suraksha Abhiyan (MMKSA)	Total
No. of beneficiaries	33,450 (1,78,289)	--- (2,411)	9,994 (53,268)	14,000 (74,620)	41 institutes and destitute homes	10,000 (53,300)	(3,61,888)

Figures in bracket represent no. of beneficiaries.

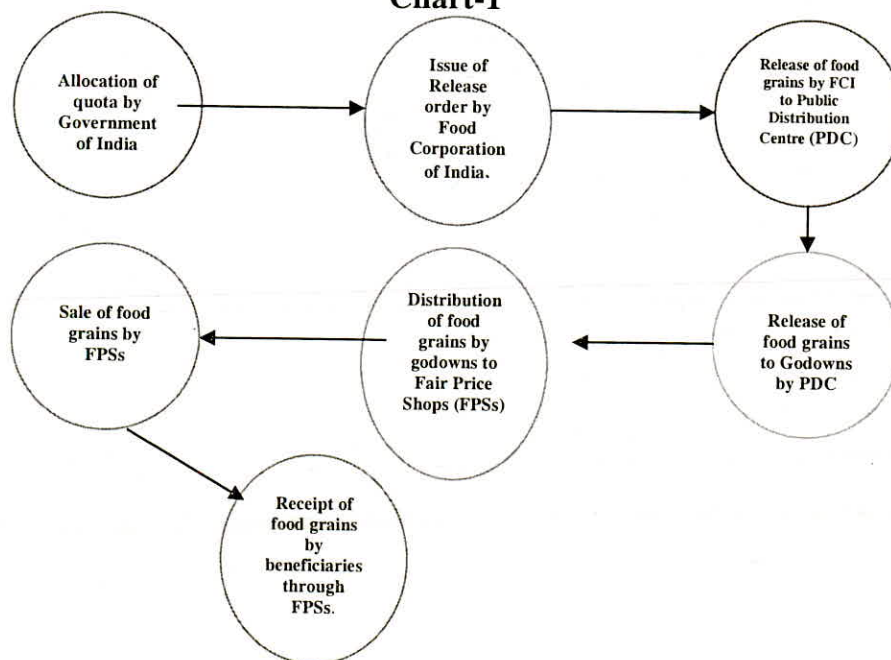
Average size of the family is taken as 5.33 members (as shown in GOI letter) to arrive at the total number of beneficiaries.

Organisational set-up

3.1.4 The responsibility of all activities relating to Public Distribution System is vested with Principal Secretary, Food & Civil Supplies and Consumers Affairs Department who is assisted by Special Secretary (1) under whom there are Additional Secretary (1) and Officer-on-Special duty. Additional Secretary is assisted by Joint Secretary (1), Deputy Secretaries (4), District Civil Supplies Officers (5) and Sr. Accounts Officer besides the Godown in-charge.

3.1.5 Resource flow Chart indicating programme process for Public Distribution System in the State was as below:

Chart-1



Scope of Audit

3.1.6 Performance audit for the period from 2000-01 to 2004-05 was conducted in the office of the Principal Secretary and two out of four District Civil Supplies Officers (West and South districts) between February and May 2005. Out of total expenditure of Rs. 43.45 crore, Rs. 17.38 crore (40 *per cent*) pertaining to West and South districts was test checked in audit with reference to the records relating to:

- Procurement, storage, distribution, fixing of prices and control of essential commodities like rice, sugar, wheat, superior kerosene oil, etc through the PDS in the State.
- Control and maintenance of the departmental carriage vehicles for distribution of essential commodities in the State.
- Proper management of food godowns.

Audit Objectives

3.1.7 The main objective of the performance audit of 'Management of Public Distribution System' was to ascertain whether:

- Availability of food grains to public at affordable prices was ensured;
- Selection of the beneficiaries under various schemes was according to the laid down norms/ guidelines.
- Storage facilities were adequate and the extent of shortage in transit/storage was within the permissible limit.
- Fixing of rates for various items under PDS was as per the norms fixed by Government of India.
- Internal Control mechanism in the Department was adequate and reliable to ensure efficient management of Public Distribution System in the State.

Audit criteria

3.1.8 For fulfillment of the above objectives, management of public distribution system in the State was assessed by applying the following criteria:

- Lifting of foodgrains.
- Selection of beneficiaries under various schemes.
- Storage facilities *vis-a-vis* quantity handled by godowns.
- Issue rates of PDS items.
- Reimbursement of Hill Transport Subsidy, transportation and handling charges etc.

Audit methodology

3.1.9 The performance audit began with audit engagement letter (January 2005) to the Department followed by entry conference. The entry conference was attended by Special Secretary and Additional Secretary of the Food & Civil Supplies and Consumer Affairs Department (FCS&CAD) besides other officers. Audit was carried out based on analysis of procedures existing with FCS&CAD in relation to PDS in the State in general and West and South districts in particular. The data provided on selection of beneficiaries under various categories, allocation of quota by Government of India, release of foodgrains by the Food Corporation of India, lifting and allocation of foodgrains by the FCS&CAD, distribution of foodgrains to the beneficiaries by the Fair Price Shops (FPSs) etc, were duly analysed from the point of economy, efficiency and effectiveness. The audit scrutiny was also supplemented by discussion between senior level officers of the Department and the Accountant General. At the end of audit exit conference was held which was attended by Principal Secretary to the Government of Sikkim and Senior Accounts officer, FCS&CAD, Accountant General and Deputy Accountant General amongst others. The report was finalized after taking into consideration the points put forth by the Department during the exit conference.

Audit findings

Financial

3.1.10 Budget estimates, actual expenditure, savings and excess figures under Revenue and Capital head during 2000-01 to 2004-05 were as under:

Table -3.2

Year	Budget estimate			Actual expenditure			Saving (-)/ Excess (+)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
2000-01	13.82	0.15	13.97	3.94	0.08	4.02	(-) 9.88	(-) 0.07	(-) 9.95 (71)
2001-02	14.86	0.22	15.08	8.03	0.21	8.24	(-) 6.83	(-) 0.01	(-) 6.84 (45)
2002-03	9.94	0.38	10.32	7.28	0.38	7.66	(-) 2.66	Nil	(-) 2.66 (26)
2003-04	10.14	0.27	10.41	9.98	0.27	10.25	(-) 0.16	Nil	(-) 0.16 (2)
2004-05	14.99	0.12	15.11	13.16	0.12	13.28	(-) 1.83	Nil	(-) 1.83 (12)
Total	63.75	1.14	64.89	42.39	1.06	43.45	(-) 21.36	(-) 0.08	(-) 21.44

Source-Appropriation Accounts

Percentage in bracket

The Department recorded savings in all the years under review ranging between Rs. 0.16 crore and Rs. 9.95 crore corresponding to 2 and 71 *per cent* of total allocation. The Department did not furnish any reasons for such savings.

Implementation

Implementation of all the six schemes mentioned in **table 3.1** were test checked in audit and the results are enumerated in succeeding paragraphs.

Short lifting of quota

3.1.11 Allocation of essential commodities by Government of India and lifting by the State Government for the period from 2000-01 to 2004-05 are indicated below:

Table -3.3**Rice***(Quantity in MT)*

Year	Allotted by GOI				Lifted by State Govt.				Short (-) / excess (+) lifting			
	BPL	APL	AAY	APS	BPL	APL	AAY	APS	BPL	APL	AAY	APS
2000-01	8,916	83,640	Nil*	Nil#	5,288	2,687	-	-	(-) 3,628 (41)	(-) 80,953 (97)	-	-
2001-02	11,373	35,640	1,008	172	11,373	5,975	1,008	172	-	(-) 29,665 (83)	-	-
2002-03	15,420	27,189	2,820	256	15,420	4,977	2,820	239	-	(-) 22,212(82)	-	(-)17(7)
2003-04	14,748	19,412	3,604	-	14,748	10,670	3,604	-	-	(-) 8,742 (45)	-	-
2004-05	11,730	12,510	3,470	250	11,730	10,810	3,470	250	-	(-) 1,700 (14)	-	-
Total	62,187	1,78,391	10,902	678	58,559	35,119	10,902	661	(-) 3,628	(-) 1,43,272	-	(-) 17

* Implemented w.e.f. October 2001, # Implemented w.e.f. July 2001.

BPL – Below Poverty Line; APL- Above Poverty Line; AAY- Antyodaya Anna Yojana; APS- Annapurna Scheme

Table -3.4**Wheat, Sugar & Superior kerosene oil***(Quantity: wheat and Sugar in MT and SKO in KL)*

Year	Allotted by GOI			Lifted by State Govt.			Short lifting		
	Wheat	Sugar	SKO	Wheat	Sugar	SKO	Wheat	Sugar	SKO
2000-01	1,200	4,692	7,896	1,200	2,980	7,896	Nil	1,712 (36)	Nil
2001-02	1,200	4,692	7,167	1,200	3,122	7,167	Nil	1,570 (33)	Nil
2002-03	2,100	4,692	6,532	2,100	2,549	6,532	Nil	2,143 (46)	Nil
2003-04	2,400	4,692	5,880	2,400	1,932	5,880	Nil	2,760 (59)	Nil
2004-05	9,600	4,692	5,280	9,600	1,289	5,280	Nil	3,403 (73)	Nil
Total	16,500	23,460	32,755	16,500	11,872	32,755	Nil	11,588	Nil

3.1.12 While rice and sugar were routed through 24 godowns of FCS&CAD, wheat and superior kerosene oil (SKO) were distributed through nominee dealers appointed by the State Government. Audit observed that there was short lifting of quota of rice and sugar of 1,46,917 MT and 11,588 MT respectively being 58 and 49 per cent of the allotted quota. Short lifting of rice was more pronounced in APL category (1,43,272 MT), followed by BPL (3,628 MT) and APS (17 MT). Non-lifting of quota in full inspite of sufficient budgetary outlay deprived the beneficiaries of the facility.

3.1.13 In reply, while accepting the fact, the Principal Secretary to the Government stated (August 2005) that lifting of APL rice was substantially low because of parallel market rate and that of sugar was due to Government of India's policy shift to lift levy sugar from the mills directly. They, however, informed that the position had since improved.

Conferring of BPL facility to non-BPL beneficiaries

3.1.14 Government of India approved 43,450 families under the BPL category for the State. The Government, however, identified 14,000 additional families for coverage under the ambit of BPL categories and termed them as Additional BPL families. These beneficiaries were provided with rice at subsidised rate of Rs. 4/- per kg.as against the issue rate of 885/quintal. The differential cost of Rs. 515/quintal (Procurement Rs. 885/qlt – Issue rate Rs. 370/qlt) was borne by the State Government as subsidy. The scheme, termed as Additional BPL, started from July 2002 and was still being implemented. The subsidised rice of 81,015

quintal was distributed under this scheme from July 2002 to March 2005 involving an additional Government subsidy of Rs 4.16 crore*.

3.1.15 In May 2004, the State Government approved additional 10,000 families under Mukhya Mantri Khadya Suraksha Abhiyaan (MMKSA). Scrutiny of records revealed that the Department distributed 35 kg of rice to each of 10,000 families at Rs. 370/qlt against the procurement rate of Rs. 885/ qtl (APL rate) from September 2004 (2,640 qtls/month) and from October 2004 to March 2005 (3,500 qtls/month) resulting in additional burden of Rs. 1.22 crore† to the State exchequer on account of subsidy at the rate of Rs. 515/ qtl.

3.1.16 Thus, inclusion of additional 24,000 families over and above 43,450 families already approved by Government of India not only led to financial burden of Rs 5.38 crore (Rs. 4.16 crore + Rs 1.22 crore) to the State exchequer on account of subsidy but also resulted in coverage of 67‡ per cent of population under the BPL categories.

3.1.17 In reply, the Government stated (August 2005) that the additional families were identified and provided with foodgrains at concessional rates in view of Government policy to cover the marginal families who did not qualify under BPL category as per Government of India norms. The reply was not tenable as inclusion of additional families over and above Government of India approved list cast extra burden on State Government on account of subsidy and was in violation of assurances given (June 2003) to the Government of India as to the curtailment of subsidy as a measure of fiscal reform.

Free distribution of rice to AAY/CMAAY beneficiaries

3.1.18 The Antyodaya Anna Yojana (AAY) was launched by the Prime Minister of India in December 2000, reflecting the commitment of the Government of India to ensure security for all, create a hunger free India and to reform and improve the PDS so as to serve the poorest of the poor in the country. The identification of these families was required to be done by the State Government, from amongst the BPL families within the State. The selected AAY families were to be provided 25 kgs. of wheat and rice per month at subsidised rate of Rs. 2 and Rs. 3 per kg respectively.

3.1.19 The State Government implemented the scheme during October 2001 and issued rice at Rs 3/kg. to 6,714 (15.33 per cent) BPL beneficiaries. In August 2003, Government of India decided to expand the AAY to cover additional BPL families from amongst the already identified BPL families. The scale of rice was increased from 25 kg. to 35 kg. at Rs. 3/kg . Accordingly, State Government raised the number of AAY families from 6,714 to 9,994 (23 per cent) BPL beneficiaries w.e.f. August 2003.

3.1.20 Scrutiny of records revealed that the State Government launched the scheme in August 2003 as “Chief Minister’s Antyodaya Annadaan Yojana”

* 2002-03 –Rs. 29,64,900 ; 2003-04 – Rs. 83,50,210 and 2004-05 – Rs. 3,02,82,000 = Rs. 4,15,97,110/-

† Rs. 515 X 23,640 qtl. = Rs. 1,21,74,600

‡ (43,450 + 24,000 x 5.33 members /family =3,59,509 i.e. 67 per cent of total population of 5,40,000.

(CMAAY) and provided 35 kg. of rice every month free of cost from September 2003 to all the 9,994 identified families. Owing to the decision of the State Government to provide rice free of cost to the beneficiaries under CMAAY from September 2003 to March 2005, the Department incurred Rs. 2.28 crore towards issue of 6,593 MT foodgrains to the beneficiaries under CMAAY on account of subsidy.

3.1.21 The Government, while accepting the fact of financial burden on account of subsidy, stated (August 2005) that the scheme had definite impact in providing food security to the poorest of the poor families and in broader sense achieved the scheme objective.

Computerised ration cards

3.1.22 To eliminate bogus ration cards, the Department submitted a proposal for issue of computerised ration cards to all consumers above the age of five years with digital photograph of the ration card holder. The Government approved the proposal in May 2000 according to which Rs. 25/- (including contribution of Rs. 5/- towards Consumers Welfare Fund) was to be realised from the individual consumer at the time of taking photograph and application for ration card. The work was awarded (September 2000) to M/s Shreya Traders.

3.1.23 Scrutiny of records revealed that a total of 3,46,777 photographs were taken at a cost of Rs.71.52 lakh out of Rs. 84.90 lakh realised from the consumers. Even after a lapse of more than four years of launching the programme, new ration cards were not introduced for distribution of PDS items. Thus, the very purpose of launching the programme to eliminate bogus ration cards was defeated and the expenditure of Rs. 71.52 lakh proved to be unfruitful.

3.1.24 In reply, the Government stated (August 2005) that the scheme had been made operational *w.e.f* 15th August 2005 and the computerized ration cards would further strengthen the PDS in the State. However, the fact remains that the new ration cards had not been made operational as of October 2005.

Shortage of food grains

3.1.25 For distribution of PDS items to general public, rice and sugar were lifted from two food storage godowns of FCI located at Rangpo and Jorethang and stored at 24 departmental food godowns located all over the State. The PDS items were, thereafter, released to the designated Fair price shops (FPS) under the jurisdiction of each food godown.

3.1.26 Audit observed that there was shortage of rice and sugar to the tune of 277.61 MT and 58.63 MT respectively during the period 2002-05 in two districts[§] test checked in audit, over and above the permissible limit of 0.5 *per cent*. The excess shortage worked out to Rs. 32.78 lakh. No reasons were reflected in the books of accounts for these excess shortages.

3.1.27 In reply, the Government stated (August 2005) that BPL, AAY, MMKSA beneficiaries were provided with full quantity of allocated foodgrains and the permissible shortage of 0.5 *per cent* on these stocks were met from APL stock which was not considered by the audit while computing the figure for shortages.

[§] West and South districts.

The reply was not acceptable as the figures were arrived at in audit after taking into account all permissible shortages at the prescribed rate of 0.5 *per cent*. Government further stated that all out efforts were being initiated to minimize the shortage by effective and close supervision, regular physical verification, instant recovery on inadmissible shortages, etc.

Distribution of PDS wheat by mill owners

3.1.28 The Government of India allotted wheat for distribution under PDS as whole wheat only. During the last five years the total allocation of PDS wheat was 18,500 MT at APL rate. The Department, however, authorized three flour mills to procure wheat from FCI godowns and distribution of wheat products after conversion.

3.1.29 Audit observed that the authorised flour mills were converting wheat into maida, atta, suji etc. as per the prescribed formula and supplying the same to retailers including FPSs in the State. The issue price of wheat products was designed by the Department to include all incidental charges including retailers' commission. Scrutiny of records revealed that the wheat products were not routed through the food godowns but supplied to the retailers and FPSs directly. Test check of records of South and West district showed that the wheat products were not supplied to any of the 216 registered FPSs in West district while only six out of 341 FPSs were supplied in South district. Thus, the action of the Department to distribute the PDS wheat to the general public through private mill owners as Government nominees and also the failure to keep a tab over the actual issue and sale of wheat to the PDS beneficiaries through FPSs was not only against the directives of the Ministry of Food Affairs, Government of India, but also led to conferring of undue benefit to the mill owners at the cost of the PDS beneficiaries.

3.1.30 In reply, the Government stated (August 2005) that the distribution of wheat through food godowns was not taken up in view of limited corpus available with the Department, non-availability of scientific godowns for their proper storage, etc. In spite of this, limited quantity of wheat was being distributed recently through food godowns and if the experiment was found fruitful Department would take over the distribution fully.

Idling of departmental trucks

3.1.31 For carriage of PDS food grains from FCI depots to food godowns located in the State, the Department was maintaining 12 vehicles (eight trucks and four utility vans). Out of these 12 vehicles, six vehicles (two trucks and four utility vans) were purchased during March-December 2002 from the financial assistance of Rs. 31.10 lakh received (April 2001) from Government of India as 50 *per cent* loan and 50 *per cent* grant. Further, the Department was also engaging private carriage contractors for transportation of PDS items from the FCI depots.

3.1.32 Scrutiny of records revealed that during the period from 2000-01 to 2004-05, the Department paid Rs. 1.49 crore to private contractors for carriage of PDS food grains from two FCI depots to various food godowns in the State. Test

check of records of 11 vehicles, out of 12 vehicles maintained by the Department revealed that against the available 11,730 days (after deducting 30 days per year for repair, leave/absence of driver etc.) the vehicles were engaged for 4,970 days only during the period from 2000-01 to 2004-05. The average engagement of these vehicles ranged from 57 days to 244 days per year. Four out of six newly acquired vehicles remained totally idle during the period from March 2002 to April 2003, while the remaining two trucks were partly utilised. Thus, the Department failed to deploy its vehicles regularly, resulting in avoidable expenditure of Rs. 90.17 lakh as carriage charges to private contractors.

3.1.33 In reply, the Government stated (August 2005) that the Department was making an effort to utilize departmental trucks to the fullest extent possible.

Excess issue/consumption of HSD

3.1.34 As per norms fixed by the Department for consumption of High speed diesel (HSD) for departmental vehicles viz. Trucks / DCM Toyota / Mahindra Utility Jeep is 2.50 km, 3.00 km and 8.00 km per litre respectively.

3.1.35 Scrutiny of records of 10 departmental vehicles revealed that during the period from 2000-01 to 2004-05, a total distance of 1,63,548 km was covered by consuming 1,52,489 ltrs. of HSD against the required quantity of 1,27,106 ltrs. resulting in excess consumption of 25,383 ltrs. of HSD the cost of which worked out to Rs. 7.01 lakh.

3.1.36 In reply, the Government stated (August 2005) that norms were fixed with a view to augmenting productivity. Consumption was, however, higher at times owing to various unavoidable factors such as difficult terrain, old age of vehicle, etc. The reply was not tenable as out of 10 vehicles, six vehicles were new (two to three years old), and norms were fixed by the Department after taking into consideration all the above factors.

Non-reimbursement of Hill transport subsidy

3.1.37 According to Government of India, Ministry of Food and Civil Supplies (Department of Food), New Delhi letter (October 1990) transportation charges for carriage of food grains from the godowns of the FCI to Principal Distribution Centers would be borne/reimbursed by the FCI on the basis of claim preferred by the Department.

3.1.38 Scrutiny of records revealed that Hill Transport Subsidy amounting to Rs. 3.91 crore towards carriage of food grains by the Department for the period from 1991-92 to 2004-05 (till April 2004) was outstanding with the Food Corporation of India. The Department did not initiate suitable measures to sort out the issue and realise the subsidy.

3.1.39 While accepting the facts, the Government stated (August 2005) that issue of reimbursement from Food Corporation of India was being vigorously pursued by the Department.

Higher rates for levy sugar

3.1.40 Government of India instructed (May 2001 and June 2002) the State Government to supply sugar at the uniform retail issue price fixed by Government of India from time to time and claim the differential cost, if any, from Food Corporation of India. The Department issued 11,871.43 MT of levy sugar to the consumers during the period 2000-01 to 2004-05 at the rate of Rs. 14/kg w.e.f. March 2001 and Rs.14.25/kg w.e.f. March 2002. As the corresponding retail issue price fixed by Government of India was Rs.13.25/kg (1st March 2001) and Rs. 13.50/kg (1st March 2002) respectively (effective from next month i.e. April) the Department failed to adopt the price and claim the differential cost from Food Corporation of India despite being reminded by Food Corporation of India in May 2003. The issue of sugar at a higher rate overburdened the consumers to the extent of Rs. 89.03 lakh as shown below:

Table -3.5*(Quantity in MT & Rupees in lakh)*

Period	Quantity lifted	RIP fixed by GOI	Issue price/ MT	Higher rate /MT	Excess amount realized
2000-01	2,980.00	13,000	13,750	750	22.35
2001-02	3,121.50	13,250	14,000	750	23.41
2002-03	2,549.27	13,500	14,250	750	19.12
2003-04	1,932.00	13,500	14,250	750	14.49
2004-05	1,288.66	13,500	14,250	750	9.66
Total	11,871.43				89.03

3.1.41 In reply, the Government intimated (August 2005) that raising of claim to FCI would be initiated by the Department.

Unauthorised expenditure from the Revolving Fund

3.1.42 In order to facilitate procurement and distribution of food grains to the consumers in time without facing any financial difficulties, the Department operated the Revolving Fund since 1975-76.

3.1.43 The Department opened Bank Accounts in three Banks viz. State Bank of Sikkim (SBS), Central Bank of India (CBI) and Sikkim State Co-operative Bank (SISCO) for easy operation on procurement and distribution of rice and sugar. All transactions relating to payments made to Food Corporation of India for procurement of rice and sugar and receipt of sale proceeds in food godowns were accommodated in these accounts. Though the procurement of food grains was made at Central Issue Price, the sale proceeds were realised and deposited into the banks at the prescribed selling rate. Thus, the expenditure incurred on various items like subsidised sale, transportation, loading, unloading, godown shortage etc. which was not absorbed in the selling price should have been recouped by debiting the expenditure to appropriate service head of account. Audit noticed that the Department unauthorisedly utilised the Revolving Fund for incurring expenditure on payment of salaries to regular employees, muster rolls/work charged payment, miscellaneous office expenses, repairs of vehicles, purchase of vehicle, purchase of HSD / petrol, etc., amounting to Rs. 1.61 crore during 2000-01 to 2004-05 over and above the budget provision.

3.2.2 The work relating to rural connectivity was carried out through Prime Minister Gram Sadak Yojana (PMGSY). PMGSY was introduced (December 2000) by the Government of India for providing connectivity, by way of an all-weather road, to all unconnected habitations in the rural areas in such a way that habitations with a population of 500 persons and above are covered in three years i.e. 2000-03 and that of 250 persons and above by the end of Tenth Plan period i.e. 2007. Secretary to the Government, Rural Management & Development Department (RMDD) is responsible for implementation of PMGSY who is assisted by Additional Chief Engineer (1), Superintending Engineers (4), Divisional Engineers (7), Assistant Engineers (16) and other staff who looked after village roads in addition to the other works of rural development.

Scope of audit

3.2.3 The audit of 'Development of District and Rural Roads' for the period from 2000-01 to 2004-05 covering 1,926 km (376 roads) was conducted during December 2004 to March 2005 through test check of records in the head office of Roads & Bridges Department (R&BD) and Rural Management & Development Department (RMDD), South-West circle offices at Jorethang, divisional offices of Namchi and Gyalshing of both R&BD and RMDD with emphasis on West and South districts as sample districts. 30 per cent of total expenditure of Rs. 313.47 crore i.e. Rs.93.19** crore was test checked in audit.

Audit objectives

3.2.4 The main objective of this performance audit was to evaluate the effectiveness in construction of roads, periodic improvement, upkeep and maintenance of existing roads and its overall effectiveness in providing uninterrupted communication of road network to the people. Important audit objectives were to assess and ascertain the:

- Soundness of financial management and adequacy of financial control.
- Effectiveness of programme management.
- Soundness of assets management.
- Effectiveness of material management.
- Proper manpower management.
- Soundness and effectiveness of planning, monitoring and evaluation.

Audit Criteria

3.2.5 Following criteria were used to arrive at the observations reflected in the report:

- Physical and financial targets.
- Planning process.
- Tendering procedure.
- Analysis of Rates and Schedule of Rates.
- Utilisation of assets created.
- Maintenance of assets registers.
- Inventory management system.

(MDR and ODR = Rs. 38.78 crore; PMGSY = Rs. 27.88 crore; Administrative expenditure = Rs. 26.53 crore) = Rs.93.19 crore.

- Manpower utilisation.
- Output quality.
- Monitoring and evaluation.

Audit methodology

3.2.6 The audit process began with the audit engagement letter (August 2004) to the Departments, followed by the entry conference (September 2004). While the Rural Management & Development Department (RMDD) was represented by the Secretary, Roads & Bridges Department (R&BD) was represented by the Chief Engineer along with other officers in entry conference.

3.2.7 Audit was carried out based on analysis of procedures existing with R&BD and RMDD for implementation of various schemes and programmes of construction and maintenance of roads. The data provided by these departments were analysed from the point of economy, efficiency and effectiveness with case studies of selected works implemented in West and South districts. Audit scrutiny was also supplemented by discussion between senior level officers of the Department and the Accountant General. At the end of the audit, exit conference was held (March 2005) and all observations were discussed with the respective Secretaries to the Government in R&BD and RMDD. The audit observations in the report were finalized after taking into consideration the points put forth in the exit conference.

Audit findings

Financial Management and control

3.2.8 Funds for construction of roads are obtained from various funding agencies viz., Non-lapsable central pool of resources, Centrally sponsored schemes, etc. besides State Plan funds. While the rural connectivity related works were executed through the funds obtained from Prime Minister Gram Sadak Yojana (PMGSY), other roads such as state highways, major district roads, other district roads, etc were constructed and maintained through budget grants routed through the State Finance Department.

3.2.9 The budget provision, actual resources released and expenditure incurred on Development of District and other Roads during the period from 2000-01 to 2004-05 were as under:

Table- 3.6

(Rupees in crore)

Year	Grant			Actual Release	Actual Expenditure	Savings
	Original	Supply.	Final Grant			
(1)	(2)	(3)	(4)	(5)	(6)	(4 - 6)=7
2000-01	67.04	33.85	100.89	54.25	53.07	47.82 (47)
2001-02	66.42	14.67	81.09	63.61	61.94	19.15 (24)
2002-03	68.62	4.24	72.86	59.01	58.07	14.79 (20)
2003-04	66.11	6.44	72.55	54.05	54.06	18.49 (25)
2004-05	84.52	16.49	101.01	85.11	86.33	14.68 (15)
Total	352.71	75.69	428.40	316.03	313.47	114.93 (27)

3.2.10 The comparison of year-wise final budget grant with the corresponding expenditure in **Table-3.6** indicated deficiency in budget management and

spending leading to large savings ranging from 15 to 47 per cent during the years 2000-2005.

3.2.11 Roads & Bridges Department (R&BD) stated (July 2005) that savings primarily occurred due to delayed execution of works which arose due to delay in sanction of works and finalisation of tender, natural calamities, non-release/delay in release of approved funds, non-finalisation of projects, etc.

3.2.12 Audit noticed that though the provision of funds for each year was almost according to the projected annual plan the actual release of funds was not commensurate with the requirements of funds for the various works executed by R&BD. This resulted in accumulation of liabilities of Rs.69 crore as of March 2005 towards unpaid bills of contractors and suppliers. The pending liability increased from 19 per cent in 2000-01 to 68 per cent in 2004-05 against the final grant as shown below:

Table- 3.7

(Rupees in crore)

Year	Final grant	Pending liability	Per cent w.r.t final grant
2000-01	100.89	19.03	19
2001-02	81.09	23.55	29
2002-03	72.85	75.53	104
2003-04	72.55	86.57	119
2004-05	101.01	69.00	68

Source: Information furnished by Department.

3.2.13 Incurring of liability, notwithstanding the savings of Rs.114.93 crore, indicated poor budgetary control and defective programme management.

3.2.14 Details of funds received^{††} under Prime Minister Gram Sadak Yojana (PMGSY) and expenditure thereof was as follows:

Table-3.8

(Rupees in crore)

Year	O.B.	Receipt	Interest accrued	Total	Expenditure	C.B.
2000-01	Nil	13.16	Nil	13.16	13.16 (100)	Nil
2001-02	Nil	20.00	Nil	20.00	7.91 (40)	12.09 (60)
2002-03	12.09	0.09	0.20	12.38	7.76 (63)	4.62 (37)
2003-04	4.62	38.06	0.45	43.13	7.16 (17)	35.97 (83)
2004-05	35.97	0.09	0.25	36.31	12.09 (34)	24.22 (66)
Total	52.68	71.40	0.90	124.98	48.08	76.90

(OB=Opening balance, CB=Closing balance)

Source: Figures furnished by Department

Figures in bracket represent percentage.

3.2.15 Expenditure ranged between 17 to 100 per cent of the available funds during the year 2000-01 to 2004-05 primarily due to delay in execution of works. No reply was furnished by the Rural Management & Development Department. It was noticed that although no physical target for new connectivity was fixed for the year 2000-01 the spill over liability of Rs. 13.16 crore for up-gradation works taken up by State Government under Basic Minimum Services programme were paid from PMGSY fund without obtaining any specific approval from Government of India.

