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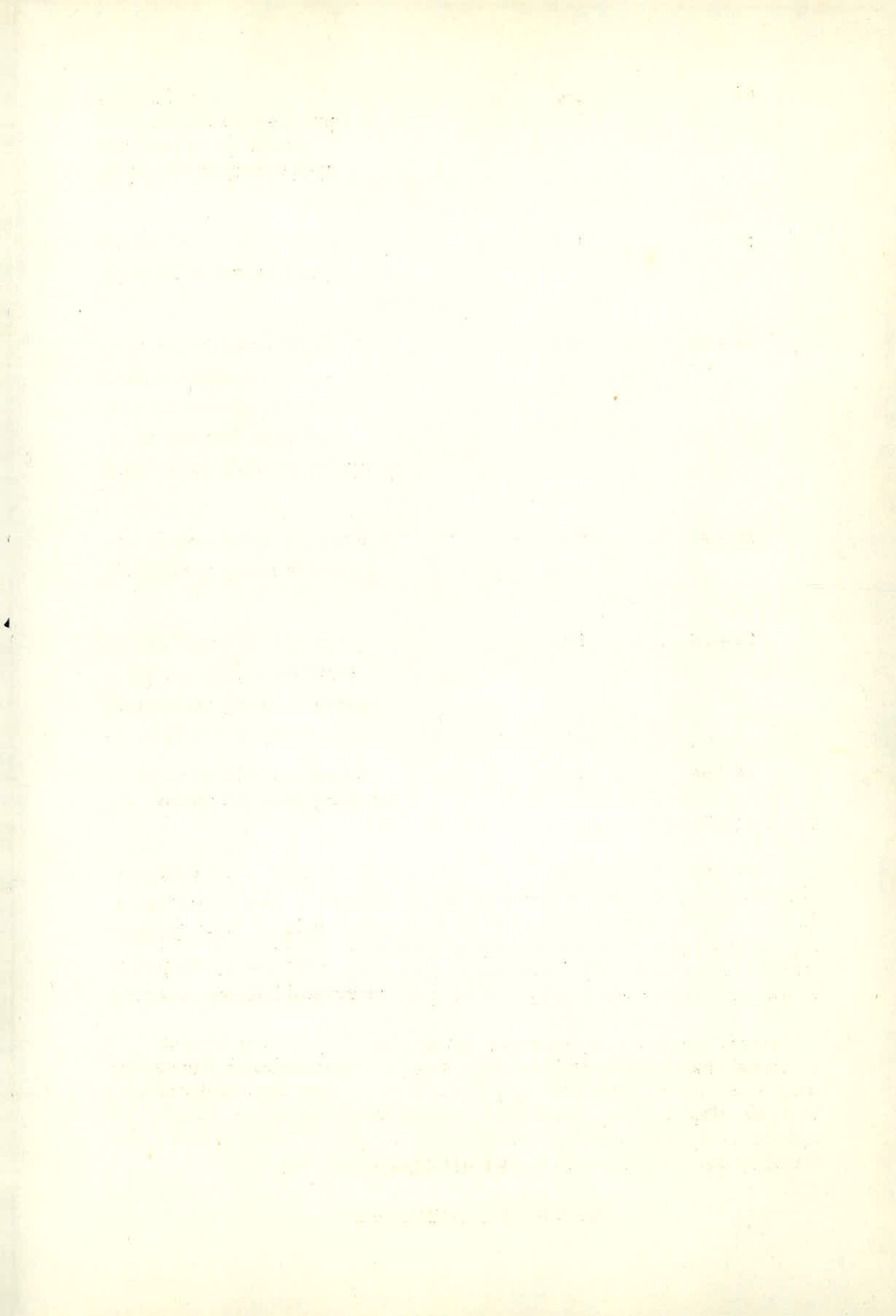
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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1986-87 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1986-87.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1986-87 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1986-87 have also been included wherever considered necessary.

3. Chapter I is an overview of this Report bringing out the significant Audit findings.

AUDIT REPORT 1986-87

CHAPTER I

CHAPTER I - OVERVIEW

1.1 This Report gives in chapters II and III information about the financial position of the Government of Sikkim for 1986-87 and Government's overall control over expenditure. The remaining 5 chapters include Audit Reviews on development programmes and other activities, apart from the paragraphs containing comments on various irregularities. The more important Audit findings are summarised in the succeeding paragraphs.