^{††} kept in a separate bank account

Physical target and achievement

3.2.16 Roads & Bridges Department was maintaining three types of roads *i.e.*, state highways (SH), major district roads (MDR) and other district roads (ODR). The total road length in the State was 1,876 km as on April 2000 which increased to 1,926 km. as at March 2005. Out of the total road length of 1,926 km, 1,028 km. were permanent all weather road comprising SH (186 km.), MDR (493 km.) and ODR (349 km) and 898 km. of fair weather road under ODR. While the state highways remained constant at 186 km as no constructions were taken up, major district roads was enhanced from 442 km to 493 km and other district roads from 1,148 km to 1,247 km. Consolidated position of total road length in the State for the period from 2000-01 to 2004-05 is shown in *Appendix – XV*.

3.2.17 The position of target and achievement in West and South districts test checked in audit was as follows:

Table –3.9
Target (T) and achievement (A)

(In km)

Year	West				South			
	MDR		ODR		MDR		ODR	
	T	A	T	A	T	A	T	A
2000-01	Nil	Nil	Nil	5(1)	Nil	Nil	20 (4)	25 (5)
2001-02	29 (1)	8 (1)*	9 (1)	9 (1)	Nil	Nil	7 (3)	7 (3)
2002-03	21 (1)	12 (1)*	7 (3)	Nil	Nil	Nil	6 (1)	4 (1)*
2003-04	9 (1)	4 (1)*	9 (2)	Nil	Nil	Nil	4 (2)	1 (1)*
2004-05	5 (1)	5 (1)	9 (2)	4 (1)	Nil	Nil	3 (1)	3 (1)
Total	64 (4)	29 (1)	34 (8)	18 (3)	Nil	Nil	40 (11)	40 (11)

* Partly completed.

Figures in brackets represent number of roads.

Source: Departmental figures.

3.2.18 In South district, overall achievement for ODR was 100 *per cent* as the target of 40 km involving nine roads was fully achieved. However, year-wise achievement ranged between 25 and 125 *per cent* during 2000-05. In West district, against the target of 98 km (12 roads) fixed for MDR (64 km and 4 roads) and ODR (34 km and 8 roads) the achievement was 47 km (4 roads) under MDR (29 km and 1 road) and ODR (18 km and 3 roads). The achievement of target was 48 *per cent* in overall terms indicating a shortfall of 52 *per cent*.

3.2.19 While accepting the fact the Department stated (August 2005) that the achievement was less due to cost escalation of cement, bitumen, etc required for construction of roads and less release of funds for expenditure notwithstanding the adequate budget allocation during each year.

3.2.20 Against the target of 510.74 km of roads under the Prime Minister Gram Sadak Yojana the Department constructed 227.69 km of roads, indicating a shortfall of 55 *per cent*. The details are given in *Appendix XVI*.

3.2.21 Target and achievement in respect of PMGSY in test checked districts *i.e.* West and South districts were as follows:

Table –3.10
Target (T) and achievement (A)

(in km)

Year	West				South			
	New construction		Upgradation		New construction		Upgradation	
	T	A	T	A	T	A	T	A
2000-01	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2001-02	16.63 (7)	Nil	84.23 (5)	Nil	17.11 (5)	Nil	76.06 (5)	Nil
2002-03	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2003-04	36.45 (9)	Nil	Nil	Nil	43.18 (8)	Nil	Nil	Nil
2004-05	38.96 (9)	4 (2)	Nil	78.23 (4)	46.55 (12)	11.11 (3)	Nil	76.06 (5)
Total	92.04 (25)	4 (2)	84.23 (5)	78.23 (4)	106.84 (25)	11.11 (3)	76.06 (5)	76.06 (5)

Figures in brackets represent number of roads.

Source: Departmental figures.

3.2.22 It would be seen from above that in West district, against the target of 92.04 km and 84.23 km under new construction and upgradation respectively, achievement was four km and 78.23 km indicating shortfall of 96 and 7 per cent respectively. Similarly, in South district, achievement was 11.11 km and 76.06 km under new construction and upgradation respectively against the target of 106.84 and 76.06 km respectively indicating a shortfall of 90 per cent in new construction.

Programme implementation and execution of works

3.2.23 Of the 150 km (25 roads) constructed, 72 km of new construction under major district roads (29 km) and other district roads (43 km) consisting of 15 roads (MDR 1 & ODR 14) pertaining to West and South districts was selected for test check in audit involving Rs. 38.78 crore. Similarly, under Prime Minister Gram Sadak Yojana 359 km (60 roads) for new construction (199 km – 50 roads) and up-gradations (160 km – 10 roads) involving Rs. 27.88 crore pertaining to West and South district was test checked in audit.

The audit findings on the execution of works were as under:

Disproportionate allocation for up-gradation works

3.2.24 PMGSY guidelines stipulated that a maximum of 20 per cent of the available funds could be allocated towards up-gradation of the existing roads in those districts where all the habitations of the designated population size had been provided all-weather road connectivity.

3.2.25 Audit observed that the State Government incurred expenditure in the ratio of 3:5 to 7:10 for new connectivity and up-gradations respectively during the last five years, resulting in 50 per cent shortfall in new connectivity and 42 per cent higher provision for up-gradation corresponding to Rs.15.73 crore.

3.2.26 Notwithstanding the fact that all the habitations in these districts with designated population were not provided with all-weather road connectivity, the Department allocated Rs.23.23 crore between 2000-01 and 2004-05 towards up-gradation of existing roads, which was irregular.

3.2.27 No reply was furnished by the Government.

Unauthorised expenditure

3.2.28 According to PMGSY guidelines the primary focus of the programme was to construct new other district roads (ODR) and village roads (VR) only. The Department, however, in disregard of the stipulation spent Rs.12.76 crore (2001-02) on different state highways (3) and major district roads (4) unauthorisedly.

3.2.29 In reply, the Roads & Bridges Department (R&BD) stated (July 2005) that even though the PMGSY guidelines stipulated taking up of ODR and Village roads only, construction of roads were taken up on actual need basis. The reply was not tenable as PMGSY guidelines emphasised taking up of ODR and VR only. Rural Management and Development Department (RMDD) did not furnish any further reply.

3.2.30 In spite of reiteration in the PMGSY guidelines that habitations with a population of 250 and above should be taken for the purpose of arriving at unconnected habitations, the RMDD included 92 habitations having population of less than 250.

3.2.31 Similarly, in case of three habitations which were already having existing all weather roads within 1.5 km. of path distance, the Department incurred Rs.1.12 crore for providing new roads upto March 2005. No reply was furnished by the Government.

3.2.32 Indian Road Congress (IRC) norms permit 2 *per cent* extra provision towards bends and curves in road works. Based on the decision taken in the meeting of the State Technical Agency (November 2001) extra provision up to 3 *per cent* was allowed for bends and curves in Sikkim.

3.2.33 However, in case of one road work of PMGSY carried out during the period 2002-03 the Department included a provision of 10 *per cent* towards bends and curves resulting in enhancement of estimate to the tune of Rs.30 lakh. Further, in two works, though the estimate appropriately included 3 *per cent* towards bends and curves, contractors were paid additional 3 *per cent* on account of bends and curves, over and above the actual measurement resulting in excess payments to the contractors. Extra allowance on bends and curves was not payable as the payments were released based on the physical measurement of actual execution of works which invariably included bends and curves also.

Delay in completion of works

3.2.34 Time is of the essence of programme management. Audit observed that the various works relating to 'Development of District and Rural Roads' were inordinately delayed due to delay in obtaining clearance from Forest Department, change in scope of works and non-availability of stock materials. In 100 major ongoing works^{##} taken up during 2000-2005, there was time over run ranging from eight months to 84 months as of March 2005 while cost overrun was Rs.42.39 lakh in five works alone.

3.2.35 In reply, the R&BD stated (July 2005) that predominant monsoon seasons and landslides led to delayed completion of works. Cost overrun was due to increased cost of construction materials such as bitumen, cement and steel. The

^{##} Major works valuing Rs.6.00 lakh and above.

reply is not acceptable as the Department should have taken these factors into consideration while fixing stipulated date of completion for each work. Further, cost overrun as reckoned in audit was the difference between the value of works as awarded to the contractors on tender rate basis and the final cost paid to the contractors.

3.2.36 In respect of PMGSY works there was delay in execution of works ranging between 18 to 24 months. In spite of stipulation in the PMGSY Guidelines to levy penalty @ 5 per cent for such delayed completion of works, the RMDD did not levy penalty aggregating Rs.71.45^{§§} lakh. No reply was furnished by RMDD for the delay in completion and non levy of penalty for such delay.

Excess expenditure due to incorrect rate analysis

3.2.37 According to the norms prescribed by the Ministry of Surface Transport (MOST), the requirement of bitumen for 20 mm. Premix Carpeting Work in high rainfall areas was 29.40 kg/10 sq metres. Against this requirement, the Rate Analysis based on which Schedule of rates (SOR) was prepared by Sikkim Public Works Department (SPWD) provided bitumen @ 35.42 kg/10 sq. metres. This excess provision of bitumen in Analysis of rates (AOR) and SOR was pointed out in Audit Report vide para 4.13 of 1999-2000 on which the Public Accounts Committee (March 2003) directed the Department to reduce the consumption of bitumen. No reduction in consumption of bitumen was attempted by the Department as of March 2005. This resulted in avoidable extra expenditure of Rs. 13.21 lakh on account of excess consumption of 301 MT of bitumen towards execution of 6,69,512.55 sq.m. of Premix carpeting work involving 36 roads between August 2000 and March 2005.

3.2.38 Similarly, as against the MOST norms of 4.5 qtl of firewood/ MT of bitumen for premix carpeting in hilly areas, the Department prescribed 41.87 qtl./MT of bitumen in the rate analysis based on which SOR 2001 was prepared. This excess provision of firewood by 37.37 qtl./MT of bitumen involved an avoidable excess expenditure of Rs. 1.02 crore and undue benefit to the contractors towards consumption of firewood of 89,163.26 qtl. (Rs.113.40/qntl.) in 36 works.

Undue benefit to the contractor

3.2.39 The State Government approved (October 2000) the construction of 'Rimbi-Yuksom road first to 22nd km stretch' in West district at an estimated cost of Rs.2.19 crore (based on SOR 1997). The work was put (December 2000) to tender and the offer of 45 per cent above the estimated cost was found to be lowest. The lowest bidder, after negotiation with the Department, brought down the rate to 37 per cent above (November 2001) and subsequently to 35 per cent above (June 2003) and requested for issue of work order. However, instead of awarding the work to the lowest bidder the Department delayed the award of work and revised (August 2003) the estimate to Rs.5.01 crore according to the SOR 2001.

3.2.40 Audit observed that the Department failed to take a firm decision to accept the lowest offer at 35 per cent above estimate according to the SOR 1997 which

^{§§} Rs.14.29 crore x 5 per cent = Rs.71.45 lakh.

appeared reasonable according to the prevailing trend of contracts but awarded the work (February 2004) to the same contractor at the revised estimated cost of Rs.4.76 crore according to the SOR 2001 without inviting fresh tenders. The Department's decision was without any basis and led to additional expenditure of Rs.1.80 crore^{***} and undue benefit to the contractor besides delay of more than three years in taking up the work.

3.2.41 In reply, the Department stated (July 2005) that no undue benefit was given to the contractor as the scope of work was also revised alongwith the revision of rates to include all additional items which were left out earlier. The reply was not tenable as even after taking into consideration the revised scope of works with all additional items, the cost of work worked out to Rs.3.87 crore at the quoted rates in June 2003. Thus, even after considering the revised scope of works there was extra expenditure of Rs.0.89 crore which could have been avoided.

Excess payment to contractors

3.2.42 Estimates for the works involving hard rock cutting and other metal based items provided for using one third of the quantity of stone obtained from the hard rock cutting.

3.2.43 Audit observed that though 2,64,903 cubic metre (R&B - 1,19,156 + RMD - 1,45,747) of hard rock cutting was executed the cost of one third of the quantity i.e. 88,301 cubic metre available at sites and used on the other items of works was not deducted while making payment to the contractors. This resulted in excess payment of Rs.1.18 crore^{†††} to the contractors. This was borne out by the fact that the carriage charges paid to the contractors were reduced to the extent of availability of stones at sites but the cost of stones as such was not deducted.

Assets management and control

Irregular payment of land compensation

3.2.44 The Indian Land Acquisition Act 1894 (1 of 1894) was extended^{†††} (April 1997) and enforced^{§§§} in Sikkim w.e.f August 1997. To give effect to the Act, Land Acquisition Rules (Acquisition of land for public purpose) were framed and made applicable^{****} to the State of Sikkim w.e.f January 1978. According to the rules, the landowners should submit original Parcha/Khatian^{††††}/Sale deed duly signed by the Attestation Officer and registration and mutation of land should be carried out before releasing payment of compensation in all cases of acquisitions by the Government Departments.

3.2.45 Audit observed that R&BD paid compensation of Rs.1.72 crore between August 1998 and October 2001 towards purchase of 73.1645 hectare of land from general public without obtaining sale deed and mutation in favour of Government. In the absence of the same the interest of Government was not safeguarded.

*** 4,75,95,754 - 2,96,06,951 {2,19,31,075 + 35% above tender rat } = Rs.1.80 crore.

††† 88,301 cum x Rs.134/ cum = Rs.1.18 crore.

††† Vide Government of India Notification No.F-11013/9/77-SKM, dated 23 April 1997

§§§ Vide State Government Notification No.12018/12/76-LRD, dated, 08 September 1977.

**** Vide notification No.1036/LR(s), dated 12 January 1978.

†††† Deeds/papers of land and building (immovable properties).

3.2.46 In reply, R&BD stated (July 2005) that the action would be initiated to register all properties through Land Revenue Department who has since been assigned with the responsibility of registration of properties in favour of Government.

Idling of soil testing lab

3.2.47 R&BD established (January 2004) a soil testing laboratory by incurring an expenditure of Rs.21 lakh with the objectives of providing soil testing and other related works. However, till the date of audit (April 2005), the laboratory was not put to use primarily due to non-availability of electric connection. Failure of the Department to utilise the laboratory not only led to idling of assets worth Rs.21 lakh but also forced the Departments and contractors to obtain soil testing reports from Jalpaiguri Engineering College, located at a distance of 130 Km. from Gangtok, on payment of charges from Rs.16,000 to 20,000 towards soil testing. Had the laboratory been made operational, the Department could have earned the equivalent revenue besides obviating the inconvenience.

3.2.48 While accepting the fact, the R&BD informed (July 2005) that the commissioning of soil testing lab was delayed due to in-transit damage of film oven.

Inventory Management and control

Unnecessary purchase of Geo-grid polymesh

3.2.49 According to Sikkim Public Works code, purchases should be made in accordance with the assessed requirements for works in progress and work sanctioned. The Divisional Engineers who are in-charge of execution of works should submit the anticipated requirements of their works to Chief Engineer periodically who is authorised to purchase upto the sanction limit.

3.2.50 Audit observed that inspite of having adequate stock of Geo-Grid Poly Mesh R&BD purchased (November 1996) 77 bundles of poly mesh for Rs.21.45 lakh for the protection of slope area of Syari, Tadong and the Palace ridge road of which 62 bundles costing Rs.17.27 lakh could not be used and was lying idle in the store since November 1996. Purchase of stores in excess of actual requirements without adequate planning and non-utilisation elsewhere also was irregular.

Non-recovery of cost of cement from contractors

3.2.51 According to the Sikkim Public Works Code, cost of stock materials issued from stores to contractors for executing works should be recovered from the contractors. The R&BD did not recover Rs.35.11 lakh^{***} from the contractors towards the cost of 19,223 bags of cement issued for execution of 76 works between 2001-02 and 2002-03 although the works were already completed.

Manpower management

Excess expenditure on labourers

3.2.52 The R&BD has 1,926 km. of roads under all categories as on 31 March 2005. The Department has not prescribed any norms for deployment/ engagement

^{***} Rs.173.95 x 19,223 bags + 5 per cent storage = Rs.35.11 lakh.

of Muster Roll (MR) labourers and Supervisors. In the absence of specific norms, the Department engaged MR labourers at the rate of 1-14/km. which was far in excess of the approved norms of 0.3 labour per km by MOST. Similarly, the Department deployed 0.35 supervisors per km. against the MOST norms of 0.04 supervisors per km. On an average, the Department deployed two supervisors for every 3.5 labourers against the MOST norms of 15 labourers, which translated into 227 *per cent* excess deployment of Supervisors. On an average, the Department incurred Rs.7.46^{§§§§} crore per annum on excess deployment of MR and Supervisors despite the Memorandum of Understanding signed by the State Government with the Government of India in April 1999 and 2003 to retrench the excess staff.

3.2.53 While accepting the observation, R&BD stated (July 2005) that the Department would try to retrench the excess staff.

Monitoring and Evaluation

3.2.54 Above deficiencies in the Development of District and Rural Roads were mainly due to improper planning, lack of effective supervision and evaluation. Audit scrutiny revealed that the departments did not have:

- A long term road development policy.
- A master ledger of roads containing the name of each road, length status of road, whether Water bound macadam or Black topped surfaced road, expenditure incurred, etc. and periodicity of maintenance, expansion etc. In the absence of the same, audit could not vouchsafe whether all the roads were maintained and repaired periodically.
- Suitable registers indicating supervision undertaken by DE, SE and CE and compliance of the recommendations/ observations made by them.

3.2.55 In reply, R&BD stated (July 2005) that the Department will initiate necessary action to obviate the same.

Conclusion

3.2.56 *Audit of development of district and rural roads disclosed deficient budgetary and financial management leading to large savings, and alarming rise of pending liabilities. Programme management was characterised by shortfall in achievement in targets, time and cost overrun in execution of works, excess expenditure due to incorporation of higher quantities of bitumen and firewood in rate analysis, and undue benefit to the contractors. Implementation of works relating to Prime Minister Gram Sadak Yojana revealed failure to meet targets, disproportionate allocation for upgradation works, unauthorised expenditure on state highways and major district roads, excess allowances for bends and curves etc. Material management was characterised by unnecessary purchase of materials, non-recovery of cost of cement from contractors, etc.*

^{§§§§} $(1822 \times \text{Rs.}80 \times 365 \text{ days}) + (698 \times \text{Rs.}84 \times 365 \text{ days}) = \text{Rs.}7.46 \text{ crore.}$

Recommendations

3.2.57 Following recommendations are made:

- Works should be taken up only after ensuring sufficient budgetary support to avoid accumulation of pending liability.
- Programme management should be further strengthened to expedite completion of works within stipulated time and cost.
- Analysis of Rates and Schedule of Rates should be prepared every two years duly following Ministry of Surface Transport specifications and also considering specific ground conditions of the State.
- The portfolio of assets should be maintained for all assets of the Department duly mutated and registered in the name of the Department.
- A Road Development Policy for the State with a perspective of 25 years should be formulated after due deliberations with line departments.
- Deployment of road gang as per the Ministry of Surface Transport (MOST) norm or according to the norms fixed by the Department may be done to reduce expenditure on maintenance.

Acknowledgement

3.2.58 Audit would like to acknowledge the support and assistance received from both R&BD and RMDD. Special mention is due to the Secretary, RMDD, Secretary, R&BD and Chief Engineer of R&BD.

Glossary of terms

SFR	:	Sikkim Financial Rules, 1979
SPW CODE	:	Sikkim Public Works Code
MOST	:	Ministry of Surface Transport
IRC	:	Indian Road Congress
CBR	:	California Binding Ratio
SH	:	State Highways,
MDR	:	Major District Roads,
ODR	:	Other District Roads,
RMDD	:	Rural Management & Development Department,
R&BD	:	Roads & Bridges Department,
BT	:	Black Topped,
PMGSY	:	Prime Minister Gram Sadak Yojana

References or bibliography

1. MOST specification
2. CPWD Specification
3. AOR and SOR of the department
4. Government of India guidelines on PMGSY
5. PMGSY works Manual
6. SPW code and Manual

CHAPTER-IV

AUDIT OF TRANSACTIONS

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CHAPTER IV**AUDIT OF TRANSACTIONS****4.1 Excess/extra expenditure****ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT****4.1.1 Excess expenditure on procurement of animal feed**

Failure of the Department to procure feed at cheaper rate resulted in excess expenditure of Rs.10.72 lakh.

The Animal Husbandry, Livestock, Fisheries & Veterinary Services Department used to meet its requirement of feed from Siliguri based manufacturers, *e.g.* West Bengal Dairy and Poultry Co-operation and Himalayan Co-operative Milk Producers' Union Ltd. (HIMUL) till 1995-96. Thereafter, since 1996-97, on consideration of the fact that the rates offered by the Sikkim State Co-operative Supply and Marketing Federation Ltd. (SIMFED) were almost comparable, requirement of feed was being met through SIMFED. Audit scrutiny revealed (August 2004) that the rates charged by SIMFED over the period of time were progressively increasing. Further, the Sikkim Milk Union (SMU) under the Government was meeting its feed requirement from HIMUL, Siliguri at a more economical rate.

Cross check of rates offered by HIMUL, a Government of West Bengal Undertaking engaged in the manufacture of cattle feed revealed (August 2004) that the rates offered by HIMUL were less by Rs.0.91/kg to Rs.4.57/kg. As per Department's own perceptions, the quality of feed supplied by HIMUL was superior compared to the feed supplied by SIMFED. Besides, the supply of feed by SIMFED was erratic and practically starving the animals in the departmental farms.

In spite of the inferior quality of feed, erratic supply and, above all, higher rates than that of HIMUL, the Department continued to procure feed from SIMFED and ended up incurring an extra expenditure of Rs. 10.72 lakh on purchase of 310.73 MT of feed at a total cost of Rs.27.66 lakh during 2002-03 to 2004-05 (August 2004).

Thus, the Department by continuing to procure feed from SIMFED at a higher rate without cross-checking the reasonableness of rates, incurred excess

expenditure of Rs. 10.72 lakh on procurement of feed and also failed to ensure uninterrupted supply of quality feed to the animals.

In reply, the Department stated (August 2005) that the work of procurement of animal feed was entrusted to SIMFED in view of Government directive (December 2002) and further added that the matter would be taken up with the Government to allow them to procure feed directly from the manufacturer. The reply is factually incorrect as the Department entrusted the work of procurement of feed to SIMFED from 1996-97 much before the Government order (December 2002) because at that time the rates were almost comparable.

COMMERCE AND INDUSTRIES DEPARTMENT

4.1.2 Excess expenditure on purchase of yarn

Purchase of woollen and cotton yarn for Swarojgari Udyog Yojana at higher rate and in excess of requirement of cotton yarn led to excess expenditure of Rs. 42.08 lakh.

Government of Sikkim launched (2002-03) 'Swarojgari Udyog Yojana' through Department of Commerce and Industries with the objective of providing support to the unemployed artisans trained in various skills to set up self-employment ventures. The scheme envisaged an incentive package amounting to Rs. 25,000 per beneficiary comprising cash component of Rs. 5,000 and equipments and raw materials worth Rs. 20,000.

Carpet weaving was one of the trades under the scheme for which the Department procured 6,365 kg. (3,440 + 2,925) each of woollen and cotton yarn from SIMFED during 2002-03 and 2003-04 at the rate of Rs. 788.10/kg and Rs. 663.78/kg for woollen and Rs. 299.70/kg and Rs. 255.30/kg for cotton. This amounted to Rs. 46.53¹ lakh and Rs. 17.78² lakh for woollen and cotton yarn respectively. The rates were inclusive of 3 per cent commission to SIMFED and 8 per cent Sales Tax.

Test check of records (April 2004) at the Directorate of Handloom and Handicraft (DHH), under the administrative control of the Department and engaged in commercial production of renowned quality carpets, revealed that the DHH had purchased woollen and cotton yarn during 2002-03 and 2003-04 from Tibetan Woollen Yarn Centre (TWYC), Panipat and a local firm, at rates lower than SIMFED's by Rs. 145.30/kg. to Rs.189.70/kg. for cotton and Rs. 413.78/kg. to Rs. 558.10/kg. for woollen yarn. This resulted in excess expenditure of Rs. 42.08 lakh by the Department as detailed below:

¹ (Rs.27.11 + Rs.19.42) = Rs. 46.53 lakh

² (Rs.10.31 + Rs.7.47) = Rs. 17.78 lakh

Table -4.1

Year	Item	Quantity (in Kg)	Value (in Rupees)	Rate (in Rupees)		Difference (Rs/Kg)	Amount (In Rs.)
				Paid	Available with TWYC/Local firm		
2002-03	Woollen yarn	3,440	27,11,064	788.10	230.00	558.10	19,19,864
	Cotton yarn	3,440	10,30,968	299.70	110.00	189.70	6,52,568
2003-04	Woollen yarn	2,925	19,41,556	663.78	250.00	413.78	12,10,307
	Cotton yarn	2,925	7,46,753	255.30	110.00	145.30	4,25,003
Total							42,07,742

Further, it was also noticed that though the average requirement ratio of cotton yarn to woollen yarn for carpet weaving was 2:6.5, the Department procured 6,365 kg. of cotton yarn during 2002-03 and 2003-04, as against the requirement of 1,958 kg, resulting in extra procurement of 4,407 kg. of cotton yarn, amounting to Rs. 12.31 lakh³. Had the Department procured the appropriate quantity of cotton yarn, extra expenditure of Rs.12.31 lakh could have been fruitfully utilised for supply of other essential items or in covering an additional 49 beneficiaries.

While the Department did not furnish any explanation for procurement of cotton yarn in excess of requirement it stated (April 2005) that yarn procured by DHH was of ordinary quality as those were meant for the trainees and, thus, the rates were not comparable. Reply of the Department was not acceptable as the difference in rates as calculated in audit was taken for the superior quality *i.e.* 60's counts 100 per cent New Zealand wool and 6/6 ply of cotton yarn which were similar to the quality procured by the Department for distribution to the beneficiaries under Swarojgari Udyog Yojana.

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

4.1.3 Excess expenditure due to defective preparation of estimate

Casual approach in framing estimates for "Creation of Model Village in Sikkim" resulted in excess expenditure of Rs. 2.29 crore, on account of wrong calculation and excess assessment of requirement of wood, payment of higher rate, etc.

The Government approved (June 2002) a scheme for construction of 950 houses in 30 assembly constituencies at Rs. 3 lakh per house under the "Model Village Programme - Rural Housing Scheme". The Department arrived at the estimate of Rs. 3 lakh per house on the basis of analysis of rates prepared by the departmental engineers adopting the schedule of rates for 1997. The works were awarded (November 2002) to the contractors nominated by the respective area MLAs on

³ 2002-03: Procured 3,440 kg. (-) Requirement 1,058 kg. $(3,440 / 6.5 \times 2) = \text{Excess } 2,382 \text{ Kg} \times \text{Rs. } 299.70 = \text{Rs } 7,13,885$
 2003-04: Procured 2,925 kg (-) Requirement 900 kg. $(2,925 / 6.5 \times 2) = \text{Excess } 2,025 \text{ Kg} \times \text{Rs } 255.30 = \text{Rs } 5,16,982$
 Total Excess Expenditure Rs. 12,30,867

fixed time and fixed cost principle with the stipulation to complete the work within 12 months. The works, commenced in November 2002, were completed between November 2003 and March 2005.

Scrutiny of estimate revealed (October 2004) following errors in framing the estimate resulting in excess expenditure of Rs.2.29 crore.

- As against the requirement of 27 sft. (3.38 cft) of *salwood* for panel door frames, the Department allowed 31.50 sft. (3.94 cft) resulting in excess quantity of 4.50 sft.(0.56 cft.) per house. Similarly, in the case of raching plate, truss and frame and truss ceiling, the Department allowed 139.50 rft. (11.63 cft) of *salwood* and 14 rft. (0.19 cft) of *lampatey* timber against the actual requirement of 96 rft. (8 cft) and 9 rft. (0.12 cft) resulting in excess of 43.50 rft.(3.63 cft.) and 5 rft (0.07 cft.) respectively. The error in working out the requirements resulted in excess expenditure of Rs. 43.47 lakh at Rs. 4,575.95 per house taking into consideration 5 per cent wastage and cost of labour allowed on this extra quantity.
- The rate of *salwood* was taken as Rs.774/cft. instead of the prevailing market rate (June 2002) of Rs. 640/cft., resulting in excess expenditure of Rs. 16,733⁴ per house aggregating to Rs. 1.59 crore for the scheme. (Rs. 16,733 X 950 houses).
- The requirement of wood for 39 mm. thick panelled doors was worked out by taking the height of the door as 9 ft. for door 1 and 8 ft. for door 2 and 3, which was unusually high, especially in view of the type of house having a plinth height of 10' 8". Taking the height of all doors as 7 ft., which is widely prevailing in the area, the requirement of wood worked out to 94.50 sft⁵ per house as against the estimated quantity of 115.50 sft. This resulted in excess allowance of 21 sft. (2.625 cft.) of *salwood* per house resulting in excess expenditure of Rs. 27.02 lakh. (950 houses X Rs. 2,844.45 per house).

Thus, preparation of the estimates in an unprofessional manner by the Department led to avoidable excess expenditure of Rs. 2.29 crore to Government and undue favour to the contractors.

The matter was referred to the Government (May 2005); reply was not received till October 2005.

⁴ *Salwood* requirement as per estimate (124.87 cft.) X rate difference (Rs. 134/cft.)= Rs.16,733.

⁵ D1:1X3'-0"X 7'-0"=21.00 sft; D2:1X3'-0"X7'-0"=21.00 sft; D3:3X2'-6"X7'-0"=52.50 sft; Total = 94.50 sft

4.2 Loss of Government money**ENERGY AND POWER DEPARTMENT****4.2.1 Loss to the Government**

Hasty decision of the Government to enter into an agreement with a foreign based Non-Government Organisation (NGO) to sell the land and assets of Rathongchu Hydel Project without considering the legality and security aspect ultimately led to loss of Rs. 19.22 lakh.

The Rathongchu Hydel Project (RHP), Yuksom, West Sikkim was taken up (January 1993) by the State Government at an estimated cost of Rs. 71.19 crore. The work commenced during early 1994 after obtaining clearance from the Central Electricity Authority. Considering the stiff resistance from local people on the plea of environmental hazards, destruction of historical, religious and cultural heritage sites and large scale demographic changes, the State Government ordered (September 1997) for closure of the project after incurring Rs. 4.79 crore towards acquisition of land, construction of office-cum-housing complex and other infrastructural works.

Subsequently, based on the proposal submitted (November 2000) by the Principal Secretary, Finance Department, State Government approved (November 2000) the sale of a portion of the abandoned Rathongchu Hydel Project, including land, buildings, out houses etc., to a foreign based Non-Government Organisation (NGO), i.e., 'Humana People to People India' (HPPI) for establishing a school for training of development instructors both from within and outside the country for Rs. 4.60 crore. The amount was payable by HPPI in 40 equal annual instalments of Rs. 11.50 lakh each. Accordingly, the HPPI paid Rs. 11.50 lakh (March 2001) to the State Government as first instalment.

According to the conditions of sale, State Government was to arrange for clearance from the Union Government and the Reserve Bank of India for the sale of property, grant necessary permission for the purchase of property as required under the State laws and render all necessary help and assistance to the HPPI in fulfillment of its objectives. While dealing with the matter, Government of India and the Governor's office questioned (December 2002) the legality of the deal with a foreign based NGO on security issues related to the strategic location of Sikkim. The State Government decided (June 2003) to cancel the agreement for sale of land and property to the HPPI. Consequently, the HPPI claimed a compensation of Rs. 42.50 lakh towards expenditure for loss and damage caused by breach of agreement including the first instalment (Rs. 11.50 lakh). Though the agreement did not contain any provision for payment of compensation for breach of any kind, Rs. 19.22 lakh was paid (February 2004) to HPPI by Power

Department towards compensation besides refund of first instalment of Rs. 11.50 lakh (November 2003).

Thus, the decision of the Government to sell the property to a foreign based NGO without considering the legality and the security aspect of the deal was hasty and injudicious resulting in loss of Rs. 19.22 lakh to the Government.

The matter was reported to the Government (June 2005); no reply was received.

4.3 Irregular Expenditure

POLICE DEPARTMENT

4.3.1 Irregular expenditure

The Department purchased equipment amounting to Rs. 76.64 lakh which were beyond the ambit of guidelines from the Eleventh Finance Commission.

For upgradation of Police Administration for the five years 2001 to 2005, the Eleventh Finance Commission (EFC) provided Rs. 3 crore for various components like Police station building, Mobile Forensic Science Laboratories (FSL), Equipment for FSL, Equipment and weapons for Police force etc.

The EFC, *inter alia*, provided Rs. 1.08 crore for the upgradation of the existing FSL (Rs. 53 lakh) and purchase of equipments (Rs. 55 lakh) for the Police. The following specific items were approved by EFC for procurement under these grants.

Equipment for FSLs

Table-4.2

(Rupees in lakh)

Sl. No.	Items	Cost
1	High performance thin layer chromatography machine	15.00
2	Ultra-violet visible spectro-photometer	5.00
3	Gas-chromatography head space	15.00
4	Atomic absorption spectro-photometer	10.00
5	Portable video-spectral comparator	8.00
	Total	53.00

Equipment for the police

Table-4.3

(Rupees in lakh)

Sl. No.	Items	Cost
1	Explosive detector	11.00
2	Night vision devices	30.00
3	Polygraph machines	4.00
4	Deep search mine/metal detectors	1.00
5	Bomb disposal equipment	9.00
	Total	55.00

Audit scrutiny (June 2004) revealed that the Department purchased (January 2003) one set of ZEN Interactive Firearm Training Simulator for Rs. 48.28 lakh under FSL and certain other equipment for Rs. 28.36 lakh which were not approved by the EFC. The Department deviated from the specific sanction of EFC on the basis of revised action plan approved (March 2003) by the State Level Empowered Committee (SLEC). This resulted in unauthorised utilisation of Rs.76.64 lakh.

In reply, Government stated (July 2005) that the action plan was revised by SLEC with a view to utilise the funds more judiciously on actual need basis which was permissible as per EFC guideline vide para-7.53. The reply was not tenable as the SLEC was empowered to propose action plan and sanction in respect of components for which no specific items and cost were contemplated in the sanction of EFC. Thus, Central grant of Rs. 76.64 lakh was unauthorisedly utilised for purchase of equipment which were beyond the ambit of the guidelines.

4.4 Undue benefits

TOURISM DEPARTMENT AND ENERGY & POWER DEPARTMENT

4.4.1 Undue benefit to contractors on payment of mobilisation advance and loss of interest

In spite of the PAC's recommendation to the contrary and without any provision in the Sikkim Public Works Code, two departments granted mobilisation advances of Rs. 2.31 crore to the contractors which was irregular and led to undue favour to the contractors.

There is no provision in the Sikkim Public Works (SPW) Code or Sikkim Financial Rules (SFR) for payment of mobilisation advance to contractors before or after commencement of work.

Mention was made in Audit Report 1997-98 (para 4.1) and Audit Report 2001-02 (para 4.4) regarding irregular payment of mobilisation advances of Rs.1.32 crore and Rs.2.09 crore to the contractors by the Building & Housing and Energy & Power Departments respectively resulting in loss of interest to the Government. The PAC in its 40th report (2001-02) did not make any recommendation in consideration of the Department's assurance that the mobilisation advances had since been totally stopped. However, while dealing with Audit Report 2001-02 the PAC in its 56th report recommended (March 2004) that the practice should be discouraged completely in future as there were no such provisions in the SPW Code or the SFR for payment of such advances.

Audit observed (October 2004) that the Tourism Department released (March 2004) mobilisation advance of Rs.1.22 crore to the contractor, M/s Damodar Ropeway Construction Company, Kolkata (DRCC) in connection with execution of work 'Installation of Detachable Mono-Cable Passenger Ropeway System between PWD Dakbanglaw and Samdruptse Hill at Namchi', South Sikkim without drawing up any agreements.

In reply to audit query, the Tourism Department stated (January 2005) that the mobilisation advance (Rs.1.22 crore) at the rate of 10 *per cent* of the value of indigenous portion of supply (Rs.12.20 crore) was granted to DRCC on the basis of terms of payment stated in the commercial bid of the contractor which was accepted by the Government. The reply was not tenable in view of PAC direction (March 2004) and absence of any provision in the rules. Further, neither was the mandatory agreement entered into between the State Government and the DRCC nor the work commenced till date (March 2005).

Similarly, Power Department paid (May 2004) mobilisation advances of Rs.1.09 crore to two contractors engaged in the works 'Construction of office building including approach road at Pakyong' and 'Supply, erection, testing and commissioning of 66 KV transmission line from Mamring to Khamdong' based on the terms and conditions drawn with the contractor which, *inter-alia*, provided that: *"25 per cent value of the Work Order will be released as interest free advance against production of equivalent amount of Bank Guarantee from any Nationalised Bank/ Scheduled Bank after signing the contract agreement."*

Action of the Power Department to insert terms and conditions relating to payment of mobilisation advances was irregular and against the categorical direction of the PAC to discourage such practice of granting mobilisation advance.

The payment of mobilisation advances, in disregard of the PAC direction led to undue favour to the contractors besides loss of interest of Rs.7.22 lakh to the Government.

4.5 Wasteful /Infructuous Expenditure**ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT****4.5.1 Wasteful expenditure on deployment of staff**

The Department incurred wasteful expenditure of Rs.24.65 lakh on pay and allowances of 44 employees engaged in three animal farms having no animals. Besides, infrastructure worth Rs. 52 lakh remained idle.

Animal Husbandry, Livestock, Fisheries & Veterinary Services Department (AHLF&VS) maintains a number of farms for rearing of animals, of which the following three farms are under the administrative control of East and South districts. Details of area, infrastructure available, manpower deployed and expenditure on manpower etc. during the last five years by each of the farms are given below:

Table-4.4*(Rupees in lakh)*

Farm/ Area in acres	Purpose of establishment	Manpower deployed		Infrastructure	
		No.	Expd.	Particulars	Cost
Chujachen, East 17.29 acre	Heifer raising farm	14	6.39	Poultry shed, cattle shed, quarter and office building	26.50
Ravangla, South 19 acre	Heifer raising farm	23	12.78	Office building, quarter and bull shed	14.50
Ralang, South 4.5 acre	Piggery raising farm	07	5.48	Office building and piggery shed	11.00
40.79 acres		44	24.65		52.00

Audit noticed (August 2004) that none of the three animal farms had any animals since 1999-2000, but the Department continued to deploy employees in these farms. Thus, due to non utilisation of their services profitably, the expenditure of Rs. 24.65 lakh incurred on their pay and allowances during the last five years proved infructuous. The infrastructure available in these farms (Rs. 52 lakh) also remained unutilised.

In reply, the AHLF&VS stated (February 2005) that (i) Chujachen farm would be utilised as Backyard Poultry without further delay, (ii) Ravangla farm had started rearing cross-bred heifers and reared 10 heifers, and, (iii) Ralang farm was proposed to be used for rearing bulls/calves after its handing over to Sikkim Livestock Development Board.

While the Department stated that it had initiated alternative activities for Ravangla farm as late as February 2004 the other two farms (Chujachen and Ralang) were not utilised for the purpose for which these were established,

rendering the expenditure on pay and allowances of staff for the last five years wasteful.

4.5.2 Infructuous expenditure

Involvement of a private company for implementation of the scheme, despite having sufficient infrastructure within the Department led to extra expenditure of Rs.15.16 lakh and non-achievement of the desired results even after spending Rs.38.37 lakh.

Government of India implemented a scheme of 'Support for training and employment programme for women' (STEP) under which voluntary organisations registered under Societies Acts were given financial assistance to the extent of 90 per cent as grant. The Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLF&VSD) requested (October 2001) Government of India to sanction the project in favour of M/s Lotus Associates, a private company, which was not agreed to as M/s Lotus Associates was not a voluntary organisation. The Department again requested (November 2001) Government of India for sanction of the project in collaboration with M/s Lotus Associates to be implemented under the aegis of Sikkim Livestock Processing and Development Corporation (SLPDC), an undertaking of AHLF&VSD. The proposal was approved (December 2001) by Government of India. The scheme stipulated coverage of 1,000 beneficiaries in nine cluster villages⁶ of North and East districts of Sikkim at a cost of Rs. 90 lakh, of which Rs. 10 lakh was to be borne by the State Government. The project was to be completed within a period of two years and evaluation report carried out by an independent agency was to be sent to Government of India after completion. Government of India released (March 2002) Rs. 39.43 lakh towards its share for the first year of implementation.

After inviting tender (July 2002) for supply of Angora rabbits, cages and feed, the SLPDC placed orders (July 2002) on M/s Lotus Associates and paid⁷ Rs. 31.35 lakh towards supply. A sum of Rs. 7.02 lakh was paid (April 2003) towards cost of training.

Audit scrutiny (August 2004) revealed that:

- The Department unduly favoured M/s Lotus Associates, a private company inspite of restriction imposed by the Government of India under the guise of implementation of scheme by SLPDC, which was defunct since 1994 and not having any manpower except Managing Director.
- Despite availability of Angora rabbits in the Government run Rabum farm, adequate manpower, technology, infrastructure, etc., Department chose to implement this scheme through a private company. In the process, Government incurred extra expenditure of Rs. 8.40 lakh⁸ on the purchase

⁶ Penlong, Pangthang, Lindok, Kabi, Bakcha, Ranka, Rumtek, Assam Lingzey and Pakyong.

⁷ July 2002: Rs.15 lakh, August 2002: Rs. 3.35 lakh and January 2003: Rs.13 lakh

⁸ Rs. 1,000/- Rs. 300/- (1,200 rabbit) = Rs.8,40,000/-

of rabbits at the rate of Rs.1,000/- per rabbit inspite of availability at Rs.300/- per rabbit in the Rabum farm. Similarly, Rs.7.02 lakh was paid to M/s Lotus towards training, as against the actual requirement of Rs. 0.26 lakh⁹ for 30 persons actually trained against the target of 1,000 persons resulting in excess payment of Rs.6.76 lakh.

- Production of wool etc., as envisaged in the project, was neither shown by the 30 beneficiaries nor marketed by the M/s Lotus, the sole purpose for which M/s Lotus was associated in the implementation of the project by the Department.

Thus, inappropriate handling of the project right from its inception not only led to non-fulfillment of intended objectives even after a lapse of three years of sanction of the project and incurring expenditure of Rs. 38.37 lakh but also entailed an extra expenditure of Rs. 15.16 lakh.

The matter was referred to the Government (June 2005); reply was not received till October 2005.

ENERGY & POWER DEPARTMENT

4.5.3 Wasteful expenditure

Power Department incurred wasteful expenditure of Rs. 4.06 crore in providing power lines to a factory at Government cost as the factory closed down their operations after a short while without paying the energy charges of Rs.87 lakh.

The Government decided (July 1997) to provide dedicated High Tension (HT) power lines at Government cost to M/s Sikkim Alloys and Carbide Ltd., Setipool, East Sikkim, in order to promote heavy industries in Sikkim. Government took this decision on the plea that the Government could realise Rs. 3 crore per annum as energy charges. An agreement was signed (February 1998) providing for tariff comprising contract demand @ Rs. 80 per KVA of the plant capacity per month and energy charges @ Re.1 per KWH effective for five years from the date of providing supply. When the proposals for financial sanction for the work were moved (November 1997) the Finance Department opined that it might not be economical to import power, sustain transmission and distribution loss and distribute power at an un-remunerative rate. The Finance Department also warned that similar infrastructure created in the past for meeting the demand of local industries did not yield desired results; the most noticeable case being Sikkim Vanaspathi Ltd. which was operational for a short period of time and the Power Department ended up in chasing irrecoverable dues from this defunct unit. Notwithstanding the genuine reservations expressed by the Finance Department,

⁹ 30 beneficiaries X Rs.125/day X 7 days = Rs.26,250/-

Power Department decided to construct (April 1998) one extension bay at Lower Lagyap Hydel Project (LLHP) 66 KV switchyard for installation of one 7.5 MVA sub-station *i.e.* one DC 11 KV transmission line upto Sikkim Alloys and Carbide Unit, Setipool at a total cost of Rs.4.06 crore.

Before commencement of the above work, the Department constructed low tension (LT) heavy duty line with specific transformers at the factory premises at a total cost of Rs. 48.95 lakh.

The construction of HT line works, commenced in April 1998 could not be completed before the agreed date *i.e.* July 1998 due to financial constraints and want of clearance from Forest Department. The work was completed and supply of power commenced in September 2000 to M/s Sikkim Alloys and Carbide Ltd.

Audit scrutiny revealed (December 2004) that M/s Sikkim Alloys and Carbide Ltd. did not draw power after the commencement of the HT supply in September 2000 and, thereafter, closed down their operations. During the period of operation with LT heavy duty supply, the firm did not pay the energy charges amounting to Rs. 87 lakh as on 31 March 2001. Thus, the infrastructure provided to the factory at Government cost (Rs. 4.06 crore) proved wasteful without generating any revenue to the Government as envisaged.

The Department replied (April 2005) that the whereabouts of the owners of the firm were not traceable. In their further reply (August 2005) the Department stated that the infrastructure created for their unit has been utilised for providing supply to the public in the nearby areas. This could not be vouchsafed in audit in the absence of supporting details for the same.

Thus, the investment made for providing supply lines, transformer etc. to the unit at a total cost of Rs. 4.06 crore with a view to augment the Government revenue proved wasteful.

**FOREST & ENVIRONMENT MANAGEMENT
DEPARTMENT AND RURAL MANAGEMENT &
DEVELOPMENT DEPARTMENT**

4.5.4 Infructuous expenditure

Planks and rafters worth Rs. 23.84 lakh procured by Forest Department for supply to Rural Management and Development Department (RMDD) was rejected by RMDD resulting in infructuous expenditure.

The State Government sanctioned (June 2002) construction of 950 houses in 30 Assembly constituencies, under the "Model Village Programme - Rural Housing Scheme". The Government decided (June 2002) to execute these model village works through nominee contractor of the respective constituency at a cost of Rs.3 lakh each. In order to ensure the use of good quality materials in the construction

of these model houses, the Department, with the approval of the Cabinet, decided (June 2002) to procure 1.09 lakh cft. of timber comprising various sizes of beams, rafters, planks etc. from the Forest Department and supply the same to the contractors for executing the works.

Based on the requisition of user Department *i.e.* Rural Management and Development Department (June 2002), the Forest Department, after inviting quotations from various suppliers, placed orders on M/s Mitra Timbers and M/s B.K.Agrawal for supply of timber to RMDD. Based on the quotations, the Forest Department issued (June 2002) a Proforma Invoice¹⁰ for Rs.7.10 crore to RMDD and requested (June 2002) for advance of Rs.1 crore. The RMDD paid (September 2002) Rs.25 lakh as advance against which the Forest Department procured beams, planks etc. for Rs.23.84 lakh and supplied (October 2002) to RMDD to the tune of Rs.13.03 lakh leaving the balance quantity in the Forest godowns at Deorali.

After receipt of the stock, the RMDD noticed that the planks, beams etc. were below the specifications and were under-sized, getting warped and developing cracks during storage. This deformation occurred due to supply of unseasoned timber obtained from thinning process of new afforestation area. Ultimately, these beams, planks etc. were rejected (October 2004) and the RMDD asked the Forest Department to refund the advance.

To an audit query, the Forest Department stated (March 2005) that timber items worth Rs.13 lakh would not be taken back while the remaining stock (Rs.10.84 lakh) with the Forest Department would be disposed of. Thus, the expenditure of Rs.23.84 lakh incurred for the procurement of unsuitable beams, planks, etc. of inferior quality was rendered infructuous.

In reply, RMDD stated (May 2005) that timbers were rejected as the same were not as per the specification. The advance of Rs. 25 lakh released to the Forest Department would be adjusted against land compensation and royalties payment due to the Forest Department. Reply of the Department further reinforced audit contention that the expenditure incurred on timber by Forest Department was infructuous. Subsequently in August 2005, Forest Department stated that both the departments (RMDD & Forest) had since agreed to come to a negotiable term and a committee had been formed to physically verify the timber and resolve the issue. However, as of October 2005, no concrete action was taken in this direction.

¹⁰ PI no- 81/UD, 82/UD 24.06.2002 with Salwood @ Rs 640/- per cft and Local wood @ Rs 450/- per cft amounting to Rs. 7,09,80,589/-.

HOME DEPARTMENT

4.5.5 Infertuous expenditure on purchase of bulletproof vehicle

Failure of the Department to ascertain the utility of a bulletproof vehicle before procurement led to infertuous expenditure of Rs.11.56 lakh on its purchase as the vehicle was never used after purchase.

In order to strengthen the security of the Chief Minister of Sikkim, the Department purchased (February 2002) a bulletproof Gypsy (Maruti) from the Andhra Pradesh based ordnance factory (under Ministry of Defence) at a total cost of Rs.11.56 lakh including accessories. This bulletproof Maruti Gypsy King vehicle was purchased in addition to a bulletproof Ambassador car to provide security cover to the Chief Minister in difficult areas where the Ambassador car could not be used. However, the vehicle was not put to use since the date of purchase on the plea of its uncomfortable seating arrangement and reduced pulling power owing to additional weight of accessories attached for bulletproofing.

The guidelines prescribed by the Ministry of Home Affairs, Government of India, did not provide any freedom to Government in deciding the design of the vehicle, quality assurance etc. all of which were laid down by the Bureau of Police Research & Development (BPR&D) only. The terrain of Sikkim was not considered prior to placement of order with the ordnance factory. The vehicle was designed more on the pattern of an armoured vehicle used in Jammu and Kashmir and other militant affected areas where the road gradient was gentler compared to that of Sikkim. The possibility of modification/removal of defects, if any, was also not kept in mind at the time of delivery of the vehicle.

After this was pointed out in audit, the Department stated (February 2005) that State Government had decided to auction the vehicle through Resident Commissioner, Sikkim House, New Delhi for which final action is yet to take place.

Thus, the expenditure of Rs.11.56 lakh incurred for the purchase of the bulletproof vehicle and accessories proved to be infertuous as the vehicle could not be utilised till date for providing security cover to the Chief Minister in difficult areas as envisaged.

4.6 Blocking of funds/Idle investment**ENERGY AND POWER DEPARTMENT****4.6.1 Idle investment on procurement and installation of Diesel Generating set**

Failure on the part of the Department to get the Diesel Generating set replaced or repaired by the original supplier resulted in non yielding of value for money on the investment of Rs. 1.27 crore for more than five years.

Four Cummins Diesel Generating (DG) sets were purchased and commissioned (March 1998) at a cost of Rs. 5.06 crore through M/s Genset India (P) Ltd., Kolkata for generation of additional power to meet the winter demand of the State capital, maintaining power supply to the Capital in case of failure of the hydel grid, etc. According to the terms and conditions, the engines were guaranteed for two years from the date of commissioning or 5,000 running hours, whichever was earlier.

Scrutiny of records revealed (March 2005) that one DG set went out of order (December 1999) after working for 916 hours due to short circuit and burning in 11 KV panel and defective cooling tower. The Department addressed the supplier in December 1999 for repairing the control panel etc. as the Siliguri based local agent of the supplier expressed his inability to rectify the defects. But there was no response from the supplier. In October 2002, M/s S.R. Diesels, the authorised service dealer for Cummins Diesel Sales and Services (India) Ltd. inspected the set and reiterated the defects already noticed. Again, in another inspection (July 2003), M/s Himalayan Services, Siliguri confirmed that the engine was not in working condition and required replacement of several parts owing to it being idle for more than five years. Though the DG set went out of order within the validity period of guarantee *i.e.*, within two years and also after running 916 hours of working only, the Department did not initiate concrete action to get the DG set replaced or repaired by the original supplier.

Thus, owing to failure of the Department to get the DG set replaced or repaired immediately, the investment of Rs.1.27 crore made on procurement and installation of the set did not yield value for money as it was lying idle for more than five years.

In reply (February 2005), while accepting the delay in repair, the Department stated that consistent efforts to repair the DG set did not fructify due to various technical faults in the set. They further added that paucity of funds was one of the reasons for the delay in repair and informed that the correspondence was still continuing with the authorised dealer to make the machine operational. The reply

of the Department is not tenable as no concrete steps were taken to get the engine replaced/repaired despite four inspections (December 1999, September 2002, October 2002 and July 2003) carried out by the service engineers between December 1999 and December 2004. Further, the Department had not even once prepared the estimate for repairing the DG set and placed before the higher authority for approval.

TOURISM DEPARTMENT

4.6.2 Inordinate delay in execution of work

Lackadaisical approach of the Tourism Department in implementing Centrally sponsored scheme led to loss of Central funds of Rs.23.88 lakh to the State and blocking of Rs.17.75 lakh for more than eight years.

The Tourism Department, Government of Sikkim, submitted proposals to the Ministry of Tourism (MOT), Government of India, during August 1991 (two works) and July 1992 (one work), viz., construction of tourist lodge at Makha, construction of wayside amenities (WSA) at Rhenock (subsequently shifted to Sirwani) and tourist resort at Dongeythang. The Government of India sanctioned the three projects during October 1991 (Rs.30.50 lakh), October 1991 (Rs.16.03 lakh) and December 1992 (Rs.5.10 lakh) at a total cost of Rs.51.63 lakh with Central assistance of Rs.41.63 lakh.

While sanctioning the projects, the Government of India specified that the projects should be completed within a year from the date of sanctions and the funds utilised only for the approved works. The Government of India released the first instalments of the three works aggregating Rs.17.75 lakh during October 1991 (Rs.5 lakh), October 1991 (Rs.10.25 lakh) and December 1992 (Rs.2.50 lakh).

However, the Department commenced the works between September 2000 (two works) and January 2003 (one work) primarily due to (i) indecision on the part of the Department in selecting the sites, (ii) delay in obtaining forest clearance, and, (iii) delay in land acquisition.

Audit scrutiny (August 2004) revealed that the works taken up by the Department were either entirely different from the works sanctioned originally by the Government of India or the scope and value of the work were substantially altered. In place of construction of tourist resort at Dongeythang (Rs.16.03 lakh), a view point and toilet was constructed (Rs.4.99 lakh in November 2003) and the scope of work of construction of tourist lodge at Makha originally projected at Rs.30.50 lakh was curtailed and completed and commissioned at Rs.15.06 lakh (August 2002). The work at Sirwani was completed at Rs.12.99 lakh (August 2004). The Department did not obtain the approval of Government of India for these deviations from the original projects. Further, in terms of decision of Government of India (September 1997), the projects pertaining to VII plan (1987-

92) and VIII Plan (1992-97) were to be completed by December 1997 and June 1998 respectively and the balance funds for the projects sanctioned would not be released by Government of India. The expenditure for completion of these projects would have to be borne by the State Government.

The Department, while accepting the fact, stated (February 2005) that the construction of tourist lodge/resort and wayside amenities in various places in the State had since been completed at Rs.33.04 lakh (Government of India Rs.17.75 lakh and State Government Rs.15.29 lakh) against the sanctioned project cost of Rs.51.63 lakh.

The implementation of scheme was characterised by avoidable inordinate delay in selection of sites and land acquisition which delayed the commencement of works and caused change of scope of works. Further, due to non-adhering to Government of India stipulation, the balance Central grant of Rs.23.88 lakh was lost. The delay in execution also resulted in blocking of Rs.17.75 lakh for more than eight years.

4.7 Regularities issues

HORTICULTURE AND CASH CROPS DEVELOPMENT DEPARTMENT

4.7.1 Non-utilisation of funds

Failure of the Department in utilising the funds resulted in denial of intended benefits envisaged under the scheme besides blocking of funds of Rs.76.65 lakh.

Under the Centrally sponsored scheme on Technology Mission for Integrated Development of Horticulture in the North-Eastern States including Sikkim under Mini-Mission III, Government of India sanctioned (October 2001) Rs.1.63 crore as Central assistance and released (October 2001) first instalment of Rs.85 lakh to Sikkim Small Farmers' Agri-Business Consortium. The assistance was to be utilised on the following three components:

- Establishment of Wholesale market at Melli, South District (50 per cent assistance at the rate of Rs.50 lakh for wholesale market).
- Establishment of Rural Primary Market/Apni Mandi at 14 places¹² (50 per cent assistance at the rate of Rs.7.50 lakh per Mandi).

¹² Dikchu, Rongli, Temi Tarku, Legship, Soreng, Jorethang, Bermoik, Reshi, Pakyong, Ranipool, Dentam, Daramdin, Sintgam and Namchi.

Thus, due to delay in providing funds to the said Fund, finalising the criteria for eligibility for extending the benefit and tardiness of the Association and the Department to give wide publicity of the scheme, the entire amount of Rs. 87.61 lakh including interest (Rs. 13.23 lakh) remained unutilised for more than four years. The non-implementation of the scheme deprived accrual of intended benefits to the deserving poor people living below the poverty line besides non-availing of the potential contribution of Rs. 2 crore from Government of India to a significant extent.

In reply, the Association informed (August 2005) that the scheme had taken off from November 2004 and seven beneficiaries had been provided with the assistance of Rs.2.33 lakh so far.

**HUMAN RESOURCES DEVELOPMENT; HEALTH CARE,
HUMAN SERVICES & FAMILY WELFARE; SOCIAL
JUSTICE, EMPOWERMENT & WELFARE;
TRANSPORT; LAND REVENUE & DISASTER
MANAGEMENT; FINANCE, REVENUE &
EXPENDITURE AND FOOD & CIVIL SUPPLIES &
CONSUMER AFFAIRS DEPARTMENTS**

4.7.3 Non-adjustment of medical advances

Negligence of the departments resulted in accumulation of unadjusted medical advances of Rs.1.35 crore in 365 cases for one to 21 years.

According to Rule 20 read with Rule 22 of Sikkim Service (Medical Facilities) Rules, 1981, a Head of Department may, with the concurrence of Director, Health Services, grant medical advance to a Government servant for meeting the expenditure on medical treatment of the Government servant or his dependent family members outside Sikkim. The advance should be adjusted within three months from the date of completion of treatment, failing which it should be recovered from the pay of the Government servant in four equal instalments.

Test check of records of seven departments¹⁵ revealed (May 2004 to March 2005) that the Drawing and Disbursing Officers paid medical advances to the employees (283 cases) aggregating Rs.1.32 crore during the period 2000-05. These employees neither preferred the claim for reimbursement of medical expenses nor refunded the advances. Thus, the medical advances remained unadjusted from one

¹⁵ Human Resource Development Department, Health Care, Human Service & Family Welfare Department, Social Justice, Empowerment & Welfare Department, Transport Department, Land Revenue and Disaster Management Department, Finance, Revenue & Expenditure Department and Food & Civil Supplies & Consumer Affairs Department.

year to five years. In addition, there were 89 cases, involving Rs. 8.79 lakh, which were pending for want of adjustment for six to 21 years. Human Resources Development Department was the biggest defaulter with 244 cases followed by the Health Care, Human Services & Family Welfare Department with 82 cases.

In the absence of detailed adjustment bills the genuineness of the claims for medical advances and their utilisation remained doubtful.

In reply, the Food and Civil Supplies and Consumer Affairs Department stated (June 2005) that out of eight cases of unadjusted advances five were adjusted and the remaining three cases were being pursued for adjustment failing which it would be recovered from their salaries. However, the details of adjustment for the five cases were not furnished.

Transport Department also informed (May 2005) that advances in seven cases amounting to Rs. 5.50 lakh were adjusted, nine cases were being recovered from their salaries, seven cases were recommended for settlement and seven cases were still under treatment. Replies from the other departments were awaited.

Thus, even after taking into account the amount adjusted by one department (Transport Department), after being pointed out in audit, unadjusted advances stood at Rs. 1.35 crore as shown in *Appendix- XVII*.

4.7.4 Irregular sanction of medical grant

The genuineness of utilisation of medical grant to general public amounting to Rs.1.82 crore for medical treatment outside the State was doubtful in the absence of any supporting documents.

According to the notification dated 15 May 1995 of Health & Family Welfare Department (now renamed as Health Care, Human Services & Family Welfare Department (HCHS&FWD)), one time outright grant ranging from Rs.5,000 to Rs.20,000 was provided to the general public for treatment of special cases referred by the Medical Board of Sikkim for taking treatment outside the State at the designated place/Hospital. The claimant was required to give a declaration that he was not a regular employee or a dependent member of Government employee to be eligible for the grant. The bonafides of the claimant were to be verified and certified by HCHS&FWD.

Test check of 385 out of 964 cases of sanction of medical grant of Rs. 1.82 crore to public during the years 2002-03 to 2004-05 revealed (March 2004 to March 2005) that the declaration to the effect that the claimant was not a regular employee or dependent under the Government of Sikkim, was not submitted by any of the claimants. HCHS&FWD also failed to exercise the mandatory checks to confirm the bonafides of the claimants as the grants were released by the Department without ensuring the submission of required documents viz., Sikkim Subject Certificate, patient's admission card to hospital, discharge order of concerned hospital etc. In the absence of these vital documents payment of grants

aggregating Rs.1.82 crore to genuine beneficiaries only and their utilisation for bonafide purposes could not be vouchsafed in audit.

This indicated the absence of proper mechanism to ascertain the genuineness of the claims before sanctioning the grants and watching their utilisation for the bonafide purposes, highlighting the necessity for more stringent monitoring of the eligibility criteria before sanctioning of such grants in future and verification of utilisation as well.

The matter was reported (April 2005) to the Government; reply had not been received (October 2005).