CHAPTER II - GENERAL**1.2.1 Assistance from the Central Government**

Grants and loans received from the Central Government during the year amounted to Rs. 82.18 crores. Another sum of Rs. 13.83 crores was also received from the Central Government during the year towards the State's share of Union Taxes. These receipts of Rs.96.01 crores from the Central Government constituted 37.76 per cent of the total receipts of the State of Rs.254.22 crores on account of tax and non-tax revenue and loans. (Paragraph 2)

1.2.2 Revenue receipts

The revenue receipts (Rs.113.48 crores) were Rs.21.85 crores more than those in 1985-86. (Paragraph 2.02.2)

1.2.3 Revenue expenditure

The non-plan revenue expenditure rose from Rs.42.60 crores in 1985-86 to Rs.46.99 crores in 1986-87. (Paragraph 2.02.4)

1.2.4 Return on investments

Rs.6.80 crores stood invested in Government Companies, Corporations etc. at the end of March 1987. The dividend from investment was Rs.0.77 crore. (Paragraph 2.02.12)

**CHAPTER III - APPROPRIATION AUDIT
AND CONTROL OVER EXPENDITURE****1.3.1 Overall position**

There was an overall saving of Rs.12.43 crores in grants and appropriations, being the net result of saving of Rs.12.76 crores in 48 grants and appropriations partly offset by excesses of Rs.0.33 crore in 11 grants and appropriations. The overall excess of Rs.32.63 lakhs in 8 grants and 3 appropriations requires regularisation by the State Legislature. (Paragraph 3.05)

1.3.2 Delay in regularisation of excess expenditure

The excesses under the various grants/appropriations amounting to Rs.1266.87 lakhs relating to the years 1979-80 to 1985-86 were yet to be got regularised from the State Legislature.

(Paragraph 3.11)

1.3.3 Advances from the Contingency Fund

Against the sanctions of Rs.11.68 lakhs, Rs.9.97 lakhs were drawn as advances from the Contingency Fund. A further sum of Rs.14,176 not covered by any sanction was also drawn. The Contingency Fund closed with a debit balance of Rs.0.15 lakh. (Paragraph 3.13)

CHAPTER IV - CIVIL DEPARTMENTS

AUDIT REVIEWS

1.4.1 National Programme for Control of Blindness

The National Programme for Control of Blindness was launched in the State in 1976-77 with the objective of providing eye health education and eye care to the masses in the remotest areas in the shortest possible time.

- Of the Central assistance of Rs.11.43 lakhs received up to March 1987, only Rs.6.27 lakhs were spent.
- Against the targets of organising 48 eye camps and performing 1,600 cataract operations, only 32 eye camps were organised and 260 operations performed. Equipment worth Rs.0.56 lakh received from the Government of India and a mobile van obtained on loan from the Royal Commonwealth Society, Bombay, remained unutilised. (Paragraph 4.4)

1.4.2 National Leprosy Eradication Programme

The National Leprosy Eradication Programme aims at complete eradication of leprosy from the State by 2000 AD.

- Against the receipt of Central assistance of Rs.50.06 lakhs during the period 1976-77 to 1986-87, the budget provision was Rs.33.48 lakhs only and the expenditure was Rs.62.16 lakhs. Due to inadequate recruitment of staff, the various leprosy control units/centres could not be strengthened or established.

- Against the target of detection of 300 cases during 1983-84 to 1986-87, only 202 new cases were detected. (Paragraph 4.5)

1.4.3 National Tuberculosis Control Programme

The National Tuberculosis Control Programme aims at detecting as large a number of patients suffering from tuberculosis as possible and to treat them effectively so that the infectious patient are rendered non-infectious and the non-infectious do not become infectious.

- Sputum case finding was very poor.
- Domiciliary treatment of the TB patients remained confined only to the District Tuberculosis Centre at Singtam.
- Percentage of patients lost from treatment ranged from 15 to 57 during 1983-84 to 1986-87. (Paragraph 4.6)

1.4.4 Village and Small Scale Industries

The main objectives of the Village and Small Scale Industries Development Programme are to upgrade technology in industries, involve local entrepreneurs and to help the rural artisans in self employment and development of local handicrafts and handlooms.

- In the scheme of self-employment to the educated unemployed youth, 147 entrepreneurs were provided with a loan assistance of Rs.34.20 lakhs during 1983-84 to 1986-87 but only 136 units had been commissioned up to April 1987.