4.8 General

Audit arrangement for local bodies

Introduction

4.8.1 Autonomous bodies and authorities are set up to discharge generally non-commercial functions or public utility services. These bodies and authorities generally receive substantial financial assistance from the Government. The grants are intended essentially for construction and maintenance of educational institutions, hospitals and charitable institutions and improvement of roads and other communication facilities under municipalities and local bodies.

During 2004-05, financial assistance of Rs. 30.83 crore was released to various autonomous bodies and institutions, broadly grouped as under:

Table-4.5

(Rupees in crore)

Sl.	Name of institutions	No. of sanction	Amount of assistance given
1.	Universities and Educational Institutions	12	2.17
2.	Zilla Parishad and Panchayati Raj Institutions	44	6.91
3.	Development Agencies	24	16.88
4.	Hospitals and other Charitable Institutions	7	0.03
5.	Other Institutions	191	4.84
	Total	278	30.83

Source: Departmental figures.

Delay in furnishing utilisation certificates

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

278 utilisation certificates were due in respect of grants aggregating Rs. 30.83 crore paid during the year 2004-05 by 41 departments excluding two departments viz; Animal Husbandry, Livestock, Fisheries and Veterinary Services Department

and Health Care, Human Services & Family Welfare Department who did not furnish the details despite reminders. It was, however, observed in audit that out of 278 utilisation certificates only 121 certificates for Rs. 23.24 crore were received by the grant releasing departments by September 2005 and 157 certificates pertaining to 11 departments for Rs. 7.59 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Table-4.6*(Rupees in crore)*

Sl.	Department	Number of certificates	Amount
1	Food Security & Agriculture Development	12	0.07
2	Co-operation	23	1.69
3	Cultural Affairs & Heritage	53	0.37
4	Food & Civil Supplies & Consumer Affairs	3	0.13
5	Forest, Environment & Wild Life Management	3	0.61
6	Horticulture & Cash Crops Development	4	0.04
7	Rural Management & Development	15	3.39
8	Science & Technology	1	0.30
9	Tourism	23	0.68
10	Social Justice, Empowerment and Welfare	2	0.20
11	Sports & Youth Affairs	18	0.11
Total		157	7.59

Audit arrangement

4.8.3 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-4.7

Sl.	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	2000-01 to 2004-05	15 December 1999
2.	Sikkim Co-operative Milk Producers' Union Limited	2003-04 to 2007-08	18 November 2002
3.	Sikkim Co-operative Supply and Marketing Federation Limited.	2000-01 to 2004-05	02 November 2000
4.	Panchayati Raj Institutions	2001-02 to 2005-06	27 August 2001
5.	Sikkim Housing and Development Board	2000-01 to 2004-05	17 November 2003

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

The status of submission of accounts by them and completion of audit as of September 2005 are given below:

Table-4.8

Sl.	Name of body	Annual accounts	
		Received upto	Audited upto
1	Sikkim Khadi and Village Industries Board	2002-03	2002-03
2	Sikkim Co-operative Milk Producers' Union Limited	2002-03	2002-03
3.	Sikkim Co-operative Supply and Marketing Federation Ltd.	2002-03	2002-03
4.	Panchayati Raj Institutions (PRI)	Accounts were not prepared by PRIs so far	
5.	Sikkim Housing and Development Board	2002-03	2002-03

Against the 17 Institutions, which attracted audit under section 14 of the Comptroller and Auditor General's (DPC) Act 1971, the position of accounts audited as of September 2005 is given below:

Table-4.9

Sl.	Name of Body	Annual Accounts	
		Finalised upto	Audited upto
1.	State Leprosy Society, Gangtok.	2004-05	2004-05
2.	District Leprosy Society (East)	2004-05	2003-04
3.	District Leprosy Society (West)	2004-05	2003-04
4.	District Leprosy Society (South)	2004-05	2003-04
5.	District Leprosy Society (North)	2004-05	2003-04
6.	Tashi Namgyal Academy, Gangtok	2003-04	2003-04
7.	Paljor Namgyal Girls Senior Secondary School	2003-04	2003-04
8.	Sikkim State Illness Assistance Fund Association	2003-04	2003-04
9.	Sikkim State Aids Control Society, Gangtok	2003-04	2003-04
10.	Sikkim Institute of Rural Development	2003-04	2003-04
11.	Sikkim Renewable Energy Development Agency	2003-04	2003-04
12.	Prevention and Control of Blindness	2004-05	2004-05
13.	Sikkim Rural Development Agency	2003-04	2003-04
14.	Namgyal Institute of Tibetology	2003-04	2003-04
15.	State Council of Science and Technology	2004-05	2004-05
16.	Institute of Hotel Management	2003-04	2003-04
17.	Sikkim Urban Development Agency	2003-04	2003-04

CHAPTER-V

REVENUE RECEIPTS

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CHAPTER- V REVENUE RECEIPTS

5.1 Trend of Revenue Receipts

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 2004-05 alongwith the corresponding figures for the preceding four years are given below:

Table-5.1

(Rupees in crore)

		2000-01	2001-02	2002-03	2003-04	2004-05
I	Revenue raised by the State Government					
(a)	Tax Revenue	65.39	80.39	105.53	108.00	116.95
(b)	Non-Tax Revenue	289.02 (65.63)	1,128.21 (71.12)	1,315.84 (143.36)	537.29 (95.04)	992.47 (111.36)
	Total	354.41 (131.02)	1,208.60 (151.51)	1,421.37 (248.89)	645.29 (203.04)	1,109.42 (228.31)
II	Receipts from the Government of India					
(a)	State's share of divisible Union taxes	72.20	84.83	77.20	112.33	107.35*
(b)	Grants-in-aid	435.99	513.75	581.95	583.56	675.63
	Total	508.19	598.58	659.15	695.89	782.98
III	Total receipts of the State Government (I & II)	862.60 (639.21)	1,807.18 (750.09)	2,080.52 (908.04)	1,341.18 (898.93)	1,892.40 (1,011.29)
IV	Percentage of I to III	41	67	68	48	59

- The figures shown in brackets are net of expenditure of lotteries conducted by the Government.
- For details, please see 'Statement No. 11-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

5.1.1 Receipts from tax revenue constituted 10.54 per cent of the total revenue raised by the State during 2004-05. An analysis of the tax revenue for the year 2004-05 and the preceding four years is given below:

Table- 5.2

(Rupees in crore)

Sl. No.	Tax Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Increase (+)/ Decrease (-) (in 2004-05 over 2003-04)	Percentage of variation
1	Sales Tax	24.50	34.97	41.42	48.87	48.18	-0.69	-1.41
2	Taxes on Income other than Corporation Tax	19.29	22.03	32.67	26.76	29.09	2.33	8.71
3	State Excise	17.61	17.59	22.45	25.25	32.69	7.44	29.47
4	Taxes on Vehicles	1.54	1.97	2.35	2.74	3.24	0.50	18.25
5	Stamps & Registration Fees	0.50	1.30	3.45	1.14	1.43	0.29	25.44
6	Land Revenue	0.22	0.51	0.40	0.18	0.44	0.26	144.44
7	Other Taxes and Duties on Commodities and Services	1.73	2.02	2.79	3.06	1.88	-1.18	-38.56
	Total	65.39	80.39	105.53	108.00	116.95	8.95	

* State share of Union taxes and duties have declined owing to decline in share of net proceeds mainly from Customs and Union Excise duties during 2004-05.

- **State Excise:** The increase of tax revenue during 2004-05 over 2003-04 was mainly due to increased production and sale of Indian made Foreign Liquors and spirits.
- **Taxes on Income other than Corporation Taxes:** Increase in tax deduction at source on business and salaries resulted in increased revenue under the head.
- **Sales Tax:** The decrease of revenue under Sales Tax was due to reduction of rate of cardamom and refund/adjustment of excess tax paid.
- **Other Taxes and Duties on Commodities and Services:** Decrease under this head was due to less realisation of entertainment tax.

The reasons for variations in respect of the remaining heads though called for in June 2005 have not been received (September 2005).

5.1.2 Lotteries, road transport service, power, interest, forest and police were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 2004-05 constituted 89.46 *per cent* of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 2000-01 to 2004-05 is given below:

Table-5.3

(Rupees in crore)

Sl. No	Non-Tax Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Increase (+) Decrease (-) in 2004-2005 with reference to 2003-2004	Percentage of variation
1	Road Transport	11.90	15.56	17.26	17.33	21.52	4.19	24.18
2	Power	10.04	11.84	12.97	13.67	21.41	7.74	56.62
3	Forestry and Wild Life	6.39	6.65	7.15	7.24	7.92	0.68	9.39
4	Interest Receipts	4.48	6.02	7.17	2.73	8.03	5.30	194.14
5	Plantations	2.39	2.01	1.78	1.92	1.63	(-)0.29	(-)15.10
6	Dividends and Profits	0.01	0.01	1.76	0.74	0.92	0.18	24.32
7	Police	5.84	3.86	1.40	10.20	4.38	(-)5.82	(-)57.06
8	Public Works	1.25	0.99	2.41	1.64	2.46	0.82	50.00
9	Tourism	0.39	0.67	0.54	0.79	0.78	(-)0.01	(-)1.27
10	Crop Husbandry	0.47	0.43	0.50	0.31	0.31	0	0.00
11	Stationery and Printing	0.86	0.98	1.12	1.04	1.07	0.03	2.88
12	Village & Small Industries	0.66	0.64	0.63	0.58	0.08	(-)0.50	(-)86.21
13	Animal Husbandry	0.16	0.24	0.24	0.23	0.31	0.08	34.78
14	Industries	-	0.01	0.01	0.02	0.01	(-)0.01	(-)50.00
15	Medical and Public Health	0.37	0.35	0.36	0.44	0.98	0.54	122.73
16	State Lotteries*	240.60 (17.21)	1,074.40 (17.31)	1,256.72 (84.24)	473.72 (31.47)	912.27 (31.16)	438.55 (-)0.31)	92.57 (-)0.98
17	Others	3.21	3.55	3.82	4.69	8.39	3.70	78.89
	Total	289.02 (65.63)	1,128.21 (71.12)	1,315.84 (143.36)	537.29 (95.04)	992.47 (111.36)	455.18 (16.32)	84.72 (17.17)

*Figures in brackets represent net receipts.

- **Power:** The increase of revenue under this head was due to sale of more power.
- **Interest Receipt:** The increase of revenue under this head was due to more realisations on investment of cash balance.
- **Road Transport:** The increase in revenue under this head is attributed to upward revision in supervision charges, realisation of outstanding dues and improved management.
- **Public Works:** The increase under this head was due to more realisation from hire charges of machinery and equipments.
- **Forestry and Wildlife:** The increase was due to more realisation under the head 'Other Receipts'.
- **Police:** The reason for decrease of revenue was less reimbursement of cost from Government of India towards deployment of police force.
- **Village and Small Industries:** The reason for decrease was due to less realisation under the small scale Industries.
- **Plantation:** The reason for decrease was due to lesser revenue realisation from Temi Tea Estate owing to fall in prices.

The reasons for variations in respect of the remaining heads of revenue though called for in June 2005 have not been received (September 2005).

5.2 Variation between the budget estimates and actuals

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2004-05 was more than 10 per cent.

Table-5.4

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations: Increase(+) / Decrease(-)	Percentage
A. Tax Revenue					
1	Land Revenue	0.66	0.44	(-)0.22	(-)33.33
2	Stamps & Registration Fees	1.09	1.43	0.34	31.19
3	State Excise	29.47	32.69	3.22	10.92
4	Sales Tax	35.00	48.18	13.18	37.66
5	Taxes on Vehicles	1.80	3.24	1.44	80.00
6	Service Tax	7.68	6.52	(-)1.16	(-)15.10
7	Other Taxes and Duties on Commodities and Services	2.80	1.88	(-)0.92	(-)32.85

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-)	Percentage
B. Non-Tax Revenue					
9	Interest Receipts	4.00	8.03	4.03	100.75
10	Dividends and Profits	0.70	0.92	0.22	31.42
11	Police	10.82	4.38	(-)6.44	(-)59.52
12	Stationery and Printing	1.20	1.07	(-)0.13	(-)10.83
13	Public Works	1.77	2.46	0.69	38.98
14	Other Administrative Services	2.21	3.77	1.56	70.59
15	Education, Sports, Art and Culture	0.53	0.83	0.30	56.60
16	Medical and Public Health	0.40	0.98	0.58	145.00
17	Water Supply and Sanitation	0.80	1.09	0.29	36.25
18	Urban Development	0.61	0.89	0.28	45.90
19	Social Security and Welfare	0.37	0.19	(-)0.18	(-)48.65
20	Crop Husbandry	0.37	0.31	(-)0.06	(-)16.22
21	Animal Husbandry	0.50	0.31	(-)0.19	(-)38.00
22	Forestry and Wild Life	7.00	7.92	0.92	13.14
23	Village and Small Industries	0.60	0.08	(-)0.52	(-)86.66

- **Medical and Public Health:** The increase was due to increased realisation under Urban Health Services and fees, fines, etc.
- **Interest Receipts:** More realisation on investment of cash balance was the reason for increase in revenue.
- **Taxes on Vehicle:** The reason for increase was increased receipts under State Motor Vehicle Taxation Act.
- **Village and Small Industries:** The reason for decrease in revenue was less realisation from sale proceeds of Govt. Institute of Cottage Industries.
- **Social Security and Welfare:** The reason for decrease was due to less realisation under 'Other Receipts'.
- **Land Revenue:** The reason for decrease was due to less realisation under Other Receipts.

The reasons for variation in respect of the remaining heads of revenue have not been received (September 2005).

5.3 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2002-03 to 2004-05 alongwith the all India average percentage of expenditure on collection to gross collection for 2003-04 are given below:

Table-5.5

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-2004
1	State Excise	2002-03	22.45	1.09	4.85	3.81
		2003-04	25.25	1.37	5.43	
		2004-05	32.69	1.49	4.56	
2	Sales Tax	2002-03	41.42	0.97	2.34	1.15
		2003-04	48.87	1.09	2.23	
		2004-05	48.18	1.10	2.28	
3	Taxes on Vehicles	2002-03	2.35	0.37	15.74	2.57
		2003-04	2.74	0.43	15.69	
		2004-05	3.24	0.43	13.27	

It would be seen from the table that the percentage of expenditure to gross collection during 2004-05 as compared to the corresponding all India average in percentage for 2003-04 was high in the case of State Excise, Sales Tax and Taxes on vehicles due to lower rate of tax coupled with high establishment expenditure.

5.4 Failure of senior officials to enforce accountability and protect interest of Government

Replies to Inspection Reports

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

The position of IRs in respect of revenue receipts issued to the end of December 2004 but remaining outstanding as at the end of June 2005 was as under:

Table-5.6

(Rupees in crore)

Sl. No.	Particulars	At the end of				
		June 2001	June 2002	June 2003	June 2004	June 2005
1	Number of outstanding IRs	110	134	123	107	68
2	Number of outstanding Audit objections	281	296	268	243	136
3	Money value of the objections	49.20	28.84	77.47	69.85	33.76

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

Table-5.7

(Rupees in crore)

Sl. No.	Head of Revenue	No. of Inspection Reports	No. of Audit Objection	Amount
1	Sales Tax	9	29	15.27
2	Income Tax	10	25	10.00
3	Forestry and Wild Life	8	12	0.44
4	Land Revenue	11	14	0.56
5	Taxes on Vehicles	5	13	0.95
6	State Excise	2	4	1.20
7	Urban Development	4	7	1.27
8	Power	14	25	3.48
9	State Lotteries	4	6	0.57
10	Non-ferrous Mining and Metallurgical Industries	1	1	0.02
Total		68	136	33.76

Out of 68 IRs pending settlement, first replies had not been received (June 2005) in respect of 18 reports containing 31 Audit objections.

5.5 Results of Audit

Test check of records of Income and Commercial Tax, Transport, Excise, Energy and Power, Forest and Environment Management, State Lotteries, Rural Management and Development, Mines and Geology, Land Revenue and Urban Development and Housing Departments conducted during the year 2004-05 revealed loss of revenue/non realisation/Undue benefit of concession/short payment etc. aggregating to Rs. 114.41 crore in 65 cases. A few illustrative cases involving Rs. 91.04 crore highlighting important Audit observations are mentioned in the following paragraphs.

5.6 Loss of Revenue

ENERGY AND POWER DEPARTMENT

5.6.1 Loss of revenue

Lack of time bound action on the part of the Departmental authority resulted in non realisation of energy charge of Rs.87 lakh.

Based on the request received from a firm located at Setipool, Power Department decided to provide electrical connection of high tension (HT) line for consumption of energy in their industrial units set up for manufacture of calcium carbide and ferro-alloys. Accordingly, an agreement was entered into on 16 August 1997 between Power Department and the firm. The agreement provided for payment of energy charges on monthly basis.

The Department initially provided in April 1998 low tension-(LT) heavy duty power line to the unit at a cost of Rs.48.95 lakh for taking up the construction work and trial production. Subsequently, HT power line was provided to the unit on 19 September 2000 at a cost of Rs. 4.06 crore. However, the unit after operating for some time, closed down its operations without drawing power from the HT power line (exact date of closure not available on record). It was noticed that the unit had not paid energy charges since the date of drawal of LT power and the arrears accumulated to Rs.87 lakh (as on March 2001). The Department raised an arrear bill in March 2001 for the above amount, but the unit had not paid the arrears till date. The Department did not explore the possibility of recovering the Government dues by invoking the provisions of Sikkim Public Demand Recovery Act, 1988 and stated in August 2005 that whereabouts of the owners were not known.

This resulted in non realisation of energy charges of Rs. 87 lakh.

5.7 Non-realisation of revenue

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (DIRECTORATE OF STATE LOTTERIES)

5.7.1 Non-realisation of revenue from marketing agent

Non realisation of minimum assured revenue of Rs. 80.33 crore and increase in quantum of prize money resulted in undue benefit of Rs. 5.15 crore to marketing agent.

The Government of Sikkim (GOS) entered into an agreement in August 2001 with a marketing agent (MA) for a period of seven years for operation, maintenance and marketing of the State's online lottery. The agreement, *inter alia*, stipulated that MA was liable to pay the GOS 20 *per cent* of the gross revenue earned through sale of tickets every year for seven years. This was, however, not to be less than the minimum assured revenue (MAR) as detailed under:

Table-5.8

Year	State Government share (in percentage)	Prize Pool (in percentage)	Minimum assured Revenue (Rs. In crore)
Year-1	20	45	35
Year-2	20	45	45
Year-3	20	46	65
Year-4	20	46	85
Year-5	20	46	135
Year-6	20	47	195
Year-7	20	47	220

The MA was required to execute a bank guarantee (BG) for every year equivalent to MAR for the year. The BG would be invoked by GOS in event of failure of the

MA to pay MAR. Further, as per Clause 12 of the agreement, MA was required to deposit the sale proceeds with the Government on a monthly basis.

The Government introduced two lottery schemes, the Sikkim Super Lotto and Sikkim Thunder ball during March 2002 and July 2002 respectively. Due to stiff competition from online lottery business of other States and imposition of ban on sale of lottery ticket by the Government of Tamil Nadu causing fall in sale of tickets, the MA requested the State Government in June 2003 to lower the State share from 20 *per cent* to five *per cent* in both the games so that the prize pool could be increased from 45 *per cent* to 60 *per cent* with a view to make the games more attractive and increase the ticket sales. In a meeting with the MA, the Chief Secretary in October 2003 tentatively agreed to reduce the State share from 20 *per cent* to five *per cent* for both the games and increase the prize pool from 45 *per cent* to 60 *per cent* while retaining the MAR for the financial year 2003-04 at Rs.45 crore. The Cabinet approved the proposal in November 2003 with the condition that arrears of revenue should be cleared within 15 days. The matter was to be reviewed after a period of three months for inserting enabling clauses in the agreement.

Test check of records of the Director, Sikkim State Lotteries revealed in July 2004 that the conditions laid down by the Cabinet were not adopted. Although reduction in the State's share from 20 *per cent* to five *per cent* was immediately effected from the sale of the online lottery draws with effect from 25 November 2003, corresponding increase in the prize pool from the existing 45 *per cent* to 60 *per cent* was not made by the MA. This resulted in undue financial benefit of Rs 5.15 crore in 71 Super Lotto draws and 5 Thunderball draws as shown under:

Table-5.9

(Rupees in crore)

Name of the scheme	No of draws	From	To	Total Sales	Prize pool as per agreement (@ 60 <i>per cent</i>)	Prize pool as per actual	Difference
Sikkim Super Lotto	29	27.11.03 (88 th draw)	10.06.04 (116 th draw)	37.68	22.61	19.96	2.65
-do-	42	17.06.04 (117 th draw)	31.03.05 (158 th draw)	42.72	25.63	23.49	2.14
Thunder Ball	05	25.11.03 (71 st draw)	23.12.03 (75 th draw)	3.59	2.15	1.79	0.36
Total				83.99	50.39	45.24	5.15

Besides, MA did not sell out anything from their originally agreed share at the rate of 35 *per cent* of sale proceeds and did not deposit the arrears and the same amounted to Rs 80.33 crore at the end of 2004-05 as detailed below:

Table-5.10

(Rupees in crore)

Year	Sales	Govt. Share	MA's Share	MAR	Actual receipt of Government	Arrear*
2002-03	365.10	73.02	127.79	35	64.78	8.24
2003-04	189.44	28.51	66.30	45	24.15	20.85
2004-05	332.82	16.64	116.49	65	13.76	51.24
Total	887.36	118.17	310.58	145	102.69	80.33

* w.r.t. MAR or Government share at applicable rate whichever is higher.

As the Government had not agreed for reduction in MAR for 2003-04 and the sales during 2004-05 increased to Rs. 332.82 crore, the MA should have paid the minimum assured revenue of Rs 45 crore for 2003-04 and Rs 65 crore for 2004-05. In spite of this, the Government did not invoke the enabling penal provision for issue of notice for termination of contract and encashment of BG. Further, against the required BG equivalent to MAR, the MA paid only Rs. 5 crore. In addition, there was clear violation by MA of Clause 12 of the agreement, which stipulated that the MA should deposit the sale proceeds with the Government on a monthly basis.

In reply (February 2005), the Department stated that the MA requested the Department to scale down the MAR and also invoked the arbitration clause. The Department also placed in December 2003 a demand notice on them and stated in February 2005 that the matter would be referred to the arbitration to resolve the issue. The reply only addresses the MAR and is silent about the MA's liability of clearing the arrears of revenue within 15 days as per supplementary agreement (9 December 2003) and the undue benefit of Rs 5.15 crore enjoyed by the MA without increasing the prize pool.

ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT

5.7.2 Non-recovery of entry tax and service charges

Department's reluctance to enforce the provisions of the Act led to a loss of Rs. 30.67 lakh.

Section 4(2) of the Sikkim (Livestock and Livestock Products Control) Act, 1985 prescribes that no livestock or livestock products shall be allowed to be brought into the State unless the specified entry tax and service charges, for poultry/birds/eggs/fish are paid. No instalment facility for recovery of dues is envisaged in the Act. Sikkim Public Demand Recovery Act, 1988 provides for recovery of dues as arrears in case these are not paid by the assessee. However, no time limit has been fixed for initiation of certificate proceedings.

Scrutiny of records in June 2003 and information furnished by the Department in April 2005 revealed that though the Department continued to raise monthly bills against a cooperative society (DACSL), the society did not pay entry tax and service charges aggregating Rs.30.67 lakh for the period from October 2001 to

March 2005. Principal Secretary to the Government, Department of Animal Husbandry, Livestock, Fisheries & Veterinary Services allowed instalment facility of Rs. 5 lakh per half year from June 2004 to the assessee for payment of arrears of revenue though no such facility was available in the Act. The society did not clear outstanding dues, however, Department did not enforce the provisions of Sikkim Public Demand recovery Act. This resulted in non recovery of revenue of Rs. 30.67 lakh.

TRANSPORT DEPARTMENT (MOTOR VEHICLE DIVISION)

5.7.3 Non-realisation of token tax and fitness fees

Lackadaisical approach of the Department in realisation of token tax and fitness fees resulted in non realisation of Government revenue of Rs.10.21 lakh.

Non-realisation of token tax

An owner of a motor vehicle is liable to pay specified tax, in advance, in accordance with Section 4(2) read with Section 14 of Sikkim Motor Vehicles Taxation Act, 1982. In the event of non payment of tax, the registration of the vehicle is liable to be suspended. The Transport Department further notified (May 1987) that 50 *per cent* and 100 *per cent* late fees would be charged in case the tax is paid within two months and after two months of the period of validity respectively.

Scrutiny of records relating to payment of token tax in respect of 1,770 vehicles out of 8,844 (03 and 04 series) vehicles registered with the two Regional Transport Offices (North East at Gangtok and South West at Jorethang) revealed in August 2004 that in 494 cases, the owners of vehicles defaulted in payment of taxes over a period ranging from one month to 11 years. The amount of tax due alongwith late fee worked out to Rs.31.18 lakh out of which 433 cases amounting to Rs. 21.12 lakh are within the last five years.

Non-levy of fitness fee

In accordance with the Notification dated 28 March 2001 issued by the Ministry of Road Transport and Highways, Government of India, the rate of fitness fee was revised *w.e.f.* 25 March 2001 and accordingly, the Department fixed Rs.300 for jeep, car, van etc., Rs. 300 for light vehicles, Rs. 400 for medium vehicles and Rs.500 for heavy vehicles as fitness fee. In terms of notification, vide dated 22 June 1995, the registered owner of a heavy or medium vehicle which ordinarily ply for hire or reward including maxi cab and motor cab for the conveyance of passengers and carriage of goods in the State of Sikkim, shall cause such vehicles to be produced before the Regional Transport Officer of the respective region at an interval set out below for periodical fitness inspection:

New vehicle	for two years
After two years and till four years	every one year
After four years and till eight years	every six months
After eight years	every three months

Test check of records of 1,770 vehicles out of 8,844 (03 and 04 series) registered with two Regional Transport Offices at Gangtok (North East) and Jorethang (South West) revealed in August 2004 that in 437 cases, fitness inspection was not conducted and fees also not realised for a period ranging from one month to five years. This resulted in non realisation of fitness fee to the tune of Rs 6.21 lakh. By not conducting fitness inspections at the prescribed intervals the Department also failed to ensure the safety/fitness of the vehicles engaged in carriage of passengers and goods in the State.

In reply, the Principal Secretary to the Government of Sikkim, Department of Transport stated (August 2005) that the list of defaulters had been circulated through a local daily and individual notices were also served to the owners to clear dues and so far the Department could recover Rs. 17.12 lakh from 343 vehicle owners. The Department was making all out effort to realise the outstanding dues of Rs. 10.21 lakh and would put up proposal to the Government to waive the dues and cancel the registration of the vehicles of the defaulters. Thus, failure of the Department to realise the dues led to blockage of Government revenue.

FINANCE, REVENUE & EXPENDITURE DEPARTMENT (INCOME AND SALES TAX DIVISION)

5.7.4 Undue delay in realisation of Income Tax

Non assessment of income tax of three business houses resulted in non realisation of Government revenue of Rs. 25.85 lakh.

Under the provisions of the Sikkim Income Tax Manual, 1948, income tax on the gross sale proceeds at prescribed rate is required to be charged from all persons engaged in business. Rule 4 (ii) of the Manual prescribed that 'Every person doing business is expected to keep proper accounts and produce them on demand before the Income Tax Officer, who in default or in case of unsatisfactory account will assess tax according to his discretion'.

Audit scrutiny in September 2004 revealed that three registered dealers did not file their returns during the assessment years 1984-85 to 2002-03. However, the assessment authorities did not call for the same, though a register called "Assessment, Demand and Collection Register" was being maintained by the Department. Cross verification of records with the sales tax records revealed that the dealers made sales valued at Rs.9.64 crore during this period but had not paid any income tax nor was it assessed by the assessing authorities.

After this was pointed out, the Department assessed the dealers between November 2004 and August 2005 and raised a demand of Rs.27.37 lakh out of which Rs.1.52 lakh was recovered.

Table-5.11

(Rupees in lakh)

Sl. No	Name of assessee	Period of assessment	Gross turnover	Tax not paid	Month of Assessment
1	M/s Kwaliti Stores, Gangtok	1994-95 to 2002-03	434.82	12.44	August 2005
2	M/s Rajeev Electronic, Gangtok	1996-97 to 2000-01*	187.83	5.30	November 2004
3	Hotel Tibet, Gangtok	1984-85 to 1987-88 and 1997-98 to 2001-02**	341.35	9.63	January 2005
	Total		964.00	27.37	

Note: Gross turnover for units is based on records of sales tax paid to the Sales Tax Department.

* The assessee has not submitted the Gross turnover for the year 2001-02 onwards to the Department.

** The assessee had not submitted gross turnover for the period 1988-89 to 1996-97, hence no tax was assessed by the Department for that period.

Thus, the Department's failure to promptly assess and realise income tax resulted in non realisation of revenue to the tune of Rs.25.85 lakh.

5.8 Undue benefit of concession

COMMERCE & INDUSTRIES DEPARTMENT

5.8.1 Undue benefit of concession of Excise duty

Excise duty of Rs. 3.84 crore was refunded to an ineligible industry.

The Government vide Commerce and Industries Department notification dated 18 December 1996, formulated a scheme of incentives for industries with effect from 1 April 1996 in supersession of the earlier notification dated 13 March 1991. According to the guidelines contained in Para 2(iv) of annexure to the said notification "all units which came into commercial production on or before 31 March 1990 will be eligible for incentives and concessions as per notification dated 13 March 1991", which is contrary to the above provision. The scheme envisaged concession of deferment of excise duty to the eligible units as contemplated in clause 19 of Annexure *ibid*. Government withdrew the concession with effect from 3 December 1999 in respect of liquor industries as they were treated as negative industries.

M/s Sikkim Distilleries Ltd. which started commercial production in 1954 was not coming under the purview of the scheme under notification dated 18 December 1996. Scrutiny of records revealed (January 2005) that the company was granted incentive of deferment of excise duty with effect from 1 April 1999 on the strength of Commerce and Industries Department's communication dated 5 June

2000 and excise duty of Rs. 3.84 crore already paid by the company during the period 1 April 1999 to 2 December 1999 was refunded (March 2002) by Excise Department. The refund of excise duty to the unit was irregular as the unit was not eligible for this concession.

After this was pointed out by audit, the Excise Department accepted the objection and stated in August 2005 that the irregular refund was made at the instance of Industries Department owing to improper drafting of the notification.