- 1450 artisans were trained under the rural artisans training programme. The department was, however, not aware of the number of trained artisans who actually started self-employment ventures.

- The department could not avail itself of a quota of 1935.350 tonnes of cement earmarked for supply to small scale units.

(Paragraph 4.7)

CHAPTER V - WORKS EXPENDITURE

A - AUDIT REVIEWS

1.5.1 Rural Electrification Schemes

The main objective of these schemes was to extend electricity to the rural areas of the State.

— Due to non-payment of interest on due dates to the Rural Electrification Corporation, the Power Department could not avail itself of the rebate of Rs.0.46 lakh and paid instead Rs.0.27 lakh as penal interest for delayed payments.

— Information regarding the progress of work in each village and service connections given was not on record.

— Due to arithmetical mistakes in contractors' bills, there was an excess payment of Rs.0.63 lakh. (Paragraph 5.1)

1.5.2 Stores accounts

Out of the advances of Rs.1098.31 lakhs made till 1986-87 to the State Trading Corporation of Sikkim (STCS), Rs.383.04 lakhs were outstanding as on 31st March 1987. Shortage of materials valuing Rs.9.25 lakhs was found during physical verification of stores in May 1985.

Cases of non-accountal of stores valuing Rs.206 lakhs, losses of stores valuing Rs.59.28 lakhs in transit and non-recovery of the cost of materials valuing Rs.60.40 lakhs from the contractors remained unsettled. (Paragraph 5.2)

1.5.2 Supply of drinking water to problem villages

The scheme of supply of drinking water aims at providing piped water supply to the rural population living in the 440 villages of the State.

— Out of the Central assistance of Rs.1,472.83 lakhs from 1980-81 to 1986-87, Rs. 48.26 lakhs were not utilised. There was delay in completion of schemes resulting in cost overruns.

— Due to acceptance of a modified tender after the specified due date, there was an extra expenditure of Rs.34.87 lakhs in the purchase of galvanised iron pipe. There was also an excess payment of Rs.11.99 lakhs being the cost of pipe not received by the department.

— There was a shortage of materials worth Rs. 10.90 lakhs in departmental stores. (Paragraph 5.5)

B - AUDIT PARAGRAPHS

1.5.3 The department incurred during 1985-86 and 1986-87 an extra expenditure of Rs.11.24 lakhs on purchase of galvanised iron wire from private firms without inviting tenders and at rates higher than those approved by the STCS for those years. (Paragraph 5.4)

1.5.4 Non-acceptance of the lowest rate in 10 works of construction of road resulted in avoidable expenditure of Rs. 3.06 lakhs. (Paragraph 5.3)

CHAPTER VI - Revenue Receipts**EXCISE (ABKARI) DEPARTMENT****1.6.1 Deferment of payment of excise duty**

Excise duty payable under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 on the products of a private company, was not initially collected for about a year, and subsequently the duty was allowed to be collected at a rate lower than that prescribed in the Act by issue of an irregular notification. Further, on a representation by the manufacturer, half the amount of excise duty amounting to Rs. 125.36 lakhs payable up to 1986-87 was treated as loan without interest, which is not provided in the Act.

(Paragraph 6.3)

1.6.2 Loss of excise duty due to allowing irregular concession

In June 1983, a firm was granted licence for manufacturing an allopathic tonic on which excise duty was leviable at 20 per cent *ad valorem* under the Medicinal and Toilet Preparations (Excise Duties) Act, 1985. But on a request by the firm, the State Excise Department allowed them to pay duty at the rate of Re. 0.77 per bottle of the tonic manufactured up to 31st March 1986 in contravention of the Act and rules framed thereunder. Any such exemption could be ordered only by the Central Government. This irregular concession has resulted in loss of revenue amounting to Rs.9.43 lakhs on 20,41,125 bottles of tonic manufactured and despatched up to March 1986.