CHAPTER-VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

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CHAPTER-VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies and Statutory corporations

6.1 Introduction

6.1.1 As on 31 March 2005, there were 12 Government companies (nine working companies and three non-working* companies) and three working Statutory corporations under the control of the State Government, with no change in position from that of 31 March 2004. The Companies Act, 1956 is not extended to the State of Sikkim. The companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government companies are audited by the Auditors who are directly appointed by the Board of Directors of the respective companies. The Audit of these companies had been taken up by the Comptroller and Auditor General of India (CAG) on the request of the State Government under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

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

Table-6.1

Name of the Statutory corporation	Authority for Audit by CAG	Audit arrangement
1. Sikkim Mining Corporation (SMC)	Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Audit by the Chartered Accountants and supplementary Audit by CAG
2. State Bank of Sikkim (SBS)		
3. State Trading Corporation of Sikkim (STCS)		

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

*Non-working companies are those which are under the process of liquidation/closure/merger etc.

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

6.2 Working Public Sector Undertakings (PSUs)

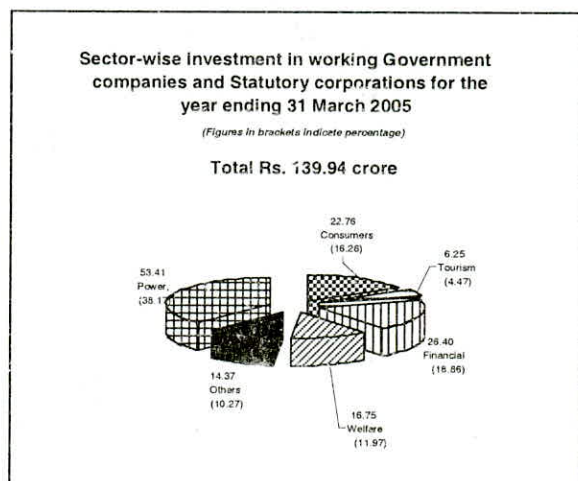
Investment in working PSUs

6.2.1 As on 31 March 2005, the total investment in 12 PSUs (nine Government companies and three Statutory corporations) was Rs. 139.94[†] crore (equity: Rs. 73.76 crore and long-term loans*: Rs. 66.18 crore) as against a total investment of Rs. 137.69 crore (equity: Rs. 72.03 crore and long term loans: Rs. 65.66 crore) in 12 PSUs (nine Government companies and three Statutory corporations) as on 31 March 2004. Increase (Rs. 2.25 crore) in total investment was due to increase in equity and loans mainly in consumer industries, welfare, tourism, and miscellaneous sectors. The analysis of investment in working PSUs is given in the following paragraphs:

Sectorwise investment in working Government companies and Statutory corporations

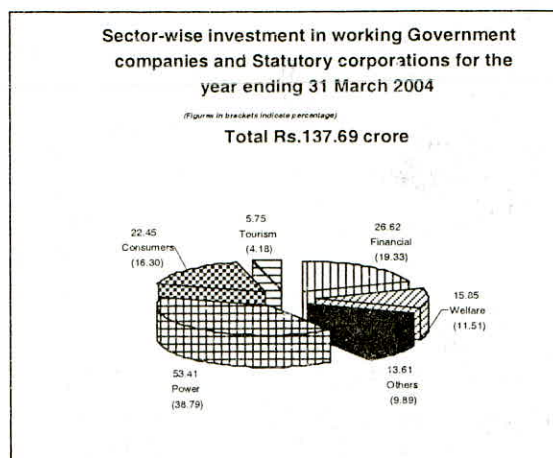
6.2.2 The investment (equity including share application money and long term loans) in various sectors and percentage thereof for the years ended 31 March 2005 and 31 March 2004 are indicated in the pie charts.

Chart-6.1



[†] State Government investment was Rs. 60.73 crore (others: Rs. 79.21 crore). Figure as per Finance Accounts 2004-05 is Rs. 58.70 crore. The difference is under reconciliation.

* Long term loans mentioned in para 6.2.1, 6.2.2, 6.2.3 and 6.2.4 are excluding interest accrued and dues on such loans.



Consumers Tourism Financial Welfare Power Others

Working Government companies

6.2.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2003-04	9	59.09	65.12	124.21
2004-05	9	60.06	65.64	125.70

There was increase in investment during the year mainly, due to increase in equity and loans in the consumer industries, welfare and tourism sectors.

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

As on 31 March 2005, the total investment in working Government companies comprised 47.78 per cent of equity and 52.22 per cent of loans as compared to 47.57 per cent and 52.43 per cent respectively as on 31 March 2004.

Working Statutory corporations

6.2.4 The total investment in the three working Statutory corporations at the end of March 2004 and March 2005 was as follows:

Table-6.2

(Rupees in crore)

Name of corporation	2003-2004		2004-05	
	Capital	Loan	Capital	Loan
State Bank of Sikkim	0.58	-	0.58	-
Sikkim Mining Corporation	11.25	0.54	12.01	0.54
State Trading Corporation of Sikkim	1.11	-	1.11	-
Total	12.94	0.54	13.70	0.54

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Appendix-XVIII**.

As on 31 March 2005, the total investment in the working Statutory corporations comprised 96.21 per cent of equity and 3.79 per cent of loans compared to 96 per cent and 4 per cent respectively as on 31 March 2004.

6.3 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

6.3.1 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and working Statutory corporations are given in *Appendix-XVIII* and *XX*.

The budgetary outgo in the form of equity capital, loans and grants/subsidy from the State Government to the working Government companies and working Statutory corporations for the three years ending 2004-05 is given below:

Table-6.3

(Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	7	3.35	1	0.50	5	4.90	1	0.94	3	0.91	1	0.26
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total	7*	3.35	1*	0.50	5*	4.90	1*	0.94	3*	0.91	1*	0.26

During the year 2004-05, the Government had not extended any guarantee to any PSU. At the end of the year, guarantees amounting to Rs. 78.07 crore against three Government companies (Rs. 78.00 crore) and one Statutory corporation (Rupees seven lakh) were outstanding. There was no case of loans written off, interest waived, moratorium on loan repayment and conversion of loans into equity capital in any company or corporation during the year.

6.4 Finalisation of accounts by working PSUs

6.4.1 Accountability of Public Sector Undertakings to Legislature is to be achieved through the submission of audited annual accounts/reports within the time schedule to the Legislature. It can be seen from *Appendix-XIX* that out of nine working Government companies, none of the companies had finalised its accounts for the year 2004-05 and out of three Statutory corporations, only one corporation* had finalised its accounts for the year 2004-05 within the stipulated period.

During the period from October 2004 to September 2005, four working Government companies had finalised accounts for the previous years. Similarly,

* These are actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective years.

* State Bank of Sikkim.

during this period only one working Statutory corporation finalised its accounts for the year 2004-05 and two corporations finalised their accounts for the previous years.

The accounts of nine working Government companies and two working Statutory corporations were in arrears for the periods ranging from one to four years as on 30 September 2005 as detailed below:

Table-6.4

Sl. No	Name of company/corporation	Period upto which accounts finalised	Period for which accounts in arrears	No. of years for which accounts in arrears
A. Name of the company				
1	Sikkim Time Corporation Limited	2003-04	2004-05	1
2	Scheduled Caste, Scheduled Tribes, Other Backward Class Development Corporation Limited	2003-04	2004-05	1
3	Sikkim Tourism Development Corporation	2003-04	2004-05	1
4	Sikkim Jewels Limited	2002-03	2003-04 2004-05	2
5	Sikkim Industrial Development and Investment Corporation Limited	2003-04	2004-05	1
6	Sikkim Power Development Corporation	2001-02	2002-03 2003-04 2004-05	3
7	Sikkim Poultry Development Corporation Limited	2001-02	2002-03 2003-04 2004-05	3
8	Sikkim Hatcheries Limited	2001-02	2002-03 2003-04 2004-05	3
9	Sikkim Precision Industries Limited	2002-03	2003-04 2004-05	2
B. Name of the Statutory corporation				
1	State Bank of Sikkim	2004-05	NIL	NIL
2	Sikkim Mining Corporation	2003-04	2004-05	1
3	State Trading Corporation of Sikkim	2000-01	2001-02 2002-03 2003-04 2004-05	4

It is the responsibility of the administrative departments 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 informed every quarter by the audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in audit.

6.5 Financial position and working results of working PSUs

6.5.1 The summarised financial results of working PSUs (Government companies and Statutory corporations), as per the latest finalised accounts are given in *Appendix-XIX*. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three

years for which accounts had been finalised are given in *Appendix-XXI* and *XXII* respectively.

According to the latest finalised accounts of eight working Government companies and three working Statutory corporations, five companies and one corporation had incurred an aggregate loss of Rs. 4.30 crore and Rs. 1.40 crore respectively; three companies and two corporations had earned an aggregate profit of Rs. 0.53 crore and Rs. 2.32 crore respectively. One company, Sikkim Power Development Corporation (SPDC) was at the implementation stage.

Working Government companies

Profit earning working companies and dividend

6.5.2 As per the latest finalised accounts, three companies viz. Sikkim Jewels Limited (SJL), Sikkim Precision Industries Limited (SPIL) and Sikkim Industrial Development and Investment Corporation Limited (SIDICO) which finalised their accounts for 2002-03 (SJL & SPIL) and 2003-04 (SIDICO) respectively earned profit of Rs. 0.53 crore. None of the companies declared dividend during the year for which accounts were finalised.

Loss incurring working companies

6.5.3 One company*, out of five loss incurring working Government companies, had accumulated losses aggregating Rs. 49.05 lakh, which exceeded its paid up capital of Rs. 45.83 lakh.

Working Statutory corporations

Profit earning Statutory corporation and dividend

6.5.4 Two corporations (viz. State Bank of Sikkim and State Trading Corporation of Sikkim) which finalised their accounts for previous years by September 2005, earned a profit of Rs. 2.32 crore but had not declared any dividend.

Loss incurring Statutory Corporation

6.5.5 One corporation viz. Sikkim Mining Corporation which finalised its accounts for 2003-04, incurred loss of Rs.1.40 crore and had accumulated losses aggregating Rs. 8.31 crore which represent 71 *per cent* of paid up capital of Rs. 11.75 crore.

Operational performance of working Statutory corporations

6.5.6 The operational performance of the working Statutory corporations for the last three years is given in *Appendix-XXIII*. It would be observed that in case of Sikkim Mining Corporation, percentage of capacity utilisation which was 22 in 2002-03 came down to 19 in 2004-05.

* Sikkim Hatcheries Limited.

Return on Capital Employed

6.5.7 As per the latest finalised accounts, the capital employed[‡] worked out to Rs.101.21 crore in nine working companies and the total return[§] thereon amounted to Rs.0.53 crore from these working companies which is 0.53 *per cent* as compared to total return of Rs. 2.58 crore (2.50 *per cent*) in these companies in previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts worked out to Rs. 283.64 crore and Rs. 2.32 crore (0.82 *per cent*), respectively, against the total return of Rs. 31.52 lakh (0.13 *per cent*) in the previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in *Appendix-XIX*.

6.6 Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

6.6.1 As on 31 March 2005, the total investment in three non-working PSUs (Government companies) was Rs. 1.27 crore (equity: Rs. 1.27 crore) and there was no change in the position since 31 March 2002.

The status of non-working PSUs is as under:

Table-6.5

Sl. No.	Status of Non-working Government Companies	Number of companies	(Rupees in crore)	
			Investment	
			Companies	
			Equity	Long terms loan
1	Under closure	2	0.58	-
2	Other*	1	0.69	-
	TOTAL	3	1.27	-

*The operational function has been leased out.

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

Budgetary outgo, grants/subsidy, guarantees, waiver of dues and conversion of loans into equity

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

The State Government had not given any budgetary support during 2004-05 to these non-working PSUs.

[‡] 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).

[§] For calculating total return on capital employed, interest on borrowed fund is added to net profit/ subtracted from the loss as disclosed in the Annual Accounts.

Total establishment expenditure of non-working PSUs

6.6.3 The year-wise details of total establishment expenditure of two non-working Government companies and the source of financing them during the last three years up to 2004-05 could not be analysed due to non-finalisation of accounts by the respective PSUs. One non-working company viz. Sikkim Livestock Processing and Development Corporation Limited is under lease. An amount of Rs. 2.44 lakh was spent towards establishment expenditure during 2002-03 from the grant received from the State Government.

Finalisation of accounts by non-working PSUs

6.6.4 The accounts of three non-working companies were in arrears for the periods ranging from two to 10 years as on 30 September 2005 as could be noticed from **Appendix-XIX**

Financial position and working results of non-working PSUs

6.6.5 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Appendix-XIX**.

The 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-6.6*(Rupees in crore)*

Name of the Company (Year of Accounts)	Paid-up capital	Net-worth**	Cash loss (-) / ††Cash profit (+)	Accumulated loss(-)/ accumulated profit (+)
1. Sikkim Flour Mills Limited (1994-95)	0.60	0.47	-	(+) 0.13
2. Sikkim Livestock Processing and Development Corporation Limited (2002-03)	0.69	0.04	(+) 0.01	(-) 0.65
3. Chandmari Workshop and Automobiles Limited (1994-95)	0.002	(-) 0.02	(-) 0.14	(-) 0.02

6.7 Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

6.7.1 The following table indicates the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by Government:

** Net worth represents paid up capital plus free reserves less accumulated loss.

†† Cash loss/profit represents loss/profit for the year plus depreciation for the year.

Table-6.7

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
1	Sikkim Mining Corporation (SMC)	1999-2000	2000-01 2001-02 2002-03	November 2005	To be placed in the next session of the Legislature
2	State Bank of Sikkim (SBS)	2001-02	2002-03		
3	State Trading Corporation of Sikkim (STCS)	1999-2000	2000-01		

6.8 Disinvestment, privatisation and restructuring* of Public Sector Undertakings

6.8.1 During the year 2004-05, there has been no privatisation (partial or complete) of any activity of these companies or corporations, and the Government has also not gone for disinvestments of shares in any company/corporation.

6.9 Results of Audit by Comptroller and Auditor General of India

6.9.1 During the period from October 2004 to September 2005, the audit of accounts of four working companies and one working Statutory corporation were selected for review. The net impact of the important audit observations as a result of review of the PSUs was decrease in profit of Rs. 2.94 lakh in one working company and increase in loss of Rs. 138.07 lakh in three working companies.

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:

Sikkim Tourism Development Corporation (2003-04)

- Sundry Debtors amounting to Rs. 5.08 lakh were lying outstanding since 2000-01 but no provision was made towards doubtful debts to that extent which resulted in overstatement of "Sundry Debtors" with a corresponding understatement of loss.

Sikkim Time Corporation Limited (2003-04)

- As per directives of Income and Sales Tax Departments, Government of Sikkim, provision for income tax on turnover was to be made. Non-provision of this liability has resulted in understatement of loss by Rs.7.12 lakh with a corresponding understatement of liabilities.

State Trading Corporation of Sikkim (2000-01)

- "Loans and advances" includes long outstanding dues of Rs.3.07 lakh pertaining to the period from 1984-85 to 1994-95. The management, however, did not make any provision for such long outstanding dues which resulted in

* Restructuring includes merger and closure of PSUs

overstatement of "Loans and advances" to the tune of Rs. 3.07 lakh with a corresponding overstatement of profit.

State Bank of Sikkim (2002-03)

- A cash shortage of Rs.10,000 had occurred in the year 1995 at Melli Branch, which was later recovered by the police authority and kept under their custody till the end of the year 2002-03. Though the above amount was not actually in the cash chest on 31 March 2003, the cash balance as on 31 March 2003 was shown inclusive of that amount. As such, the "Cash and Bank Balance with RBI" was overstated by Rs. 10,000 with a corresponding understatement of "Other Assets".

Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Ltd. (2003-04)

- The Corporation had consistently kept provision for Non-performing Assets (NPA) as per their accounting policies till 2002-03. The management, though quantified the amount of provision for NPA to the extent of Rs.1.18 crore during 2003-04, but did not provide for the same in the accounts which resulted in overstatement of "Loans and Advances" with a corresponding understatement of loss to the extent of Rs.1.18 crore.

6.10 Response to inspection reports, draft paragraphs and reviews

6.10.1 Audit observations noticed during audit and not settled on the spot are communicated to Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of the PSUs are required to furnish replies to the Inspection Reports within a period of four weeks. Inspection Reports up to March 2005 pertaining to 14 PSUs (including two departmental undertakings) disclosed that the 132 paragraphs relating to 38 inspection reports remained outstanding at the end of September 2005. Department-wise break up of inspection reports and Audit observations outstanding as of September 2005 is given in ***Appendix-XXIV***.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of two draft paragraphs and one draft review forwarded to the various departments between April 2005 to June 2005 as per details in ***Appendix XXV***, replies to review and two draft paragraphs were awaited (September 2005).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/ draft paragraphs / reviews as per the prescribed time schedule, (b) action is taken to recover loss/ outstanding advances / overpayments in a time bound schedule, and (c) the system of responding to the audit observation is revamped.

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

6.11.1 One paragraph of the Commercial Chapter of the Audit Report (2003-04), Government of Sikkim is pending discussion by Public Accounts Committee as at the end of March 2005.

SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

6.12 Internal Control System and Internal Audit in State Financial Undertakings

Highlights:

Delayed preparation of budgets and wide variations in projected and actual resources led to the budgeting exercise not being used as an effective tool of internal control.

(Paragraph 6.12.6)

There was no internal audit wing and no internal audit was conducted even through the firm of Chartered Accountants.

(Paragraph 6.12.20)

Loans amounting to Rs. 34.37 crore were sanctioned without carrying out risk analysis of the schemes, credit worthiness of applicants, critical scrutiny of projections and track records of loanees were also not verified.

(Paragraph 6.12. 9)

Recovery percentage ranged between 10.52 and 21.03 per cent of demand.

(Paragraph 6.12.14)

There was inordinate delay ranging between three and 12 years between the dates of defaults and filing of cases against defaulters.

(Paragraph 6.12.15)

Percentage of non performing assets ranged between 66.60 and 82.72 per cent of total assets during last five years.

(Paragraph 6.12.16)

6.12.1 Introduction

Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and adequate manner. A good system of internal control should comprise, *inter alia*, proper allocation of functional responsibilities within the organisation, proper accounting data, efficiency in operations and safeguarding of assets, quality of

personnel commensurating with their responsibilities and duties and review the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Internal control in the Government financial institutions assumes more significance in view of the fact that institutions have to appraise properly that all the loan applications were examined critically so that the risk of default by the borrowers is reduced to the minimum.

Sikkim Industrial Development and Investment Corporation Limited (SIDICO) was established in March 1977 under the Sikkim Registration of Companies Act, 1961 with the main objective of achieving rapid industrial and economic development of the State by providing financial assistance to cottage, tiny, small and medium industries.

The company is managed by the Board of Directors, consisting of a Chairman and six Directors as on 31 March 2005.

6.12.2 Scope of audit

The performance audit conducted during April to May 2005, examines the mechanism of internal control systems prevalent in the company during 1999-2000 to 2003-04.

6.12.3 Audit objectives

Performance audit of Internal Control in respect of lending activities of the company was conducted with a view to assessing whether:

- The institution executed different term lending activities in a prudent manner;
- The Internal Control System of the institution was adequate and effective in the matters relating to appraisal and sanction, disbursement and monitoring, demand and recovery and management of Non-performing Assets (NPA) and other related activities.

6.12.4 Audit criteria

The following criteria was adopted to evaluate:

- Appraisals – scrutinizing procedures prior to sanction of loans;
- Appraisals scrutiny procedures prior to sanction of loans;
- Documentation prior to disbursement;
- Timely demand, collection and accounting of installments;
- Recovery measures in respect of default cases.

6.12.5 Audit methodology

Following audit methodologies were adopted:

- To check the company's budgetary exercises, Company's annual Business Plan and Resource Forecasting (BPRF) and minutes of meetings were examined.
- For verifying appraisal of loans, the prescribed checklist, records regarding Company's inspection to the concerned unit prior to sanction of loans and appointment of nominee Directors, project reports and audited accounts of the units were examined.
- For examining the Company's handling of demand and recovery of loans, the individual loan files and suit filed cases were checked.
- Company's annual accounts were checked to determine the Company's effective control over management of non-performing assets, management of assets taken over and investments.

Audit findings

The mechanism of internal control system prevalent in the company was reviewed and irregularities noticed are discussed in the succeeding paragraphs.

6.12.6 Budgetary control

Budget is a quantitative financial expression of a programme of measure planned for a given period. The annual budget is drawn up with a view to plan future operations and to make *ex-post-facto* checks on the results obtained. Timely preparation of budget and analysis of the variations noticed in the actual execution serves the purpose of internal control.

The Company prepared Business Plan and Resource Forecasting (BPRF) annually based on which the funds were borrowed from financial institutions viz. Industrial Development Bank of India and Small Industrial Development Bank of India depending on the requirement. Audit analysis revealed that:

- The Company did not prepare BPRF well in advance before the commencement of the financial year as can be seen from the following table.

Table – 6.8

Year	Preparation of BPRF	
	Board Meeting	Date
1999-2000	77 th	19 March 1999
2000-01	80 th	11 May 2000
2001-02	82 nd	8 March 2001
2002-03	86 th	6 July 2002
2003-04	88 th	11 July 2003

- The budget of 1999-2000 was approved by Board of Directors with the instruction to reflect projection as well as actual figures of resources of the company for the previous year and the achievement for the year to

be submitted on quarterly basis, which was not adhered to by the Management.

- Though there were wide variations from 13 per cent to 336 per cent between budgeted and actual figures of resources of the company during the last five years except in 1999-2000, as given in **Table 6.9** below, the Company did not analyse the reasons for such variations in any of the years and initiate corrective action.

Table- 6.9

(Rupees in lakh)

Year	Budget	Actuals	Variations
1999-2000	421.61	419.42	(-) 2.19 (0.52)
2000-2001	375.67	512.36	(+) 136.69 (36)
2001-2002	421.06	562.01	(+) 140.95 (34)
2002-2003	495.51	2,161.07	(+)1,665.56 (336)
2003-2004	2,941.01	2,558.74	(-) 382.27 (13)

(Figures in brackets indicate percentage)

Audit analysis revealed that the wide variation between the budgeted and actual figures of resources was due to:

- more receipts from recovery of loans including interest, borrowings from SIDBI and State Government, encashment of Term Deposit Receipts, interest in fixed deposits and other cash inflow in 2000-01 and 2001-02;
- infusion of funds to the tune of Rs.13.80 crore for implementation of certain schemes i.e. Chief Minister's Self Employment Schemes (CMSES), Software Technology Park of India and Export Infrastructure Scheme of Government of India, and receipt from Yoksom Breweries Limited towards disinvestment of the Company's share, during 2002-03;
- less receipt of funds from Government and borrowings from SIDBI etc., during 2003-04.

The Management in its reply (May 2005) stated that such extra funds were not anticipated at the beginning of the year. The reply is not tenable since the budget estimate could have been augmented to more realistic levels during the course of the year through supplementary budgetary provisions and its approval in the subsequent meetings of the Board of Directors of the Company, which was obviously not done. Thus, the exercise of making realistic budget to facilitate expenditure control was just not carried out.

6.12.7 Functional Manuals

Functional Manuals provide guidance to the personnel in charge of appraisal, disbursement and recovery of loans and also to proceed for legal action as per terms and conditions. Audit analysis revealed that the Company did not prepare any functional manual. This indicated that the Company was yet to formulate internal control measures for the above activities even after three decades of its existence.

The Management, while accepting the fact stated (May 2005) that the Company was following the guidelines of SIDBI in respect of loan sanction. The Management further stated (July 2005) that the functional manual would be prepared for their reference.

6.12.8 Operational Controls

The lending function involves following three major activities:

- Appraisal and sanction.
- Disbursement (obtaining security and documentation) and monitoring.
- Demand and recovery.

Internal control in respect of these functions are discussed in the succeeding paragraphs.

Term Loans

6.12.9 Appraisal and sanction

Appraisal is the critical examination of technical, financial and commercial feasibility of a project to judge the managerial competence of the promoters to implement and run the project successfully. Appraisal of projects is necessary to determine whether it would be worthwhile to make investment in those projects. The quality of appraisal depends on the degree of accuracy of estimates on which the project is based. Preparation of appraisal report becomes easier if the project report is prepared after considering all the relevant information/data with due importance to the different factors concerned with the project.

The broad scheme-wise classification of financial assistance sanctioned by the Company during the last five years is given below:

Table – 6.10

(Rupees in lakh)

Description	Number of loanees	Amount
Hotel/Restaurant	221	407.55
Composite/SSI	286	211.56
Personal computer	1,322	690.11
Motor Vehicle	63	131.00
CMSES	3,198	1,997.00
Total	5,090	3,437.22

The Company sanctioned Rs. 34.37 crore to 5,090 loanees as financial assistance during the period 2000-01 to 2004-05. The Company prescribed a checklist for sanction of loans for the projects; but the checklist was not complete in all respects. Audit test checked 153 cases out of 1892 cases. Audit analysis of 153 (excepting CMSES) cases revealed the following deficiencies:

- The Management did not carry out risk analysis of the schemes/projects considered for sanction of loans.
- Credit worthiness of applicants was not ascertained from Banks/financial institutions, etc.

- Projections in the applications were accepted without critical scrutiny.
- Critical information pertaining to loanees' track records, servicing of previous loans, working capital tie-up, etc. were absent in appraisal format.
- Loans were sanctioned without verifying the audited accounts.

The Management stated (May 2005) that while project reports were not insisted for the loans upto Rs.2 lakh, cases involving large amounts were sanctioned after consultation with Small Industries Service Institute/Small Industries Development Bank of India and prior visit to the units to ensure correctness of the information furnished and the minimum contributions from the promoters. Care was being taken to ensure that the loans were secured through mortgage of adequate properties *i.e.* land, building etc. The Management further stated (July 2005) that the Company did insist for the audited statement of accounts for the existing cases and in respect of new cases. The application provided particulars pertaining to promoters' bio-data, cash flow statement, profitability statement etc. and obtained NOC from all commercial Banks prior to sanction. The reply is not tenable as notwithstanding the care stated to have been taken before sanction of loans, many cases were noticed which led to default and litigation; possession of property valuing much less than the amount of loan sanctioned and occurrence of loss in the disposal of such properties after taking over from the defaulters. The total Non Performing Assets at the end of 2004-05 were Rs. 11.57 crore (56 *per cent*) against the total assets of Rs. 20.80 crore which further substantiated the audit findings.

Disbursement and monitoring of term loans

Scrutiny of the system of disbursement and monitoring revealed the following deficiencies:

6.12.10 Post-disbursement monitoring

Out of six industrial loans of above Rs. 2 lakh sanctioned since 1999-2000 to 2004-05 only one unit cleared the entire repayment, of the remaining five units from whom an amount of Rs. 8.40 lakh was due, none of the units repaid the amount due as per details shown in *Appendix – XXVI*.

It could be seen from the *Appendix* that the firm Digital Imagine System was sanctioned a sum of Rs. 8.90 lakh and was disbursed (June 2001) an amount of Rs. 8.82 lakh at the interest of 16 *per cent* per annum. The repayment schedule stipulated payment of Rs. 0.65 lakh in June 2002 and subsequently at the rate of Rs. 0.75 lakh, with effect from December 2002, on half yearly basis. The firm, however, had not repaid any instalment and the dues mounted to Rs. 4.40 lakh as on March 2005. The Management sent (April 2004 and March 2005) demand notices twice but no further action was taken (September 2005).

Similarly, Nirvana Hotel was sanctioned and disbursed (May – June 2003) Rs. 8 lakh at the interest rate of 17 *per cent* per annum. The repayment schedule

stipulated payment of Rs. 0.80 lakh on half yearly basis with effect from May 2004. No repayment was, however, made by the firm and the dues mounted to Rs. 1.60 lakh as on March 2005. The Management had not taken any action to recover the dues.

Thus, the Company did not have effective internal control system relating to the post disbursement monitoring of loans.

In reply, the Management stated (July 2005) that the matter was being followed.

6.12.11 Appointment of nominee directors

Though one of the conditions of the sanction of loans envisaged nomination of one Director from the Company in the management of the units availing of loans, most of the units assisted by the Company were promoted by their own family members. The units were not convening any Board meeting even in the case of nominees appointed by the Company.

6.12.13 Audited accounts of assisted units

The Company did not have the system of obtaining the audited accounts from the assisted units and carrying out inspection of the units from time to time to assess their performance and also problems, if any.

In reply, the Management stated (May 2005) that the Company convened meetings with the entrepreneurs frequently to help and find reasons for default, to make indepth analysis of reasons for sickness and for working out solution to the problems and offer revival package, if necessary. The same, however, could not be verified by audit as the Management failed to produce any records in support of their reply.

6.12.14 Demand and recovery

The prompt recovery of loans and advances as per the agreed schedule of repayment was very much essential as the Company had to plough back the funds for development of industrial activity. The position of demand and recovery during last five years upto 2004-05 was as follows:

Table 6.11

(Rupees in lakh)

Year	Demand			Recovery			Percentage of recovery		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2000-01	1,326.97	1,215.52	2,542.49	175.29	92.26	267.55	13.21	7.59	10.52
2001-02	1,304.71	1,105.78	2,410.49	204.57	104.38	308.95	15.68	9.44	12.82
2002-03	1,264.43	1,020.89	2,285.32	264.10	87.53	351.63	20.89	8.57	15.39
2003-04	1,424.34	1,070.10	2,494.44	335.76	98.62	434.38	23.57	9.22	17.41
2004-05	1,421.07	1,122.42	2,543.49	429.79	105.07	534.86	30.24	9.36	21.03

Audit observed that the recovery of principal ranged between 13.21 and 30.24 per cent and that of interest ranged between 7.59 and 9.44 per cent during the period 2000-01 to 2004-05. Though the average recovery showed marginal improvement from 10.52 per cent in 2000-01 to 21.03 per cent in 2004-05, the recovery percentage was far below the requirements. Audit analysis revealed that poor

recovery was primarily due to sanction of loans to promoters of industries without ensuring the feasibility of success of the projects. This trend led to large number of suits being filed and pending settlement. The suits filed involved Rs. 9.77 crore at the end of 2004-05 and the percentage of such cases ranged between 38.42 and 60.96 *per cent* of amount demanded from loanees. The position of demand under suit filed cases is shown in *Appendix –XXVII*.

In reply, the Management attributed (May 2005) the reasons of poor recovery due to lack of recovery discipline. Several larger projects (above Rs.10 lakh) ran into difficulties and were lying closed because of delay in implementation of the project, non-availability of working capital, power, transportation shortages etc. Therefore, legal suits were filed and recovery proposed under the Sikkim Public Demand Recovery Act,1988 (SPDRA) and through Lok Adalat. Constraints faced in the processing of cases under SPDR Act and Lok Adalat were as under:

- While a case under SPDRA should be filed within a period of three months many cases were barred by limitation of time.
- A full time Certificate Officer was not appointed by the Government to dispose of the cases within the stipulated time.
- In most of the cases settled under Lok Adalat the amounts were not paid as committed by the loanees.