(Paragraph 6.4)

INCOME TAX AND SALES TAX DEPARTMENT**1.6.3 Non-realisation of tax and interest**

Sales tax amounting to Rs.4,02,038 for the year 1985-86 was not paid by 29 dealers by the due dates. Interest that accrued on the outstanding amount of tax works out to Rs.76,289 up to February 1987. But the department had not taken any action to realise the tax and interest. (Paragraph 6.5)

1.6.4 Irregular grant of exemptions from sales tax

While assessing the sales tax in the case of 3 firms for the years 1983-84 and 1984-85, sales amounting to Rs.2,80,465 were exempted even though these were not supported by documents of export and customs clearance. Irregular exemption resulted in non-levy of tax amounting to Rs. 0.28 lakh. (Paragraph 6.6)

POWER DEPARTMENT**1.6.5 Outstanding electricity charges**

As on 31st March 1987, electricity charges amounting to Rs. 58.72 lakhs were pending for recovery from the consumers. No action was initiated against the defaulters. (Paragraph 6.7)

CHAPTER VII - COMMERCIAL ACTIVITIES

1.7.1 There were arrears in the submission of proforma accounts for the departmentally managed Government Commercial and quasi-Commercial undertakings. (Paragraph 7.4.1)

CHAPTER VIII - FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

1.8.1 As on 31st August 1987, 277 utilisation certificates for grants of Rs. 335.81 lakhs had not been received. (Paragraph 8.1)

1.8.2 The Sikkim Co-operative Milk Producers Union Limited purchased skimmed milk powder from local dealers without inviting tenders at rates higher than those at which the Indian Dairy Corporation was making supplies. This resulted in an extra expenditure of Rs.1.54 lakhs. (Paragraph 8.2)

AUDIT REPORT 1986-87

CHAPTER II

CHAP

GENE

2. Summary of accounts

The summarised position of the accounts of the Government 1986-87 is indicated in the statements following.

I - Statement of Financial position of the Government

As on	Liabilities	As on
31-3-86		31-3-87
7.53@	Internal Debt (Market Loans, Loans from Life Insurance Corporation of India and others)	10.87
28.51@	Loans and Advances from Central Government	34.17
	Pre 1979-84 loans	15.37
	Non-Plan loans	2.01
	Loans for State Plan Schemes	14.21
	Loans for Centrally Sponsored Schemes	1.43
	Ways and Means Advances	1.15
3.54	Small Savings, Provident Funds etc.	4.39
2.22	Deposits	3.46
0.43	Reserve Funds Gross	0.89
	Less Investment	0.46
(-) 0.11	Contingency Fund	**
—	Remittance Balances	—
0.80	Overdraft with State Bank of Sikkim	—
89.22	Surplus on Government Accounts up to Previous year	89.22
	Add Revenue surplus during the year	32.21
<u>132.14</u>		<u>174.75</u>

@Differs from 1985-86 due to rectification of misclassification
 (b) As per records of the State Bank of Sikkim the cash balance
 **The Fund closes with a debit balance of Rs 15,387.

TER II
RAL

ment of Sikkim emerging from the Finance Accounts for the year
of Sikkim as on 31st March 1987.

		<i>(In crores of rupees)</i>	
As on	Assets		As on
31-3-86			31-3-87
	Gross Capital Outlay		
117.21	on Fixed Assets		149.05
	Investment in shares		
	of Companies, Corporations, etc.	6.80	
	Other Capital Outlay	142.25	
4.82	Loans and Advances		5.51
	Development loans	2.97	
	Loans to Government servants and miscellaneous loans	2.54	
0.13	Other Advances		0.13
	Suspense and Miscellaneous		
1.47@	Balances		3.43
4.06	Remittance Balances		8.37
4.45	Cash		8.26
	Cash Balance Deposits with other Banks	3.67(b)	
	Departmental Cash Balance including Permanent Advance	0.30	
	Cash Balance Investment	4.29	

 132.14

 174.75

tions detected as a result of reconciliation with the State Government. was Rs. 4.93 crores. The difference is under reconciliation.

II. Abstract of Receipts and Disbursements

SECTION A —

RECEIPTS

Revenue Receipts—		113.48
(i) Tax Revenue	9.75	
(ii) Non-tax Revenue	14.60	
(iii) State's share of Union Taxes	13.83	
(iv) Non-Plan Grants	20.16	
(v) Grants for State Plan Schemes	47.24	
(vi) Grants for Central and Centrally Sponsored Schemes	7.90	
		<hr/>
		113.48
		<hr/>

for the year 1986-87

REVENUE

		(In crores of rupees)		
		DISBURSEMENTS		
		Non-Plan	Plan	Total
I.	Revenue Expenditure— Sector			
(i)	General Services	13.24	(—) 0.52	12.72
(ii)	Social and Community Services	14.95	10.49	25.44
(iii)	General Economic Services	0.26	0.61	0.87
(iv)	Agriculture and Allied Services	3.85	20.26	24.11
(v)	Industry and Minerals	0.62	1.20	1.82
(vi)	Water and Power Development	2.36	0.33	2.69
(vii)	Transport and Communications	11.71	1.91	13.62
		<hr/> 46.99	<hr/> 34.28	<hr/> 81.27
II.	Revenue surplus carried over to Section B			<hr/> 32.21
				<hr/> 113.48