The reasons given by the Management are indicative of the fact that the feasibility of the projects were not properly evaluated which led to poor recovery of dues. Further, all the 20 cases filed under SPDR Act were time barred i.e. more than three years old.

6.12.15 Legal cases

Test check of suit cases revealed that the Company did not initiate effective action to file the cases against defaulters in 57 cases. There were inordinate delays ranging between three and 12 years between the date of default and the date of filing the cases in those cases. Further, of the total of 110 cases filed and decrees obtained between April 2001 and November 2004, the Company filed (March 2005) execution petitions in 68 cases only. The Company was yet to file execution petition in the remaining cases.

Audit analysis revealed that the Company did not devise any internal control mechanism to deal expeditiously with the recovery of loans after obtaining the decrees.

Management stated (May 2005) that the Company could not file any case under SPDR Act,1988 during July 1992 to end of 1993 as the office of the Certificate Officer was lying vacant. During March 2005, the Company, however, filed execution petition with the Certificate Officer in respect of 11 loan cases for recovery of Rs.4.15 crore, the results of which are awaited.

The Management, however, failed to initiate cases between 1994 and February 2005, and taken action only in respect of 11 cases as against 110 defaulters.

6.12.16 Management of Non-Performing Assets

According to the Reserve Bank of India (RBI) guidelines, assets were to be categorised as Standard, Sub-standard, Doubtful and Loss. Loans falling due for a period not exceeding one year are termed as Standard assets, overdue for a period of one year but not exceeding two years are termed as Sub-standard Assets, outstanding for more than two years but not exceeding five years as Doubtful Assets and for more than five years as Loss Assets. Accordingly, the majority of the assets were treated as Non-performing Assets (NPA) as detailed below:

Table – 6.12*(Rupees in lakh)*

Year	Assets		Non-performing assets			Total NPAs
	Total	Standard	Sub-Std.	Doubtful	Loss	
2000-01	1,887.80	326.21 (17.28)	115.85 (6.14)	440.80 (23.35)	1,004.94 (53.23)	1,561.59 (82.72)
2001-02	1,967.07	472.23 (24.01)	85.74 (4.36)	407.28 (20.70)	1,001.82 (50.93)	1,494.84 (75.99)
2002-03	1,994.64	596.21 (29.89)	76.91 (3.85)	484.60 (24.30)	836.92 (41.96)	1,398.43 (70.11)
2003-04	1,996.37	555.20 (27.81)	68.12 (3.41)	278.17 (13.94)	1,094.88 (54.84)	1,441.17 (72.19)
2004-05	2,079.95	694.73 (33.40)	69.27 (3.33)	289.35 (13.91)	1,026.60 (49.36)	1,385.22 (66.60)

(Figures in brackets indicate the percentage to total assets)

It could be observed from the above table that the percentage of standard assets to total assets ranged between 17.28 and 33.40 *per cent* only. The percentage of total NPAs (under three sub-head: Sub-standard, doubtful and loss assets) though registered a declining trend from 82.72 *per cent* in 2000-01 to 66.60 *per cent* in 2004-05, the position was, however, alarming. The analysis of loss assets revealed that more than 50 *per cent* of total assets was booked as loss assets in all the relevant years except in 2002-2003 where it was marginally less at 41.49 *per cent*. In reply, the Management stated (May 2005) that large number of assets classified as loss assets were recovered under One Time Settlement.

The reply is not acceptable as the Company considered only Rs. 3.52 crore for settlement under One Time Settlement against the total NPA of Rs. 13.85 crore at the end of 2004-05. Thus, the major amount of NPA constituting 75 *per cent* still remained unsettled.

6.12.17 One Time Settlement

To strengthen the liquidity position the Management decided (December 1995) to settle the outstanding dues of defaulters in respect of loans sanctioned prior to 31 March 1995 by adjusting the repayments towards interest and principal on 50:50 basis. The Managing Director was empowered to waive interest on interest and penal interest and extend concessions of interest for One Time Settlement (OTS)

Table- 6.14

(Rupees in lakh)

Sl	Unit	As on 31.03.2000, 31.3.2001, 31.03.2002		As on 31.03.2003, 31.03.2004		Remarks
		No. of shares	Invested Amount	No. of shares	Invested amount	
1.	Yuksom Breweries Ltd.	3,00,000	30.00	--	--	During the year 2002-2003 the company disinvested.
2.	Sikkim Vanaspati Ltd.	9,32,763	93.28	9,32,763	93.28	
3.	Scan Industries (P) Ltd	1,000	1.00	1,000	1.00	
4.	West Bengal Consultancy Organisation	75	0.75	75	0.75	
5.	Sikkim Jewels Ltd.	78,129	116.15	78,129	116.15	
6.	Sikkim Jewels Ancilliary Units	48,750	48.75	48,750	48.75	
	Total	13,60,717	289.93	10,60,717	259.93	

Audit analysis revealed that the investment of Rs.2.60 crore did not prove to be prudent and rewarding except for Rs. 30 lakh in Yoksum Breweries Ltd. (YBL) for which the Company earned dividend of Rs.6 lakh each during 1999-2000, 2000-01 and 2001-02. The share capital investment in the Companies at serial no. 2 and 3 (Rs. 94.28 lakh) was completely lost as the units were defunct long back and the loans sanctioned were also not recovered. Obviously, the investments made in these units not only proved imprudent and non rewarding but also resulted in irrecoverable loss. The Company made a provision of Rs.1.78 crore for diminution in value of investment as against the total investment of Rs.2.60 crore. While accepting the fact, the Management stated (May 2005) that the Company had not participated in the equity of any projects during the last five years in view of the low/no return on investment made in equity of the assisted units.

6.12.20 Internal Audit

Internal Audit is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst others, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems.

Following further irregularities were noticed:

- The Company did neither have Internal Audit wing within the Company nor was getting the work done through Chartered Accountants after the financial year 1997-1998.
- During November 2004, the Internal Audit Wing of Government of Sikkim audited the transactions of the Company but the report was not issued to the Company till May 2005.

The Management stated (May 2005 and July 2005) that in view of huge administrative cost and low volume of business, the internal audit was discontinued since 1998-99. The Company would consider appointment of

internal auditor or set up separate internal audit cell once the volume of business increased.

6.12.21 Conclusion

The Budgets had not been used as a tool of internal control as they were neither finalised in time nor variations analysed during the period 2000-01 to 2004-05. There was no Functional Manual for the guidance in respect of lending functions. The system of appraisal of loan applications and sanction, disbursement and monitoring, demand and recovery of term loans was defective resulting in accumulation of dues, irrecoverable loss etc. There were instances of inordinate delays in initiating legal action against chronic defaulters and also filing of execution petitions on decreed cases. Imprudent investments on equity participation resulted in irrecoverable loss besides no return from the other working units. There was no Internal audit system in existence.

6.12.22 Recommendations:

The Company should initiate action to:

- Analyse variations between projected and actual resources of the Company to make the Budgetary exercise more realistic and meaningful.
- Prepare functional manual at the earliest.
- Introduce internal audit system expeditiously.
- Introduce the meticulous appraisal of the loanee concerns/individuals by studying their background of financial status, their ability to manage working capital, credit risk of the scheme/project, audited accounts etc. before sanction of loans.
- Take prompt and effective action for recovery of dues and
- File cases for execution immediately after decrees have been obtained in respect of defaulters.

The above matters were reported to the Management (June 2005) and Government (June 2005); the reply from the Government had not been received.

6.13 Wasteful expenditure

SIKKIM MINING CORPORATION

6.13.1 Wasteful expenditure towards installation of floating column

Imprudent decision of the Management in installing the plant with the objective to produce high grade copper concentrate and lead with improved recoveries resulted in wasteful expenditure of Rs. 15 lakh with a further liability of Rs. 5 lakh.

Encouraged by the results of demonstration at Sikkim Mining Corporation (SMC) by Scientist of Regional Research Laboratory (RRL), Bhubaneswar in November 2000, the Managing Director of the Corporation decided to install a Commercial Floating Column in the copper cleaning circuit with the help of RRL during 2000-01. It was anticipated that the Corporation would be benefited by producing high grade copper concentrate and lead with improved recoveries, besides saving power consumption to a great extent. The decision to install column floatation plant was taken as a measure of turning around the declining performance of the Corporation as its capacity utilisation at 60 *per cent* was very low which was due to inadequate power supply and high operational (staff) costs. Based on the project proposals submitted by RRL (June 2001) the Corporation issued work order (December 2001) to RRL on turnkey basis, to be completed in six months. Against the total project cost of Rs. 20 lakh, advance payment of Rs. 15 lakh was made in October i.e. two months prior to the issue of work order and the balance of Rs. 5 lakh was payable after successful demonstration and final report.

Scrutiny of records revealed (June 2004) that though the work was to be completed within six months (June 2002), the same was completed only in June 2003, after a delay of one year. There was no recorded reason for such delay. Further, demonstration of the plant was not done and final report thereof was not submitted by the RRL as required. In the meantime, a Consultant was appointed (April 2003) for conducting techno feasibility study-cum- project proposal for turnaround of the Corporation. Based on the recommendations of the Consultant, the Management, in the presence of RRL representative decided (September 2003) to dispose of the column floatation plant in view of non- viability of the mining operation as a whole. The RRL, however, insisted on releasing balance amounting Rs. five lakh before disposing of the plant. No further action was taken to sort out the issue of disposal of the plant.

Thus, due to imprudent decision of the Management taken in haste without considering the potentiality of the mines, the column floatation plant installed with the objective of producing high grade copper concentrate and lead with improved recoveries did not serve the purpose. The expenditure of Rs. 15 lakh with a further liability of Rs. 5 lakh proved to be infructuous.

In reply (June 2005) and during further discussion (August 2005) the Management stated that the decision to install column floatation plant was taken at the wrong time based on the assurance given by RRL, Bhuwaneswar that plant would be economically viable and would provide much needed remedy in the form of improvement of capacity utilisation to 80 *per cent*. The floatation column could not be operated on the existing power supply received by the Corporation. The Corporation also did not have the required trained manpower for operating the plant. The Consultant, engaged (April 2003) for assessment of economic viability felt that the prospect of the mining operation of all the mines of Corporation was very bleak and recommended (July 2003) for diversification to non-mining fields. The Government, however, did not favour diversification and decided (June 2004) for winding up of the Corporation.

The fact, however, remained that the very purpose of installing column floatation plant remained defeated and the entire expenditure proved unproductive.

The matter was reported (April 2005) to Management and Government; the reply of the Government is awaited (September 2005).

6.14 Regularity issues

SIKKIM HOUSING AND DEVELOPMENT BOARD

6.14.1 Irregularities in the sanction of loans

Non observance of the prescribed procedures for sanction of loans and lack of initiative in recovering the dues resulted in accumulation of outstanding dues of Rs. 60.79 lakh.

The Audit of Sikkim Housing and Development Board (SHDB) (established in 1979) was entrusted (November 2003) to Comptroller and Auditor General of India under Section 19 (3) of CAG's (DPC) Act, 1971 for the period 2000-01 to 2004-05. The first audit of the Board conducted in March 2005 revealed following irregular sanction of loans to the officials of the Board.

➤ The Board sanctioned (July 1991) a loan of Rs.13.50 lakh to Shri K.K. Rasaily, the ex- Secretary/Chief Executive of the Board under scheme no. 10395 which was open to the public. The amount was released between July 1991 and December 1994. The required formalities *viz.* sanction of loans against security of a piece of dry land without mentioning the value of land and original deed, belated drawal of agreement (in February 1996), without submission of registered deed of mortgage etc. were not followed. The loanee repaid Rs. 2.72 lakh between July 1995 and January 2001. Though the loanee failed to make repayment as per recovery schedule, the Board did not stop release of further instalment as stipulated in the agreement. The Board also did not impose its rights to recover

the entire balance after the borrower defaulted repayment for more than three instalments as per agreement. Further, as per mortgage deed the Board had the right to have the scheduled land and so much of the house as might have been constructed over it, sold for realisation of the advances and interest due thereon. This clause was also not imposed by the Board in this case. In the meantime, the Board sanctioned a second loan of Rs. 4.50 lakh (August 2000) against the same mortgage. No instalment of this loan was paid till date (March 2005). Sanction of second loan before recovery of previous loan and against the mortgage of the same property was irregular. Till the date of Audit (March 2005), only Rs. 2.72 lakh was repaid by the borrower and the total dues (including principal, defaulted principal, interest and penal interest) aggregated to Rs. 40.25 lakh. No concrete steps were taken by the Management for recovery of dues.

In reply (June 2005) and during further discussion (August 2005) the Board stated that the loanee had authorised the transfer of all his retirement benefits to the Board and assured to pay the shortfall from other sources. No recovery has, however, been made so far (September 2005).

➤ The then Chairman of SHDB, Shri Uday Lama sanctioned himself two Housing Loans (March 1995 and June 1996) of Rs. 2 lakh each on the strength of only one mortgage deed. This scheme was open to the public. The loan application was not supported by proper documentation like original *parcha* and sale deeds of the land. Though the borrower had failed to repay the loan the Board took no action to invoke the deed of mortgage and sell the land. Further, the borrower did not furnish the required information alongwith the application like information about spouse, financial details, details of earlier loans applied, photograph and supporting documents. The supporting documents which were not furnished were documents evidencing lawful ownership of land being mortgaged, its *khaitan* and plot number, document evidencing the legal boundary of the said land, construction progress certificate from DC/SDM, dwelling house certificate from DC/SDM, etc. The loan was not repaid by the Chairman and the accumulated dues (including principal, defaulted principal, interest and penal interest) stood at Rs. 10.39 lakh as on March 2005. The Management served legal notice (October 2001), only once. No further action was initiated to recover the dues.

In reply (June 2005) and during further discussion (August 2005) the Board admitted the irregular sanction and stated that the case had been referred to the Certificate Officer through a petition under Sikkim Public Demand Recovery Act, 1988.

➤ Ex- Senior Financial Officer, Shri Rohit Pradhan was sanctioned Rs. 3.50 lakh (May 1991) and Rs. 3 lakh (April 2001) as loans to staff without obtaining proper documentation *i.e.* mortgage deed, agreements *etc.* After repaying Rs. 3.04 lakh till December 2002, the loanee stopped repaying the loans. The incumbent deputed for study tour in Australia in December 2001 did not resume duty and his services were terminated (October 2003). The outstanding loan (including principal, defaulted principal, interest and penal interest) of Rs. 10.15 lakh (March 2005) could not be recovered.

In reply (June 2005), the Board stated that since the loanee is out of country for a long period, action would be taken to recover loan from him in consultation with the Standing Counsel of the Board.

Thus, the non observance of the prescribed procedures for sanction of loans and lack of initiative in recovering the dues resulted in accumulation of outstanding dues of Rs. 60.79 lakh as of March 2005.

The matter was reported (May 2005) to Management and Government; the reply of the Government is awaited (September 2005).

CHAPTER-VII

INTERNAL CONTROL SYSTEM & INTERNAL AUDIT ARRANGEMENT IN GOVERNMENT DEPARTMENTS

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CHAPTER – VII

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ARRANGEMENT IN GOVERNMENT DEPARTMENTS

CO-OPERATION DEPARTMENT

7.1 Internal Control (IC) is an integral process that is effected by an entity's management and personnel and is designed to provide reasonable assurance that the following general objectives are achieved:

- Fulfilling accounting obligations;
- Complying with applicable laws and regulations;
- Executing orderly, ethical, economical, efficient and effective operations;
- Safeguarding resources against loss.

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

A performance Audit was conducted in April-May 2005 to gauge the efficiency of the IC system of the Co-operation Department. The results are enumerated in succeeding paragraphs.

7.2 Introduction

The Co-operation Department was formed with the objective to organise, register, promote and develop various types of Co-operative Societies in the State, conduct training, undertake and promote marketing of products, develop suitable infrastructure for such activities and ensure the success of cooperation movement in the State. The Department was responsible for inspection and audit of accounts of the Co-operative Societies at prescribed intervals and guide the societies in proper maintenance of accounts and carrying out the affairs of the societies strictly in accordance with the rules and orders of Government contained in 'Sikkim State Co-operative Societies Act, 1978' and 'Sikkim Co-operative Societies Rules, 1981' as amended from time to time.

In Sikkim, two – tier co-operative societies are functioning *i.e.* Apex Co-operative Societies (5) and Primary and Multi-purpose Co-operative Societies (540). While the management of affairs of Apex level societies was vested with Board of Directors, the respective Managing Committee was responsible for day to day management of the other societies. 361 out of 545 societies registered (since 1959) were functional as on 31 March 2005.

7.3 Scope of Audit

A Performance Audit on the 'Internal Control System including Internal Audit System' in the Co-operation Department for the years 2000 to 2005 was conducted in April-May 2005 with reference to the records maintained in the Office of the Secretary, Co-operation Department and Registrar, Co-operative Societies to assess whether necessary control mechanisms were appropriately prescribed, functional and adequate to enable the Department to fulfill the assigned objectives.

7.4 Audit methodology

The Performance Audit was carried out based on analysis of procedures existing in the Department as regards accounting, compliance with applicable laws and regulations, orderly, ethical, economical, efficient and effective execution of various activities/operations and safeguarding resources against loss.

Data and information provided by the Department in response to set of standard questionnaires issued by audit was analysed to obtain the specified results. Case studies of selected files and quantitative analysis of the results obtained through scrutiny during the course of audit was also adopted to obtain reliable and balanced status of 'Internal control System' in the Department.

Audit findings

7.5 Budgetary Controls

The year wise provision and expenditure during the period under review were as under:

Table 7.1

(Rupees in lakh)

Year	Budget Provision			Expenditure	Savings (% in brackets)	Amount surrendered during the year
	Original	Supplementary	Total			
2000-01	650.23	120.00	770.23	745.48	24.75 (3)	3.80 (15)
2001-02	739.35	32.05	771.40	718.19	53.21 (7)	51.83 (97)
2002-03	433.71	1.93	435.64	420.78	14.86 (2)	9.80 (66)
2003-04	371.35	5.58	376.93	321.81	55.12 (15)	54.27 (98)
2004-05	516.65	175.00	691.65	675.37	16.28 (2)	13.41 (82)
Total	2,711.29	334.56	3,045.85	2,881.63	164.22 (6)	133.11 (81)

The figures within bracket indicated the percentage of actual surrender.

Source: Appropriation Accounts

Audit observed that the budgetary control was not up to the mark as savings were not anticipated in time and surrendered. Against the actual savings of Rs. 164.22 lakh during 2000-05, only Rs. 133.11 lakh were surrendered. The amount surrendered ranged between 15 and 98 per cent of the total savings of respective years. Supplementary provisions during the year 2001-02 to 2003-04 were unnecessary as the eventual expenditure during these periods did not come up to the original budget provisions. Persistent savings against the provisions and Department's inability to anticipate the same and surrender the funds in time, excess supplementary provisions etc. indicated improper budgeting and control over expenditure.

7.6 Operational Controls

Formation of Co-operative Societies-Target and achievement

7.6.1 The Department planned to form 159 Co-operative Societies during the period 2000 to 2005 involving a total membership of 12,350. The Department achieved registration of 170 societies with a membership of 8,704 only.

Out of 170 new societies formed 33 societies became defunct within a short period of working. The total number of defunct societies was 184 (out of 545) as on March 2005 corresponding to 34 *per cent* on which an investment of Rs. 4.77 lakh was made by State Government. The increasing number of societies becoming defunct after running for a short period projected a dismal picture about the Department's ability to organise, administer, guide and control the cooperative societies. In addition, the assets of the defunct societies were not liquidated and the liabilities discharged.

The Department stated (July 2005) that closure of units of the co-operative societies was due to lack of managerial skill and leadership quality in members and office bearers and inadequate response from public. The Department, however, assured that serious steps were being taken by issuing strict instructions to district field functionaries to assess feasibility before registration of the new societies.

Audit Planning, Target and Coverage

7.6.2 In terms of Section 64 of Sikkim Co-operative Societies Act, 1978, annual audit of each society is mandatory. For efficient and optimum utilisation of limited manpower and financial resources, audit planning is required to be prepared every year. This ensures coverage of all required units over a period of time, prioritisation of auditee units and finalisation of time schedule for audit and distribution of audit resources. Against the target of arrear audit of 1,427 society years during the period from 2000 to 2005, the Department could cover 863 society years (60 *per cent*) only.

The Department attributed (July 2005) the shortfall to shortage of staff, frequent changes of office bearers of societies leading to non maintenance of books of accounts and new societies remaining non-functional. The percentage of shortage in audit staff ranging between 13 and 23 *per cent* of the sanctioned strength, however, did not match with that of audit in arrears.

The Department did not maintain any Master Audit Programme Register to keep a watch over the events of any society becoming due for audit, periodicity of audit, conduct of audit, issue of Inspection Report etc. for ensuring effective audit planning. Department also did not assess the requirement of mandays for audit in any society depending on the volume and nature of transactions. Consequently, requirement of mandays or utilisation of staff engaged in audit was not assessable.

In reply, the Department informed (July 2005) that Master Audit Programme register has since been introduced.

Non recovery of Audit fee

7.6.3 Despite specific provision in the Sikkim Co-operative Societies Rules, 1981, the Department did not realise audit fee from the societies being audited by it on the plea of poor financial condition of the societies and instruction from Government. The Department, however, could not provide documentary evidence in support of Government's directives in this regard.

Absence of follow-up-action on Audit Reports

7.6.4 In terms of Rule 59(8) & (9) of Sikkim Co-operative Societies Rules, 1981, the summary of audit report of any society prepared by the auditor shall be read out in the next Annual General Meeting (AGM) following audit. If the result of audit held under the Rules discloses any defect in the working of the society, the society shall, within three months from the date of audit report explain to the Registrar the defects or the irregularities pointed out by the auditor and take steps to rectify the defects and remedy the irregularities and report to the Registrar.

The Department did not maintain records showing the number of audit reports sent to the societies since inception, closed after receipt of proper rectification reports and the number of reports awaiting settlement.

Scrutiny of 115 available files containing 261 Audit Reports for the period 1994 to 2005 revealed the following.

- There were several cases of unauthorised credit sales (Rs. 42.68 lakh), stock deficit (Rs. 5.08 lakh) and cash (Rs. 32.14 lakh) retained by office bearers which remained unaccounted in the books of accounts of the societies.
- There was no proper system for follow-up action through rectification reports. There was no reporting system of sub-divisional/ divisional level functionaries to the circle/ Apex level functionaries about the status of inspection/ audit.
- The audit of primary societies was being conducted at sub-division level by the Auditor/ Audit Officers and the audit reports were being sent to the management of the societies by the Additional Registrar of Co-operative Societies/ Deputy Registrar of Co-operative of the respective districts at the division level. No follow-up-action on the audit reports was being watched at the division level.
- As the audit reports were dealt with at the division level, the Registrar did not have any information on the follow-up-action of the audit reports. The Department was also not in a position to furnish the number of reports awaiting rectification and number of reports actually disposed of after receipt of action taken reports.

In reply, Department stated (July 2005) that committee would be constituted at district level to carry out effective follow-up-action after issue of Audit Report.

Controls through Inspection of societies

7.6.5 According to section 66 and 67 of the Sikkim Co-operative Societies Act, 1978 read with Rule 61 of Sikkim Co-operative Societies Rules, 1981 the Co-operative Inspectors have to inspect the societies every month and Inspection Reports are to be prepared which shall contain a column regarding the status of rectification report relating to the follow-up of Audit Reports. However, the existing system of inspection, preparation and follow up of Inspection Reports were yet to be reviewed and corrective measures evolved by the Department. Unless inspection reports were followed up for remedial measures, the very objective of societies being inspected gets frustrated.

In reply, the Department stated (July 2005) that the system has since been improved.

7.7 Management Control

7.7.1 Functioning of societies

The Government invested Rs. 9.61 crore towards share capital and substantial financial assistance by way of subsidy of Rs. 5.21 crore and loan of Rs. 0.23 crore during the last five years on the five Apex Co-operative institutions and other Co-operative societies. The extent of assistance and investment during the last five years was as under:

Table -7.2

(Rupees in lakh)

Year	Assistance	Loan	Investment	Return on investment
2000-01	101.09 (121)	NA	426.75 (101)	0.79
2001-02	49.20 (74)	0.80 (2)	397.90 (62)	15.88
2002-03	88.54 (270)	0.80 (2)	39.50 (30)	Nil
2003-04	22.62 (19)	2.00 (5)	31.80 (1)	0.08
2004-05	259.55 (114)	19.00 (11)	65.00 (2)	Nil
Total	521.00	22.60	960.95	16.75

The figures within bracket indicate number of institutions/Societies.

Source: Departmental Figure

Scrutiny of the records revealed the following.

- Against the Government investment in the primary cooperative societies, no share certificates were received in respect of West, North and South districts and that of East district was incomplete. Regarding the Apex societies, except Sikkim State Co-operative Bank Limited, the Department could not show all the share certificates/ copies of the same relevant to the investment.
- Huge financial assistance over the years in every field of activities was rendering the societies dependent on Government aid rather than making them self-reliant.
- No loan was repaid by the societies.
- No dividend, except from five societies to the tune of Rs. 19.48 lakh since inception, was paid to the Government as they were not making profit.

Department, in reply, stated (July 2005) that district offices had since been instructed to obtain share certificates in favour of Department for the money invested in different societies.

7.7.2 Specific comments on five Apex Societies

Sikkim State Co-operative Supply and Marketing Federation Ltd. (SIMFED)

- The audit of the society was not conducted by the Department since 2000-01.
- No AGM was conducted by the society since June 2001.
- Against the Government's liability of Rs. 10 lakh towards the authorized capital of Rs. 12 lakh Government invested Rs. 1 crore till 31 March 2005. Such investment was beyond the provisions of the bylaws of the society. The authorized share capital was enhanced from Rs. 12 lakh to Rs. 1 crore vide Board's resolution (June 1997) and AGM (December 1997). The same was again enhanced to Rs. 3 crore vide AGM (June 2001). However, the relevant by-laws were not amended.
- The accumulated loss of the society as on 31 March 2003 was Rs.19.25 lakh despite profit of Rs. 32.34 lakh in 2001-02 and Rs.14.71 lakh in 2002-03.
- Share certificates for investment of Rs. 27.75 lakh were not obtained.

Denzong Agriculture Co-operative Society Ltd. (DACS)

- Against the liability of Rs. 22 lakh towards authorised share capital of Rs. 30 lakh, Government contributed Rs. 63.15 lakh till 31 March 2005.
- The society did not convene any AGM during the entire period of review of five years (since 5 July 1997).
- Against the investment of Rs. 63.15 lakh, no share certificates were obtained by the Department.
- The society was incurring losses during the entire period covered under review. The accumulated loss stood of Rs.82.96 lakh as on 31 March 2004.

Sikkim State Co-operative Bank Limited (SISCO)

- Against the requirement of Rs. 4.77 crore at 51 *per cent* of paid-up capital of Rs. 9.36 crore, the Government invested Rs. 8.94 crore at 96 *per cent* of paid-up capital. The Department did not furnish any reply for the higher investment.

Sikkim Milk Union (SMU)

- The society incurred losses persistently i.e., Rs.23.97 lakh in 2000-01, Rs.29.02 lakh in 2001-02, Rs. 44.99 lakh in 2002-03 and the net accumulated loss was Rs. 1.67 crore as on 31 March 2003. The information for the last two years was not available with the Department.
- Although audit of the society was completed by the departmental auditors till 2002-03, rectification report remained to be received since 1999-2000.

7.7.3 Control over payment and recovery of loan

The Department released (w.e.f. 1995) loans to the Multi Purpose Rural Co-operatives Societies (MPCS) and other Co-operative societies for various purposes at specified rate of interest as applicable from time to time, repayable after prescribed gestation period. Audit observed that the recovery of loans ranged between 0 and 3 *per cent* only during the period 2000 to 2005 and outstanding loans aggregated to Rs. 43.07 lakh as on 31 March 2005 as detailed below:

Table -7.3**(Rupees in lakh)**

Year	Opening balance	Loan paid during the year	Recovered during the year	Closing balance
2000-01	29.69	-	0.84 (3)	28.85
2001-02	28.85	-	0.17 (1)	28.68
2002-03	28.68	-	0.10 (0)	28.58
2003-04	28.58	-	0.49 (2)	28.09
2004-05	28.09	15.00	0.02 (0)	43.07

Source: Finance Accounts

This indicated that efforts were wanting towards effective and timely recovery of loans.

7.7.4 Control over receipt of share certificates

The Co-operation Department was investing funds towards equity in various Co-operative Societies. The Department, however, did not maintain proper accounts of the investments and also did not obtain share certificates in all the cases from the management of those Co-operative societies. As against the investment of Rs. 12.62 crore as at the end of 2004-05 in various Apex and Primary co-operative societies, the Departmental records showed Rs. 9.61 crore (8.96 crore upto 2003-04 + Rs. 0.65 crore in 2004-05) only resulting in unexplained difference of Rs. 3.01 crore.

Further, the Department received 86 share certificates upto 31 March 2005 for Rs. 10.05 crore only against the investment of Rs. 12.62 crore of which six were incomplete as face value of share, date of issue etc. were not mentioned. The Department neither obtained share certificates for the balance amount of Rs. 3.22 crore nor could furnish details relating to the investments made.

In reply the Department stated (July 2005) that proper accounts of investment had since been maintained by the Department.

7.8 Manpower Management

7.8.1 The Department never prepared any individual job specification. Manpower requirements, quantum of work, output etc. were neither analysed nor prescribed and the overall deficiency or surplus in the deployment of staff was also never reviewed. There was no formal distribution of work and clear demarcation of functional responsibilities amongst departmental staff except in the cases of Inspector, Lower Division Clerk (LDC), Assistant Registrar, Deputy Registrar, Joint Registrar and Additional Registrar. There was excess /short deployment of personnel as detailed below:

Table -7.4

Designation	2000-01		2001-02		2002-03		2003-04		2004-05	
	SS	MIP	SS	MIP	SS	MIP	SS	MIP	SS	MIP
Addl. Registrar	2	0	2	1	2	1	2	1	2	1
Audit Officer	8	7	10	8	10	8	10	17	10	15
Auditor	17	15	17	15	17	15	17	3	17	8
Inspector	36	25	36	28	36	28	36	25	36	22
Jr. Accountant	1	3	1	3	1	3	1	3	1	3
LDC	15	15	15	15	15	15	24	32	24	34
Head Assistant	3	2	3	2	3	2	3	1	3	1
Investigator	1	1	1	1	1	0	1	0	1	0
Total	83	68	85	73	85	72	94	82	94	84

Source: Information furnished by the Department

SS = Sanctioned Strength

MIP = Men-in-Position

7.8.2 It would be seen that there was excess deployment of Audit Officers, Jr. Accountants and Lower Division Clerks while there were shortages in Additional Register, Auditors, Inspectors, Head Assistant and Investigator cadres indicating that the sanctioned strength was not in consistence with the work load and the deployment of manpower was improper and irrational.

In reply, the Department stated (July 2005) that unlike State (civil) Services, Co-operative cadre was constituted in 1994 only. Since promotions/ up-gradations were given in the past, depending on qualifying services rendered by the individual staff/ officer, excess/ shortage of manpower against sanctioned strength had occurred. The reply was not tenable as the Department should have reviewed the sanctioned strength periodically to suit these requirements.

7.9 Conclusion

Department was yet to evolve a proper system to assess exact requirement of funds resulting in persistent savings. Audit planning was ineffective due to absence of watch over societies becoming due for audit, mandays requirements, etc. Audit reports were dealt with at division level resulting in total lack of control by Registrar on follow up action. Investments in societies yielded paltry returns of less than two per cent. The apex Societies did not convene AGM regularly which affected Department's control over their activities. Efforts were wanting towards effective and timely recovery of loans which ranged between zero and three per cent. The deployment of manpower also lacked rationale.

7.10 Recommendations

After conducting Performance Audit on Internal Control System of the Department, the following recommendations were suggested for adoption which were accepted by the Department.

- Follow-up of inspection and audit reports has to be ensured for effective control over functioning of the societies.
- The issue of share certificates by the societies to the Department and its members has to be ensured.
- Duties and responsibilities of every functionary in the Department need to be specified in qualitative and quantitative terms with a view to ensuring effective internal control mechanism in all related matters.
- Before giving registration to any society, its future viability should be ensured.
- System should be evolved for closure and liquidation of defunct societies.

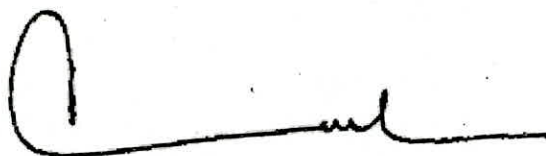
- Department needs to keep proper records relating to the financial assistances in the form of grants, investment, loan etc. to the societies since inception enabling the Department to know the stake of Government in any society at any given point.



Gangtok
The

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Principal Accountant General (Audit), Sikkim

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New Delhi
The

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APPENDICES

APPENDIX-II

(Ref: Paragraph 1.8, Page 12)

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2005

(Rupees in crore)

As on 31.03.2004		Liabilities		As on 31.03.2005
400.82		Internal Debt		467.49
	295.76	Market Loans bearing interest	331.68	
	54.66	Loans from LIC	62.02	
	50.40	Loans from other institutions	73.79	
274.15		Loans and Advances from Central Government-		316.74
	6.04	Pre 1984-85 Loans	5.49	
	40.26	Non-Plan Loans	71.96	
	215.63	Loans for State Plan Schemes	224.25	
	11.35	Loans for Central and Centrally Sponsored Plan Schemes	11.84	
	0.87	Loans for special schemes	3.20	
	-	Ways and Means Advances	---	
394.38				511.71
	0.50	Contingency Fund	1.00	
	267.44	Small Savings, Provident Funds, etc.	291.90	
	18.48	Deposits	21.90	
	52.98	Reserve Funds	67.46	
	54.98	Remittance Balances	129.45	
1,037.57		Surplus on Government Accounts		1,206.48
	877.32	Last year balance	1,037.57	
	160.25	Add Revenue Surplus	168.91	
2,106.92		Total		2,502.42
As on 31.03.2004		Assets		As on 31.03.2005
1,866.21		Gross Capital Outlay on Fixed Assets-		2,219.75
	75.63	Investments in shares of Companies, Corporation, etc.	77.46	
	1,790.58	Other Capital Outlay	2,142.29	
5.30		Loans and Advances-		6.23
	4.33	Other Development Loans	4.96	
	0.97	Loans to Government servants and Miscellaneous loans	1.27	
		Reserve Fund Investments		
1.03		Advances		1.03
26.91		Suspense and Miscellaneous Balances		(-) 27.01
207.47		Cash		302.42
		Cash in Treasuries and Local Remittances		--
	59.35	Deposits with other Bank	81.58	
	0.69	Departmental Cash Balance	0.77	
	100.00	Cash Balance Investments	161.64	
	47.43	Earmarked Funds Invested	58.43	
2,106.92		Total		2,502.42

APPENDIX -III

(Ref: Paragraph 1.8, page 12)

Abstract of Receipts and Disbursements for the year 2004-2005

(Rupees in crore)

Receipts				Disbursements				
2003-04		2004-05	2003-04		Non-Plan	Plan	Total	2003-04
Section A: Revenue								
1,341.18	I-Revenue Receipts		1,892.40	1,180.93	I- Revenue expenditure			1,723.49
	Tax revenue	116.95			General services	1,136.24	4.39	1,140.63
	Non-tax revenue	992.47			Social Services			
	State's share of Union Taxes	107.35			Education, Sports, Art and Culture	103.13	57.27	160.40
	Non-Plan Grants	155.92			Health and Family Welfare	25.65	27.90	53.55
					Water Supply, Sanitation, Housing and Urban Development	16.04	26.13	42.17
					Information and Broadcasting	1.44	2.29	3.73
	Grants for State Plan Schemes	435.85			Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes	0.61	5.34	5.95
	Grants for Central and Centrally Sponsored Plan Schemes	83.86			Labour and labour Welfare	0.70	0.46	1.16
					Social Welfare and Nutrition	20.92	16.77	37.69
					Others	1.99	--	1.99
					Economic Services			
					Agriculture and Allied Activities	44.88	41.82	86.70
					Rural Development	2.25	13.48	15.73
					Special Areas Programmes	--	1.61	1.61
					Irrigation and Flood Control	1.35	5.41	6.76
					Energy	79.80	12.40	92.20
					Industry and Minerals	4.10	5.56	9.66
					Transport	44.49	7.24	51.73
					Science Technology and Environment	--	0.97	0.97
					General Economic Services	1.90	8.96	10.86
	II-Revenue deficit carried over to Section-B	--		160.25	II-Revenue surplus carried over to Section-B			168.91
1,341.18	Total		1,892.40	1,341.18				1,892.40

Receipts				Disbursements					
2003-04			2004-05	2003-04		Non-Plan	Plan	Total	2004-05
	Section-B								
216.83	III-Opening Cash balance including Permanent Advances and Cash Balance Investment		207.47	211.49	III-Capital Outlay	--	353.54	353.54	353.54
--	IV Miscellaneous Capital receipts				General services		16.49	16.49	
					Social Services		131.64	131.64	
					Education, Sports, Art and Culture		29.47		
					Health and Family Welfare		3.41		
					Water Supply, Sanitation, Housing and Urban Development		96.80		
					Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes		1.17		
					Social Welfare		0.79		
					Others		--		
					Economic Services		205.41	205.41	
					Agriculture and Allied Activities		3.94		
					Rural Development		11.75		
					Special Areas Programmes		3.07		
					Irrigation and Flood control		2.45		
					Energy		99.58		
					Industry and Minerals		6.79		
					Transport		71.74		
					General Economic Services		6.09		
1.08	V-Recoveries of Loans and Advances		(-) 0.24	0.10	IV-Loans and Advances disbursements				0.68
	From Power Projects				To Government Servants	--	--		
	From Government Servants and				To Others	--	--		
	From Others				V -Revenue deficit brought down	--	--		--
160.25	VI-Revenue surplus brought down		168.91						
137.02	VII-Public debt receipts		192.99	84.17	VI-Repayment of Public Debt				83.72
	External debt	--			External debt				--
	Internal debt other than ways and means Advances and overdraft	110.32			Internal debt other than Ways and Means Advances and Overdraft	--	43.65	43.65	

Appendices to Audit Report for the year ended 31 March 2005

Receipts				Disbursements					
2003-04			2004-05	2003-04		Non-Plan	Plan	Total	2004-05
	Net transaction under Ways and Means Advances including over draft	--			Net transaction under Ways and Means Advances including overdraft	--	--	--	
	Loans and Advances from Central Government	82.67			Repayment of Loans and Advances to Central Government	--	40.07	40.07	
0.03	VIII-Amount transferred to Contingency Fund		0.50	0.50	VII-Expenditure from Contingency Fund	--	--	--	--
1,193.34	IX-Public Account Receipts		1,415.37	1,204.82	VIII-Public Account disbursements				1,244.64
	Small Savings and Provident fund				Small Savings and Provident Funds	--	45.35		
	Reserve funds				Reserve Funds		18.32		
	Suspense and Miscellaneous				Suspense and Miscellaneous		746.07		
	Remittance				Remittances		417.11		
	Deposits and Advances				Deposits and Advances		17.79		
				207.47	IX- Cash balance at the end				302.42
					Cash in Treasuries and Local Remittances		73.53		
					Deposits with Reserve Bank		8.05		
					Departmental Cash Balance including permanent Advances		59.20		
					Cash Balance Investment		161.64		
1,708.55	Total		1,985.00	1,708.55	Total				1,985.00

APPENDIX -IV

(Ref: Paragraph 1.8, page 12)

Statement showing Sources and Application of Funds

(Rupees in crore)

2003-04	Sources			2004-05
1,341.18	1.	Revenue receipts		1,892.40
1.08	2.	Recoveries of Loans and Advances		(-) 0.24
52.85	3.	Increase in Public debt other than overdraft		109.26
(-) 11.48	4.	Net receipts from Public Account		170.74
		Increase in Small Savings	24.45	
		Increase in Deposits and Advances	3.43	
		Increase in Reserve Funds	14.47	
		Net effect of Suspense and Miscellaneous transactions	53.92	
		Net effect of remittance transactions	74.47	
1,383.63		Total		2,172.16
2003-04	Application			2004-05
1,180.93	1.	Revenue expenditure		1,723.49
0.10	2.	Lending for development and other purposes		0.68
211.49	3.	Capital expenditure		353.54
0.47	4.	Net effect of contingency fund transaction		(-) 0.50
(-) 9.36	5.	Increase in Cash Balance		94.95
1,383.63		Total		2,172.16

APPENDIX-V
(Ref: Paragraph 1.8, page 12)
Time Series Data on State Government Finances

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Part A. Receipts					
1 Revenue Receipts	862.60(92)	1,807.18(95)	2,080.52(96)	1,341.18(91)	1,892.40 (91)
(i) Tax Revenue	65.39 (7.58)	80.39 (4.45)	105.53 (5.07)	108.00(8.05)	116.95 (6.18)
Taxes on Sales, Trade, Etc.	24.50 (37.47)	34.97 (43.50)	41.42 (39.05)	48.87 (45.24)	48.18 (41.20)
State Excise	17.61 (26.93)	17.59 (21.88)	22.45 (21.27)	25.25(23.38)	32.69 (27.95)
Taxes on Vehicles	1.54 (2.35)	1.97(2.45)	2.35(2.23)	2.74(2.55)	3.24 (2.77)
Stamps and Registration fees	0.50 (0.76)	1.30(1.62)	3.45 (3.27)	1.14(1.05)	1.43 (1.22)
Land Revenue	0.22 (0.34)	0.51(0.63)	0.40 (0.37)	0.18(0.17)	0.44 (0.37)
Other Taxes	1.73 (2.65)	2.02(2.51)	2.78 (2.63)	3.06(2.83)	1.88 (1.61)
Taxes on Income other than Corporation Taxes	19.29 (29.5)	22.03 (27.4)	32.67 (30.96)	26.76 (24.78)	29.09 (24.87)
(ii) Non Tax Revenue	289.02 (33.51)	1,128.21(62.43)	1,315.84 (63.25)	537.29(40.06)	992.47 (52.45)
(iii) State's share in Union taxes and duties	72.20 (8.37)	84.83 (4.69)	77.20 (3.71)	112.33(8.38)	107.35 (5.67)
(iv) Grants in aid from GOI	435.99 (50.54)	513.75(28.43)	581.95 (27.97)	583.56(43.51)	675.63 (35.70)
2 Misc. Capital Receipts	-	-	-	-	--
3 Total revenue and Non-debt capital receipts (1+2)	862.60	1,807.18	2,080.52	1,341.18	1,892.40
4 Recovery of loans and advances	1.46(1)	1.14(0)	1.28(0)	1.08(0)	(-) 0.24 (0)
5 Public Debt Receipts	69.12(7)	91.37(5)	78.53(4)	137.02(9)	192.99 (9)
Internal Debt (excluding Ways and Means Advances and Overdraft)	32.94	39.10	34.81	75.96	110.32
Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	--
Loans and Advances from Government of India#	36.18 (24.30)	52.27(28.49)	43.72 (22.61)	61.06(24.53)	82.67 ()
6 Total receipts in the Consolidated Fund (3+4+5)	933.18	1,899.69	2,160.33	1,479.28	2,085.15
7 Contingency Fund receipts	0.10	-	-	0.03	0.50
8 Public Account receipts	823.68	967.41	1,356.15	1,193.34	1,415.38
9 Total receipts of Government (6+7+8)	1,756.96	2,867.10	3,516.48	2,672.65	3,501.03
Part B. Expenditure/Disbursement					
10 Revenue Expenditure	763.31 (83.49)	1,664.25(88.76)	1,882.62 (90)	1,180.93(84.81)	1,723.49 (82.98)
Plan	155.93 (20.43)	192.67(11.58)	248.03 (13.17)	246.32(20.86)	238.02 (13.81)
Non-plan	607.38 (79.57)	1,471.58(88.42)	1,634.59 (86.83)	934.61(79.14)	1,485.47 (86.19)
General Services (including interest payments)	406.01 (53.19)	1,254.02(75.35)	1,405.75 (74.67)	689.06(58.35)	1,140.63 (66.18)
Social Services	192.49 (25.22)	226.67(13.62)	238.74 (12.68)	262.84(22.26)	306.64 (17.79)
Economic Services	164.81 (21.59)	183.56(11.03)	238.13 (12.65)	229.03(19.39)	276.22 (16.03)
Grants-in-aid and contributions*	8.39	12.07	7.80	37.14	22.55
11 Capital expenditure	150.92 (16.51)	210.73(11.24)	208.98 (10)	211.49(15.19)	353.54 (17.02)
Plan	150.92 (100)	210.73(100)	208.98 (100)	211.49(100)	353.54 (100)
Non-plan	-	-	-	-	--
General Services	4.45 (2.96)	8.14(3.86)	11.49 (5.50)	12.77(6.04)	16.49 (4.66)
Social Services	50.32 (33.34)	73.44(34.85)	83.66 (40.03)	97.44(46.07)	131.64 (37.23)
Economic Services	96.15 (63.71)	129.15(61.29)	113.83 (54.47)	101.28(47.89)	205.41 (58.11)
12 Disbursement of Loans and Advances	0.33	0.19	0.06	0.10	0.68
13 Total (10+11+12)	914.56	1,875.17	2,091.66	1,392.52	2,077.71

Includes Ways and Means Advances from Government of India

* Forms part of Social and Economic Services

		2000-01	2001-02	2002-03	2003-04	2004-05
14	Repayment of Public debt	32.66	34.20	40.35	84.17	83.72
	Internal Debt (excluding Ways and Means Advances and Overdraft)	5.58	3.00	7.70	16.47	43.65
	Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	--
	Loans and Advances from Government of India#	27.08	31.20	32.65	67.70	40.07
15	Appropriation to Contingency Funds	-	-	-	-	--
16	Total disbursement out of Consolidated Fund (13+14+15)	947.22	1,909.37	2,132.01	1,476.69	2,161.43
17	Contingency Fund disbursements	-	-	0.03	0.50	0.00
18	Public Account disbursements	785.09	908.38	1,311.79	1,204.82	1,244.64
19	Total disbursements by the State (16+17+18)	1,732.31	2,817.75	3,443.83	2,681.98	3,406.07
	<i>Part C. Deficit</i>					
20	Revenue Deficit (10-1)	(+) 99.29	(+) 142.93	(+) 197.90	(+) 160.25	(+) 168.91
21	Fiscal Deficit (1+2+4-13)	50.51	66.85	9.86	50.26	185.55
22	Primary Deficit (21-23)	28.17	17.31	79.67	42.24	86.36
	<i>Part D. Other data</i>					
23	Interest Payments (included in revenue expenditure)	78.67	84.16	89.53	92.50	99.19
24	Arrears of Revenue (percentage of Tax & Non-Tax Revenue receipts)	1.07	1.36	2.16	15.11	3.91
25	Financial Assistance to local bodies etc.	8.39	12.07	7.80	36.84	22.55
26	Ways and Means Advances/Overdraft availed (days)	-	-	-	-	-
27	Interest on Ways and Means Advances/Overdraft	-	-	-	-	--
28	Gross State Domestic Product (GSDP)	976.34	1,139.25	1,251.35(P)	1,358.18(Q)	1,530.40 (A)
29	Outstanding fiscal liabilities (year end)	729.37	806.06	867.68	966.45	1,107.07
30	Outstanding guarantees (year end)	104.61	95.70	95.70	86.10	82.47
31	Maximum amount guaranteed (year end)	83.04	-	-	-	88.10
32	Number of incomplete projects	95	37	36	76	60
33	Capital blocked in incomplete projects.	12.55	24.64	13.60	184.19	222.84

APPENDIX –VI

(Ref: Paragraph 1.8.1, Page 12)

Statement of Commitments - List of Incomplete Capital Works

(Rupees in lakh)

Sl. No.	Name of Project	Date of Commencement	Expenditure upto date	Remarks
1	2	3	4	5
Capital Outlay on Education				
1.	Daramdin Sr. Sec. School	20.08.2002	82.69	Work under progress
2.	Construction of Law College at Burtuk	20.09.2001	144.71	Work under progress
3.	Construction of 12 room of Yangyang Senior Secondary School	02.03.2003	30.77	Work under progress
Power Department				
1.	Rellichu -HEP	2002-03	707.03	Work under progress
2.	132 KVA Rangit/Melli	2002-03	3617.9	Work under progress
3.	APDRP	2002-03	9,520.28	Work under progress
4.	Lachung-II	1998-99	911.69	Work under progress
5.	JPH-I	1999-2000	641.60	Work under progress
6.	66 KVDC transmission line from LLHP to Bulbulay(NLPCR)	2002-03	796.73	Work under progress
7.	Manglay -HEP	1997-98	731.88	Work under progress
8.	Chaten -HEP	2002-03	36.68	Work under progress
9.	Ringyang -HEP	-	5.83	Work under progress
10.	Const.of 132 KV Transmission line Sngbari, Gyalsilng to Pelling NLPCR	2004-05	134.91	Tender finalized works yet to be start
11.	Ronglichu -HEP	2002-03	683.76	Work under progress
12.	Remodeling of Gangtok NLPCR	2004-05	899.70	Work under progress
13.	Construction of KV Transmission line and Sub-Station at Chungthang (NLPCR)	2004-05	249.00	Work under progress
14.	Communication and data exchange pertaining to SLDC (NLPCR)	2002-03	298.78	Work under progress
Health & Family Welfare Department				
1.	Construction of Mechanical workshop cum Central Medical Store at Tadong	12.01.2005	132.34	The work has been taken of phase wise and the last phase is in progress
2.	Construction of 100 bedded CHC at Mangan	1997	397.50	The construction work is under Building and Housing Department.
3.	Construction of X-Ray Block at Rangpho in East Sikkim.	10.02.2005	6.68	Work under progress
4.	Construction of X-Ray Block at Pakyong in East Sikkim.	10.02.2005	2.66	Work under progress
5.	Construction of X-Ray Block at Soreng in West Sikkim.	10.02.2005	5.50	Work under progress
6.	Construction of X-Ray Block at Mangalbarey in West Sikkim.	10.02.2005	2.62	Work under progress
7.	Construction of X-Ray Block at Jorethang in South Sikkim.	10.02.2005	2.62	Work under progress
8.	Construction of X-Ray Block at Rabong in South Sikkim.	10.02.2005	2.62	Work under progress
9.	Construction of X-Ray Block at Melli in South Sikkim.	10.02.2005	8.05	Work under progress
10.	Construction of PHSC at South Regho in East Sikkim.	06.04.2005	1.81	Work under progress
11.	Construction of Class III double unit Qtr at South Regho PHSC in East Sikkim	06.04.2005	2.84	Work under progress
12.	Construction of PHSC at Phadamchen in East Sikkim	10.02.2005	1.81	Work under progress
13.	Construction of Class III double unit Qtr at Phadamchen PHSC in East Sikkim	10.02.2005	2.84	Work under progress
14.	Construction of PHSC at Zarrong in South Sikkim	10.02.200	2.38	Work under progress
15.	Construction of Class III double unit Qtr at Zarrong PHSC in South Sikkim	10.02.200	3.55	Work under progress

Sl. No.	Name of Project	Date of Commencement	Expenditure upto date	Remarks
16	Construction of PHSC at Middle Camp in East Sikkim	-	5.90	Funds transferred to PRI during 2002-03 but the work has not yet been commenced.
17.	Construction of PHSC at Salim Pakyel in North Sikkim	-	8.89	Funds transferred to PRI during 2002-03 the work completed except electrification.
18	Construction of PHSC and Class III double unit Qtr at Naku Chumbung in West Sikkim.	-	19.70	Funds transferred to PRI during 2002-03 but the work has not yet been commenced.
19.	Re-construction of Gor PHSC in North Sikkim	-	12.01	Funds transferred during 2002-03 but the work has not yet been started.
Public Works Department (Building and Housing)				
1.	Construction of approach road at SDM Complex, Rongli	15.03.2003	18.22	Work under progress
2.	Construction of Sikkim Guest House at Kolkata	26.03.2002	180.58	Work under progress
3.	Construction of Security Check Post at Rongpo	10.04.2003	14.13	Work under progress
4.	Construction of Guest House at Karfectar	01.11.2002	164.89	Work under progress
5.	Construction of DAC at Namchi	14.09.2003	190.59	Work under progress
6.	Construction of Judiciary Complex at Sichey.	26.02.2004	38.57	Work under progress
7.	Construction of SDM Complex at Rongli	16.02.2004	27.49	Work under progress
8.	Construction of Regional Administrative Centre at Jorhang.	12.01.2005	92.00	Work under progress
9.	Construction of boundary fencing of SDMComplex at Pakyong	21.07.03	-	Work under progress
10.	Construction of Raj Bhawan	31.03.2005	200.00	Work under progress
11.	Construction of staff quarter at SDM complex, Rongli	16.02.2004	35.62	Work under progress
Urban Development & Housing Department				
1.	Storm Water Drainage along NH-31A	June, 2003	442.39	
2.	Solid Waste Management Plant	Jan, 2004	373.83	
3	Car park at IOC, Deorali	Nov, 2004	237.00	Work under progress
4.	Shopping Complex at Pakyong	Aug,2003	45.03	Work under progress
5.	Shopping Complex at Jorethang	Sept,2003	35.00	Work under progress
6.	Shopping Complex at Soreng	Sept ,2003	36.00	Work under progress
7.	Shopping Complex at Geyzing	Sept,2003	36.00	Work under progress
8	Slum Rehabilitation Centre-Phase II Lingding	-	-	Sanction accorded by MOUDPA and executed by NBCC
9.	Construction of toilet in Urban areas under sanitation programme	-	-	Sanction accorded by MOUDPA and executed by NBCC
10.	Car park at Baluakhani, Gangtok	-	-	Sanction accorded by MOUDPA and executed by NBCC
11.	Construction of Sabji Mandi and Car park at old Slaughter House Area Phase-I	-	-	Sanction accorded by MOUDPA and executed by NBCC
12.	Construction of Sabji Mandi and Car park at old Slaughter House Area Phase-II			Sanction accorded by MOUDPA and executed by NBCC
13.	Pedestrian walk way from White Hall to Ranipool	-	-	Sanction accorded by MOUDPA and executed by NBCC
	Total		22,283.60	

APPENDIX – VII

(Ref: Paragraph 2.3.1, Page 22.)

Statement showing areas in which major savings occurred

(Rupees in Crore)

Sl. No	Grant No.	Major head	Areas in which major savings occurred	Savings
1	10	<i>Finance, Revenue and Expenditure (Revenue)</i>		
		2075	State Lotteries	4.14
2	12	<i>Forestry & Environment Management (Revenue)</i>		
		2501	Wasteland Development	0.06
3	13	<i>Health Care, Human Services and Family Welfare (Revenue)</i>		
		2210	Other Hospital (PMGSY)	1.23
4	22	<i>Land Revenue and Disaster Management (Revenue)</i>		
		2245	Transfer to Reserve Fund Deposit Account	2.86
5	29	<i>Development Planning ,Economic Reforms and North Eastern Council Affairs (Revenue)</i>		
		2575	Border Area Development Programme	1.01
		3454	Economic Advice and Statistics (100% CSS)	0.11
6	35	<i>Rural Management and Development (Revenue)</i>		
		2215	Direction and Administration	0.06
			Rural Water Supply Programme	0.15
7	7	<i>Human Resource and Development (Capital)</i>		
		4202	General Education	0.07
			Secondary Education	0.08
			Government Degree College and Institute	0.05
8	29	<i>Development Planning ,Economic Reforms and North Eastern Council Affairs (Capital)</i>		
		4575	Border Area Development Programme	1.43
9	31	<i>Energy & Power (Capital)</i>		
		4801	Hydel Generation	1.02
10	35	<i>Rural Management and Development(Capital)</i>		
		4515	Community Development	0.24
			Other Rural Development programme-Panchayati Raj	0.08
11	40	<i>Tourism (Capital)</i>		
		5452	Tourist Accommodation- construction	0.05

APPENDIX – VIII

(Ref: Paragraph 2.3.5, Page 23)

Statement showing unnecessary supplementary provisions

(Rupees in lakh)

Sl No	Grant No and Name of Grant	Original provision	Supplementary provision	Total provision	Expenditure during the year	Savings
1	2	3	4	5	6	7
	Revenue					
1	3-Building and Housing	667.97	6.02	673.99	642.33	31.66
2	6-Ecclesiastical	196.25	3.00	199.25	184.22	15.03
3	9-Excise	212.51	2.10	214.61	200.49	14.12
4	12-Forestry and Environment Management	2,473.44	81.69	2,555.13	2,221.70	333.43
5	13-Health care, Human Services and Family Welfare	5,554.62	231.50	5,786.12	5,445.75	340.37
6	16-Commerce and Industries	1,086.01	39.00	1,125.01	953.45	171.56
7	19-Irrigation and Flood control	847.90	91.00	938.90	715.81	223.09
8	20-Judiciary	313.15	16.10	329.25	208.85	120.40
9	29-Development Planning, Economic Reforms and North Eastern Council Affairs	1,384.03	54.52	1,438.55	495.18	943.37
10	30-Police	6,012.51	64.07	6,076.58	5,844.88	231.70
11	31-Energy and Power	9,414.49	4.45	9,418.94	9,259.46	159.48
12	34-Roads and Bridges	3,151.82	154.00	3,305.82	2,231.44	1,074.38
13	35-Rural Management and Development	4,379.80	110.00	4,489.80	3,252.72	1,237.08
14	38-Social Justice, Empowerment and Welfare	2,558.65	166.91	2,725.56	2,457.60	267.96
15	39-Sports and Youth Affairs	380.33	8.33	388.66	266.27	122.39
16	40-Tourism	549.16	19.59	568.75	509.00	59.75
17	41 Urban Development & Housing	2,126.75	80.00	2,206.75	2,099.44	107.31
	Capital					
18	7-Human Resources Development	3,148.58	809.00	3,957.58	2,026.47	1,931.11
19	29-Development Planning, Economic Reforms and North Eastern Council Affairs.	1,100.00	100.00	1,200.00	306.71	893.29
20	33-Water Security and Public Health Engineering	3,197.07	150.49	3,347.56	2,664.49	683.07
21	34-Roads and Bridges	10,858.00	1,494.79	12,352.79	6,402.45	5,950.34
22	35-Rural Management and Development	7,672.00	921.50	8,593.50	7,401.35	1,192.15
23	40-Tourism	1,486.55	135.35	1,621.90	608.94	1,012.96
24	41 Urban Development and Housing	1,031.62	7.42	1,039.04	968.25	70.79
	Total	69,803.21	4,750.83	74,554.04	57,367.25	17,186.79

APPENDIX – IX

(Ref : Paragraph 2.3.8, Page 24)

Statement showing less surrender than actual savings

(Rupees in crore)

Sl. No	Grants No	Name	Actual savings	Amount actually Surrendered	Less Amount Surrendered
REVENUE					
1	1	Food Security and Agriculture	0.88	0.80	0.08
2	2	Animal Husbandry, Livestock ,Fisheries & Veterinary Services	0.82	0.57	0.25
3	3	Building and Housing	0.32	0.27	0.05
4	12	Forestry and Environment Management	3.33	3.25	0.08
5	13	Health Care, Human Services and Family Welfare	3.40	2.12	1.28
6	14	Home	0.08	0.01	0.07
7	15	Horticulture & Cash Crops Management	0.98	0.91	0.07
8	16	Commerce and Industries	1.72	1.53	0.19
9	19	Irrigation and Flood control	2.23	1.23	1.00
10	20	Judiciary	1.20	0.14	1.06
11	22	Land Revenue and Disaster Management	11.33	8.33	3.00
12	29	Development Planning ,Economic Reforms and North Eastern Council Affairs.	9.43	8.27	1.16
13	31	Energy and Power	1.59	1.50	0.09
14	33	Water Supply and Public Health Engineering	0.17	0.15	0.02
15	34	Roads and Bridges	10.74	2.23	8.51
16	35	Rural Management and Development	12.37	2.18	10.19
17	38	Social Justice, Empowerment and Welfare	2.68	1.27	1.41
18	39	Sports & Youth Affairs	1.22	1.19	0.03
19	40	Tourism	0.60	0.57	0.03
Total (Revenue)			65.09	36.52	28.57
CAPITAL					
1	3	Building & Housing	1.04	1.01	0.03
2	7	Human Resources Development	19.31	19.14	0.17
3	19	Irrigation and Flood control	0.08	0.03	0.05
4	22	Land Revenue and Disaster Management	0.09	0.01	0.08
5	29	Development Planning, Economic Reforms and North Eastern Council Affairs.	8.93	7.50	1.43
6	30	Police	0.04	0.01	0.03
7	31	Energy and Power	35.80	35.45	0.35
8	33	Water Supply and Public Health Engineering	6.83	4.88	1.95
9	34	Roads and Bridges	59.50	53.35	6.15
10	39	Sports & Youth Affairs	0.10	0.04	0.06
Total (Capital)			131.72	121.42	10.30
Grand Total			196.81	157.94	38.87

APPENDIX –X

(Ref : Paragraph 2.3.10, Page 24)

Statement showing surrender in excess of actual savings

(Rupees in lakh)

Sl. No	Grants No	Name	Actual savings	Amount actually Surrendered	Excess Amount Surrendered
REVENUE					
1	7	Human Resource Development	29.83	247.06	217.23
2	9	Excise	14.12	18.31	4.19
3	18	Information and Technology	52.67	55.00	2.33
4	30	Police	231.70	232.18	0.48
CAPITAL					
5	13	Health Care, Human Services, and Family Welfare	17.27	18.00	0.73
6	16	Commerce and Industries	110.50	600.00	489.50
7	35	Rural Management & Development	1,192.15	2,196.99	1,004.84
Total			1,648.24	3,367.54	1,719.30

APPENDIX – XI

(Ref : Paragraph 2.3.11, Page 24)

Statement showing persistent savings

(Rupees in lakh)

Sl. No	Grants No	Name	2002-03	2003-04	2004-05
REVENUE					
1	30/29	Development Planning , Economic Reforms and North Eastern Council Affairs	979.99 (70)	1,530.83 (81)	943.37 (66)
2	40/39	Sports and Youth Affairs	26.65 (13)	48.90 (17)	122.39 (31)
CAPITAL					
3	17/16	Commerce and Industries	114.94 (27)	287.73 (60)	110.50 (15)

(Figures in brackets indicates percentage to total provision)

APPENDIX – XII

(Ref: Paragraph 2.3.12, Page 24)

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

(Rupees in lakh)

Sl. No	Grant No and Name of Grant / Appropriation	Amount of Saving (percentage of saving to the provision)	Reasons for saving
1	2	3	4
REVENUE			
1	11-Food, Civil supplies & Consumers affairs	182.89 (12)	Mainly due to non finalisation of programme for testing and sampling of food grains, delay in finalisation of BPL beneficiary list etc.
2	12-Forestry and Environment Management	333.43 (13)	Mainly due to non-release of funds by Central Zoo Authority and delay in sanction and execution of projects.
3	16-Commerce and Industries	171.56 (15)	Mainly due to non-approval of scheme of Promotion of industries and Trade by the North Eastern Council.
CAPITAL			
1	7-Human Resources Development	1,931.11(49)	Mainly due to non-achievement of target for civil works due to administrative difficulty and delay on the part of contractor, curtailment of provision by the Government and non-procurement of equipments for ITI due to non-receipt of funds from Government of India.
2	16-Commerce and Industries	110.50 (15)	No specific reasons furnished by the department
3	29-Development planning, Economic Reforms and North Eastern Council Affairs.	893.29(74)	Mainly due to slow progress made by the implementing agency of the Government
4	31-Energy and Power	3,580.69(26)	Mainly due to availability of limited resources than anticipated at the time of framing of estimates.
5	33-Water Security and Public Health Engineering	683.07(20)	Mainly due to non-sanctioning of schemes and non-receipt of resources from Government and other sources.
6	34-Roads & Bridges	5,950.34 (48)	Mainly due to non-payment of land compensation, non-sanctioning of schemes, non-completion of works and transfer of staff.
7	35-Rural Management and Development	1,192.15(14)	Mainly due to non-completion of works under various Gram Panchayats.
8	40-Tourism	1,012.96(62)	Mainly due to short time available for utilisation, delay in commencement of works, delay in progress of various Centrally sponsored schemes and non-receipt of final instalment of funds from Government of India.

APPENDIX-XIII

(Ref: Paragraph 2.3.13, Page 25)

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

(Rupees in lakh)

Sl. No.	Grant No.& Head of Account	Total Grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of re-appropriation
1	2-Animal Husbandry, Livestock, Fisheries and Veterinary Services 2403-Animal Husbandry 102-Cattle and Buffalo Development 63-Intensive Cattle Development	222.57	225.25	2.68	2.68
2	5-Cultural Affairs and Heritage 2205-Art and Culture 102-Promotion of Art and Culture 62-Namgyal Institute of Tibetology	30.00	40.00	10.00	10.00
3	7-Human resource Development 2202-General Education 02-Secondary Education 104-Teachers and other Services 64-High and Higher Secondary Education	5,706.87	5,810.54	103.67	118.00

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

(Rupees in lakh)

Sl. No	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual Expenditure	Actual Savings	Amount of Appropriation
1	7-Human Resources Development 4202-Capital outlay on Education, Sports, Art and Culture 01-General Education 203-University and Higher Education 70-Building	300.00	260.65	39.35	42.26
2	9-Excise 2039-State Excise Duties 001-Direction and Administration 60-Establishment	162.18	149.20	12.98	17.73
3	12-Forestry and Environment Management 2402-Soil and Water Conservation 001-Direction and Administration 13-Forestry and Wild Life Department	175.20	168.62	6.58	10.52
4	18-Information Technology 2852-Industries 07-Telecommunication and Electronic Industries 800-Other Expenditure 19-Information Technology Department	175.00	122.33	52.67	55.00
5	19-Irrigation and Flood control 2702-Minor Irrigation 01-Surface Water 103-Division Schemes 61-Maintenance and Repairs	82.50	82.44	0.06	4.00
6	33-Water Security and Public Health Engineering 4215-Capital outlay on Water Supply and Sanitation 70-Other Water Supply Schemes	100.00	82.56	17.44	20.36
7	34-Roads and Bridges 2059-Public Works 799-Suspense 35-Roads and Bridges Department	250.00	40.43	209.57	211.96
8	34-Roads and Bridges 5054-Capital outlay on Roads and Bridges 04-District and other Roads 337-Road Works 60-District Roads	6,111.87	4,532.29	1,579.58	1,626.80
9	35-Rural Management and Development 4515- Capital outlay on Water Supply and Sanitation 01-Water supply 102-Rural water supply 36-Rural Development Department	4,640.50	3,681.00	959.50	1,990.31
10	35-Rural Management and Development 5054-Capital outlay on Roads and Bridges 04-District and other Roads 337-Road Works 36-Rural Development Department	876.00	676.36	199.64	206.68
11	38-Social Justice, Empowerment and Welfare 2235-Social Security and Welfare 02-Social Welfare 101-Welfare of Handicapped 60-Welfare Activities	121.00	117.48	3.52	10.40

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

(Rupees in lakh)

Sl. no	Grant No. & Head of Account	Total grant (Original plus supplementary)	Actual Expenditure	Excess	Amount of Appropriation
1	2	3	4	5	6
1	30-Police 2055-Police 003-Education and Training 63-Crime & Investigation Branch	99.95	111.61	11.66	14.05
2	35-Rural Management and Development 4515-Capital Outlay on other Rural Development Programme 101-Panchayati Raj 36-Rural Development Department	972.00	998.09	26.09	34.17
	41-Urban Development and Housing 4217-Capital outlay on Urban Development 051-Construction 61-Parking Place	0.04	185.16	185.12	189.11

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

(Rupees in lakh)

Sl No.	Grant No. & Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Savings	Amount of Re-appropriation
1	2	3	4	5	6
1	1-Food Security and Agriculture Development 2401-Crop Husbandry 001-Direction and Administration 01-Agriculture Development	157.74	157.31	0.43	2.80
2	1-Food Security and Agriculture Development 2435-Other Agriculture Programme 60-Others	872.40	870.25	2.15	4.16
3	5-Cultural Affairs and Heritage 2205-Art and Culture 102-Promotion of Art and Culture 60-Establishment	198.08	178.31	19.77	10.00
4	7-Human Resources Development 2202-General Education 02-Secondary Education 001-Direction and Administration	378.90	360.77	18.13	4.00
5	29-Development Planning, Economic reforms and North Eastern Council Affairs 4575-Capital outlay on other special areas programmes 06-Border Area Development 101-Border Area Development Programme	350.00	306.71	43.29	100.00

APPENDIX-XIV

(Ref: Paragraph 2.3.14, Page 25)

Statement showing trend of recoveries and credits

(Rupees in lakh)

Sl. no	Grant No. and Name of the Grant	Budget Estimate	Actuals	Actuals compared with the Budget Estimate More(+)/Less(-)
1	3-Building & Housing	56.17	78.77	(+) 22.60
2	12-Forestry & Environment Management	200.00	38.54	(-) 161.46
3	19-Irrigation & Flood Control	100.00	39.90	(-) 60.10
4	22-Land Revenue and Disaster Management	2,533.56	1,793.56	(-) 740.00
5	31-Energy and Power	0.01	2.25	(+) 2.24
6	34-Roads and Bridges	461.96	140.92	(-) 321.04
7	35-Rural Management and Development	50.00	49.49	(-) 0.51
Total		3,401.70	2,143.43	(-) 1,258.27

APPENDIX – XV

(Ref: Paragraph 3.2.16 , Page 43.)

Statement showing consolidated position of total road length of district and other roads.

(in km)

Year	Major District Roads			Other District Roads		
	T	A	CB	T	A	CB
2000-01	22 (1)	22 (1)	464	42 (7)	59(10)	1,207 (333)
2001-02	29 (1)	8 (Nil)	472	22 (7)	21 (6)	1,228 (339)
2002-03	21 (1)	12 (Nil)	484	19 (5)	5 (Nil)	1,233 (339)
2003-04	9(1)	4 (Nil)	488	20 (6)	5 (2)	1,238 (341)
2004-05	5 (1)	5 (1)	493	18 (5)	9 (5)	1,247 (346)
Total						

(OB= Opening Balance, T=Target, A= Achievement, CB= Closing Balance)

Figures in brackets represent numbers.

Source: Departmental figures.

Appendix XVI

(Ref: Paragraph 3.2.20 , Page 43.)

Statement showing details of roads constructed under Prime Minister Gram Sadak Yojana

(In km)

Year	New constructions		Up-gradations	
	Target	Achievement	Target	Achievement
2000-01	Nil	Nil	Nil	Nil
2001-02	44.02 (17)	Nil	216.29 (14)	Nil
2002-03	Nil	Nil	Nil	Nil
2003-04	105.94 (21)	Nil	Nil	Nil
2004-05	144.49 (34)	25.39 (10)	Nil	202.29 (12)
Total	294.45 (72)	25.39 (10)	216.29 (14)	202.29 (12)

Figures in brackets represent numbers.

Source: Departmental figures.

APPENDIX – XVII

(Ref: Paragraph 4.7.3 Page 71)

Statement showing unadjusted medical advances.

Name of Department	Medical advance outstanding									
	Upto 2 years		More than 2 years and upto 5 years		More than 5 years and upto 10 years		More than 10 years		Total	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	Total no. of cases	Amount
Human Resources Development	107	70,15,000	56	15,37,281	52	6,44,250	29	1,50,100	244	93,46,631
Health Care, Human Services & Family Welfare	35	16,40,000	40	8,30,000	07	80,000	0	0	82	25,50,000
Social Justice, Empowerment & Welfare	0	0	04	1,23,000	0	0	0	0	04	1,23,000
Transport (After deducting cases (7) adjusted)	13	7,30,000	10	3,20,000	0	0	0	0	23	10,50,000
Land Revenue & Disaster Management	0	0	02	1,05,424	0	0	0	0	02	1,05,424
Finance, Revenue & Expenditure	01	20,000	0	0	0	0	01	5,000	02	25,000
Food & Civil Supplies & Consumer Affairs	04	1,70,000	04	1,30,000	0	0	0	0	08	3,00,000
Total	160	95,75,000	116	30,45,705	59	7,24,250	30	1,55,100	365	1,35,00,055

APPENDIX - XVIII

(Ref: Paragraphs 6.2.3, 6.2.4, 6.3.1 & 6.6.2; Pages 91,92 & 95)

Particulars of paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2005
in respect of Government companies and Statutory corporations

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

Sl	Sector and name of company	Paid up capital as at the end of current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans ^a outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous years) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
I. Consumer Industries													
1	Sikkim Jewels Limited (SJL)	625.02	-	-	78.13	703.15	31.09	-	-	-	79.88	79.88	0.11:1 (0.12:1)
2	Sikkim Time Corporation Limited (STCL)	1,122.54	-	-	-	1,122.54	-	-	-	-	-	-	-
3	Sikkim Precision Industries Limited (SPIL)	370.00	-	-	-	370.00	-	-	-	-	-	-	-
Sector wise Total		2,117.56	-	-	78.13	2,195.69	31.09	-	-	-	79.88	79.88	0.04:1 (0.04:1)
II. General Financial and Trading Institutions													
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICL)	1,682.50	-	-	636.80	2,319.30	10.00	-	-	202.87	59.39	262.26	0.11:1 (0.13:1)
Sector wise Total		1,682.50	-	-	636.80	2,319.30	10.00	-	-	202.87	59.39	262.26	0.11:1 (0.13:1)
III. Welfare													
5	Schedule Caste, Schedule Tribe and Other Backward Class Development Corporation Limited (SC/ST/OBCDCL)	328.60	151.30	-	-	479.90	-	-	84.17	-	1,195.47	1,195.47	2.49:1 (2.34:1)
Sector wise Total		328.60	151.30	-	-	479.90	-	-	84.17	-	1,195.47	1,195.47	2.49:1 (2.34:1)
IV. Tourism													
6	Sikkim Tourism Development Corporation	624.87	-	-	-	624.87	50.00	-	-	-	-	-	-
Sector wise Total		624.87	-	-	-	624.87	50.00	-	-	-	-	-	-
V. Power													
7	Sikkim Power Development Corporation (SPDC)	340.00	-	-	-	340.00	-	-	-	-	5,001.00	5,001.00	14.71:1 (14.71:1)
Sector wise Total		340.00	-	-	-	340.00	-	-	-	-	5,001.00	5,001.00	14.71:1 (14.71:1)
VI. Animal Husbandry													
8	Sikkim Poultry Development Corporation (SPDC)	-	-	-	-	-	-	-	-	-	-	-	-
9	Sikkim Hatcheries Limited (SHL)	-	-	43.83	2.00	45.83	-	-	-	-	25.55	25.55	0.56:1 (0.56:1)
Sector wise Total		-	-	43.83	2.00	45.83	-	-	-	-	25.55	25.55	0.56:1 (0.56:1)
Total A (Working Government Companies)		5,093.53	151.30	43.83	716.93	6,005.59	91.09	-	84.17	202.87	6,361.29	6,564.16	1.09:1 (1.10:1)

B. Working Statutory Corporations													
I. Financing													
1	State Bank of Sikkim (SBS)	53.38	-	-	5.00	58.38	-	-	-	-	-	-	-
Sector wise Total		53.38	-	-	5.00	58.38	-	-	-	-	-	-	-
II. Miscellaneous													
2	Sikkim Mining Corporation (SMC)	611.50	589.00	-	-	1,200.50	26.00	-	-	-	54.00	54.00	0.04:1 (0.05:1)
3	State Trading Corporation of Sikkim (STCS)	111.38	-	-	-	111.38	-	-	-	-	-	-	-
Sector wise Total		722.88	589.00	-	-	1,311.88	26.00	-	-	-	54.00	54.00	0.04:1 (0.04:1)
Total B (Working Statutory Corporations)		776.26	589.00	-	5.00	1,370.26	26.00	-	-	-	54.00	54.00	0.04:1 (0.04:1)
Grand Total (A + B)		5,869.79	740.30	43.83	721.93	7,375.85	117.09	-	84.17	202.87	6,415.29	6,618.16	0.90:1 (0.91:1)
C. Non-working Government Companies													
I. Consumer Industries													
1	Sikkim Flour Mills Limited (SFML)	27.90	-	-	-	27.90	-	-	-	-	-	-	-
Sector wise Total		27.90	-	-	-	27.90	-	-	-	-	-	-	-
II. Animal Husbandry													
2	Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00	-	-	-	-	-	-	-
Sector wise Total		35.00	34.00	-	-	69.00	-	-	-	-	-	-	-
III. Transport													
3	Chandmari Workshop and Automobiles Limited (CWAL)	30.00	-	-	-	30.00	-	-	-	-	-	-	-
Sector wise Total		30.00	-	-	-	30.00	-	-	-	-	-	-	-
Total C (Non-working Government Companies)		92.90	34.00	-	-	126.90	-	-	-	-	-	-	-
D. Non-working Statutory Corporations													
Nil		-	-	-	-	-	-	-	-	-	-	-	-
Total D (Non-working Statutory Corporations)		-	-	-	-	-	-	-	-	-	-	-	-
Grand Total (C + D)		92.90	34.00	-	-	126.90	-	-	-	-	-	-	-
Grand Total (A+B+C+D)		5,962.69	774.30	43.83	721.93	7,502.75	117.09	-	84.17	202.87	6,415.29	6,618.16	0.88:1 (0.90:1)

Note: Except in respect of companies and corporations which finalised their accounts for 2004-05, figures are provisional and as given by the companies/corporations.

Loans outstanding at the close of 2004-05 represents long term loans only.

APPENDIX – XIX

(Ref: Paragraphs 6.4.1, 6.5.1, 6.5.7, 6.6.4 & 6.6.5; Pages 92,93,95 & 96)

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl	Name of the Company/Corporation	Name of Department	Date of incorporation	Period of Account	Year in which accounts finalised	Net Profit(+)/ Loss (-)	Net impact of audit comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital Employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Total turnover	Number of employees
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government Companies															
I. Consumer Industries															
1	Sikkim Jewels Limited (SJL)	Industries	Jul. 1976	2002-03	2004-05	(+) 5.48	24.50	599.27	(+) 66.19	687.84	(+) 5.48	0.80	2	215.68	112
2	Sikkim Time Corporation Limited (STCL)	Industries	Oct. 1976	2003-04	2005-06	(-) 329.13	7.67	1,122.54	(-) 292.67	468.63	-	-	1	239.51	140
3	Sikkim Precision Industries Limited (SPIL)	Industries	Feb. 1999	2002-03	2003-04	(+) 1.10	1.01	370.00	(+) 1.10	359.74	(+) 1.10	0.31	2	36.87	58
Sector wise Total						(-) 322.55		2,091.81	(-) 225.38	1,516.21	(+) 6.58	0.43		492.06	310
II. General Financial and Trading Institutions															
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICL)	Industries	Mar. 1977	2003-04	2004-05	(+) 46.67	2.94	1,704.30	(-) 736.31	1,197.88	(+) 46.67	3.90	1	100.40	31
Sector wise Total						(+) 46.67		1,704.30	(-) 736.31	1,197.88	(+) 46.67	3.90		100.40	31
III. Welfare															
5	Schedule Caste, Schedule Tribe and Other Backward Class Development Corporation Limited (SC/ST/OBC DCL)	Welfare	Apr. 1996	2003-04	2004-05	(-) 12.73	120.69	955.15	(-) 438.52	1,712.10	-	-	1	90.13	23
Sector wise Total						(-) 12.73		955.15	(-) 438.52	1,712.10	-	-		90.13	23
IV. Tourism															
6	Sikkim Tourism Development Corporation (STDC)	Tourism	Feb. 1998	2003-04	2004-05	(-) 64.53	9.71	606.37	(-) 259.60	346.67	-	-	1	133.81	103
Sector wise Total						(-) 64.53		606.37	(-) 259.60	346.67	-	-		133.81	103
V. Power															
7	Sikkim Power Development Corporation (SPDC)	Power	Dec. 1998	2001-02	2002-03	(*)		250.00	-	5,249.98	-	-	3	-	10
Sector wise Total								250.00	-	5,249.98	-	-		-	10
VI. Animal Husbandry															
8	Sikkim Poultry Development Corporation (SPDC)	AH & VS	Mar. 1991	2001-02	2003-04	(-) 11.82		-	(-) 26.04	9.72	-	-	3	-	5
9	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug. 1994	2001-02	2003-04	(-) 12.29	3.53	45.83	(-) 49.05	88.41	-	-	3	120.05	21
Sector wise Total						(-) 24.11		45.83	(-) 75.09	98.13	-	-		120.05	26
Total A (Working Government Companies)						(-) 377.25		5,653.46	(-) 1,734.90	10,120.97	(+) 53.25	0.53		936.45	503

B. Working Statutory Corporation														
I. Financing														
1	State Bank of Sikkim (SBS)	Finance	Jun. 1968	2004-05	2005-06	(+) 171.66	58.38	(-) 3,470.81	27,807.42	(+) 171.66	0.62	-	1,169.73	269
Sector wise Total						(+) 171.66	58.38	(-) 3,470.81	27,807.42	(+) 171.66	0.62		1,169.73	269
II. Miscellaneous														
2	Sikkim Mining Corporation (SMC)	Mines & Geology	Feb. 1960	2003-04	2004-05	(-) 140.19	1,174.50	(-) 831.22	87.85	-	-	1	67.05	100
3	State Trading Corporation of Sikkim (STCS)	Finance	Mar. 1972	2000-01	2005-06	(+) 60.20	111.38	(+) 357.85	469.22	(+) 60.20	12.83	4	1,399.67	98
Sector wise Total						(-) 79.99	1,285.88	(-) 473.37	557.07	(+) 60.20	10.81		1,466.72	198
Total B (Working Statutory Corporations)						(+) 91.67	1,344.26	(-) 3,944.18	28,364.49	(+) 231.86	0.82		2,636.45	467
Grand Total (A + B)						(-) 285.58	6,997.72	(-) 5,679.08	38,485.46	(+) 285.11	0.74		3,572.90	970
C. Non-working Government Companies														
I. Consumer Industries														
1	Sikkim Flour Mills Limited (SFML)	Industries	Jul. 1976	1994-95	1995	Nil	60.16	(-) 12.76	84.50	-	-	10	Nil	
Sector wise Total						Nil	60.16	(-) 12.76	84.50	-	-		-	
II. Animal Husbandry														
2	Sikkim Livestock Processing and Development Corporation (SLPDC)	AH & VS	Apr. 1988	2002-03	2004	(-) 4.80	69.00	(-) 64.73	133.76	-	-	2	Nil	
Sector wise Total						(-) 4.80	69.00	(-) 64.73	133.76	-	-		-	
III. Transport														
3	Chandmari Workshop and Automobiles Limited (CWAL)	Transport	Apr. 1988	1994-95	1997	(-) 14.19	0.20	(-) 1.53	69.00	-	-	5 (closed w.e.f. 12/1999)	Nil	
Sector wise Total						(-) 14.19	0.20	(-) 1.53	69.00	-	-		-	
Total C (Non-working Government Companies)						(-) 18.99	129.36	(-) 79.02	287.26	-	-		-	
D. Non-working Statutory Corporations														
Nil						-	-	-	-	-	-		-	
Total D (Non-working Statutory Corporations)						-	-	-	-	-	-		-	
Grand Total (C + D)						(-) 18.99	129.36	(-) 79.02	287.26	-	-		-	
Grand Total (A+B+C+D)						(-) 304.57	7,127.08	(-) 5,758.10	38,772.72	(+) 285.11	0.74		3,572.90	970

▼ 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 refinancing).

* Project under implementation.

APPENDIX - XXII

(Ref: Paragraph 6.5.1; Page 94)

Statement showing working results of Statutory Corporations

(Rupees in crore)

1. State Bank of Sikkim				
Particulars		2002-03	2003-04	2004-05
1	Income			
	a) Interest on loan	10.27	11.47	11.70
	b) Other income	1.81	3.33	4.20
	Total - 1	12.08	14.80	15.90
2	Expenses			
	a) Interest on long-term and short-term loans	6.93	8.68	9.18
	b) Provision for non-performing assets	-	-	-
	c) Other expenses	4.66	7.08	5.00
	Total - 2	11.59	15.76	14.18
3	Profit (+)/Loss (-) before tax (1-2)	(+) 0.49	(-) 0.96	(+) 1.72
4	Prior period adjustments	22.06	-	-
5	Provision for tax	-	-	-
6	Profit (+)/Loss (-) after tax	(-) 21.57	(-) 0.96	(+) 1.72
7	Other appropriation	-	-	-
8	Amount available for dividend	-	-	1.72
9	Dividend paid/payable	-	-	-
10	Total return on Capital employed	-	-	1.72
11	Percentage of return on Capital employed	-	-	0.62
2. Sikkim Mining Corporation				
Particulars		2002-03	2003-04	2004-05
1	Income			
	a) Sales of concentrates	0.57	0.52	
	b) Other income	0.23	0.19	
	c) Increase (+)/Decrease(-) in stock of concentrates	(-) 0.14	0.01	
	Total - 1	0.66	0.72	
2	Expenses			
	a) Establishment charges	1.03	1.11	
	b) Manufacturing expenses	0.62	0.40	
	c) Other expenses	0.52	0.61	
	Total - 2	2.17	2.12	
3	Profit (+)/Loss (-) before tax (1-2)	(-) 1.51	(-) 1.40	
4	Provision for tax	-	-	
5	Prior period adjustments	(-) 0.19	(-) 0.24	
6	Profit (+)/Loss (-) after tax	(-) 1.70	(-) 1.64	
7	Other appropriation	-	-	
8	Amount available for dividend	-	-	
9	Dividend for the year	-	-	
10	Total return on Capital employed	**	**	
11	Percentage of return on Capital employed	-	-	
3. State Trading Corporation of Sikkim				
Particulars		2002-03	2003-04	2004-05
1	Income			
	a) Sale of trading goods			
	b) Other income			
	c) Increase (+)/Decrease (-) in stock			
	Total - 1			
2	Expenses			
	Total - 2			
3	Profit (+)/Loss (-) before tax (1-2)	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished
4	Provision for tax			
5	Prior period adjustments			
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			

* Negative figure

APPENDIX – XXIII
(Ref: Paragraph 6.5.6; Page 94)
Statement showing operational performance of Statutory Corporations

Sl	Particulars	2002-03	2003-04	2004-05
State Bank of Sikkim				
1	Earning per share (Rs.)	-	-	2.94
2	Number of Branches	22	22	22
3	Number of Employees	297	272	269
4	Profit per Employee (Rs. in lakh)	(-) 0.16	(-) 0.34	0.64
5	Deposits (Rs. in crore)			
	(a) Government	174.85	83.29	74.02
	(b) Others	131.64	156.55	306.74
	Total-5	306.49	239.84	380.76
6	Advances (including bills) (Rs. in crore)			
	(a) Government	-	-	-
	(b) Others	25.62	28.70	53.31
	Total-6	25.62	28.70	53.31
7	Debts written off	Nil	Nil	Nil
Sikkim Mining Corporation				
1	Total mining area in possession (Hectare)	34.8	34.8	34.8
2	Mining area excavated (Hectare)	9.8	9.8	9.8
3	Number of Employees	201	190	100
4	Installed capacity (TPD)			
	(a) Ore	100	100	100
	(b) Waste Rock	-	-	-
	(c) Others	-	-	-
	Total-4	100	100	100
5	Targets (MT)			
	(a) Ore	24,700	6,000	9,000
	(b) Waste Rock	Nil	Nil	Nil
	(c) Others	Nil	Nil	Nil
	Total-5	24,700	6,000	9,000
6	Actual production of Waste Rock (MT)			
	(a) Own	135	Nil	313
	(b) Commercial	-	-	-
	Total-6	135	Nil	313
7	Actual production (MT)	6,503	7,663	5,741
8	Percentage of capacity utilisation	22	26	19
9	Production of by-products, if any			
	(a) Targets (MT)	Nil	Nil	Nil
	(b) Production (MT)	Nil	Nil	Nil
	(c) Capacity utilisation in per cent	Nil	Nil	Nil

Note: TPD = Tonnes per day

APPENDIX – XXIV

(Ref: Paragraph 6.10.1, Page 98)

Statement showing Department-wise outstanding Inspection Reports (IRs)

Sl. No.	Name of Department (Administrative Department)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Years from which paragraphs outstanding
1	Commerce and Industries	5	10	26	1997-98
2	Animal Husbandry, Livestock, Fisheries and Veterinary Services	3	4	10	1994-95
3	Social Justice, Empowerment and Welfare	1	3	6	1999-2000
4	Finance, Revenue and Expenditure	2	14	57	1993-94
5	Mines, Minerals and Geology	1	3	7	2001-02
6	Tourism	1	2	14	2001-02
7	Energy and Power	1	2	12	2002-03
	Total	14	38	132	

APPENDIX -XXV

(Referred to in paragraph 6.10.1; Page 98)

Statement showing department wise draft paragraph / reviews reply to which are awaited.

Sl. No	Name of Department	Number of draft paragraphs	Number of Reviews	Period of issue
1	Industries Department	-	1	June 2005
2	Mines & Geology Department	1	-	April 2005
3	Sikkim Housing and Development Board (under Urban Development & Housing Department)	1	-	May 2005
	Total	2	1	

Appendix – XXVI

(Ref: Paragraph 6.12.10; Page 104)

Statement showing cases of defaulted industrial loans

(Rupees in lakh)

Sl No.	Name of the firm	Amount sanctioned	Amount disbursed & date	Rate of interest per annum	Repayment schedule	Amount repaid	Action taken	Scheduled amount outstanding
1.	Digital Imagine System	8.90	8.82 (15.6.2001)	16	Ist instalment of Rs.0.65 lakh on 15.6.02, 2 nd instalment & onward payment @ Rs.75,000 w.e.f. 18.12.02 (half yearly basis)	NIL	Only demand notices sent	4.40
2.	Rai Resot Zoom	4.00	2.00 (28.6.04).	16	Rs.40,000 each on half yearly basis w.e.f. 15.06.05	NIL	No action taken	(0.40 due on 15.06.05)
3.	Nirvana Hotel	8.00	4.00 (2.5.03) 4.00 (12.6.03)	17	Rs.80,000 each on half yearly basis w.e.f. 12.05.04	NIL	-do-	1.60
4.	Turning Point	4.00	2.00 (19.7.03) 2.00 (14.8.03)	17	Rs.40,000 each on half yearly basis w.e.f. 15.07.04	NIL	-do-	0.80
5.	Star Guide Computer Education	8.00	4.00 (24.4.03) 2.00 (04.9.03)	16	Rs.80,000 each half yearly basis w.e.f. 15.05.04	NIL	-do-	1.60
Total as on March 2005								8.40

Appendix – XXVII

(Ref: Paragraph 6.12.14; Page 105)

Statement showing position of demand under suit filed cases

(Rupees in lakh)

Year	Demand			Suit filed cases			Percentage of suit file cases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2000-01	1,326.97	1,215.52	2,542.49	751.87	798.20	1,550.07	56.66	65.66	60.96
2001-02	1,304.71	1,105.78	2,410.49	579.59	455.50	1,035.09	44.45	41.19	42.94
2002-03	1,264.43	1,020.89	2,285.32	556.91	448.34	1,005.25	44.04	43.92	43.99
2003-04	1,424.34	1,070.10	2,494.44	543.00	435.51	978.51	38.12	40.70	39.23
2004-05	1,421.07	1,122.42	2,543.49	544.80	432.80	977.43	38.34	38.56	38.42