SECTION B —

III.	Opening Cash Balance including permanent advance and cash balance investment		4.45
IV.	Recoveries of Loans and Advances		0.38
(i)	From Government Servants	0.33	
(ii)	From Others	0.05	
V.	Revenue Surplus brought down		32.21
VI.	Contingency Fund		0.21
VII.	Public Debt Receipts		10.32
(i)	Internal Debt other than Ways and Means Advances	3.44	
(ii)	Loans and Advances from Central Government	6.88	
VIII.	Public Account Receipts		121.06
(i)	Small Savings and Provident Funds	1.13	
(ii)	Suspense and Miscellaneous	54.35	
(iii)	Remittances	63.10	
(iv)	Deposits and Advances	2.48	
IX.	Closing overdraft		—

Total

168.63

OTHERS

III.	Opening Overdraft		0.80
IV.	Capital Outlay— Sector		31.84
(i)	General Services	1.78	
(ii)	Social and Community Services	5.00	
(iii)	General Economic Services	0.04	
(iv)	Agriculture and Allied Services	0.87	
(v)	Industry and Minerals	0.74	
(vi)	Water and Power Development	8.33	
(vii)	Transport and Communications	15.08	
V.	Loans and advances disbursed		1.06
(i)	To Government Servants	0.50	
(ii)	To Others	0.56	
VI.	Contingency Fund		0.10
VII.	Repayment of Public Debt		1.32
(i)	Internal Debt other than Ways and Means Advances	0.10	
(ii)	Repayment of Loans and Advances to Central Government	1.22	
VIII.	Public Account Disbursements		125.25
(i)	Small Savings and Provident Funds etc.	0.28	
(ii)	Suspense and Miscellaneous	56.31	
(iii)	Remittances	67.41	
(iv)	Deposits and Advances	1.25	
IX.	Cash Balance at end		8.26
(i)	Cash Balance Deposits with other Banks	3.67	
(ii)	Departmental cash balance including permanent advance	0.30	
(iii)	Cash Balance Investment	4.29	
		Total	168.63

SOURCES AND APPLICATION OF FUNDS FOR 1986-87

(In crores of rupees)

I. Sources :

1.	Revenue Receipts	113.48
2.	Increase in Public Debt, Small Savings and Deposits	11.09

 124.57

Adjustments

Add effect on Contingency Fund	(+) 0.11	
Less increase in Suspense Balances	(-) 1.96	
Less effect on Remittance Balances	(-) 4.31	(-) 6.16

 118.41

II. Application :

Revenue Expenditure	81.27
Capital Outlay	31.84
Lending for development and other programmes	0.69
Decrease in year-end overdraft	0.80
Increase in Closing Cash Balance	3.81

 118.41

Notes :

2.01 Government accounts being on cash basis, balances shown in the statement of financial position indicate the position on cash basis, as opposed to accrual basis of commercial accounting.

2.02 The abridged accounts in the foregoing statements have to be read with the comments and explanations in the Finance Accounts. The following points emerge from the accounts given in the foregoing statements.

(1) The net accretion from debt transactions (as adjusted by the effect of Contingency Fund, Suspense and Remittance balances) during the year aggregated Rs.4.93 crores. This together with the Revenue Surplus of Rs.32.21 crores was utilised to meet the capital expenditure

of Rs. 31.84 crores, disbursement of loans of Rs. 0.69 crore for development and other programmes and for reducing the overdraft by Rs. 0.80 crore. The transactions thus resulted in an increase of Rs. 3.81 crores in cash balance.

(2) Out of the revenue receipts of Rs. 113.48 crores during the year, Rs. 89.13 crores were from the Government of India as grants for State Plan Schemes, Centrally Sponsored Schemes, Statutory Non-Plan grants and share of Union Excise Duties which constituted 78.55 *per cent* of the State Revenue Receipts. The revenue receipts (Rs. 113.48 crores) during the year increased by Rs. 21.85 crores over that of 1985-86. The increase was mainly under tax revenue (Rs. 2.14 crores), non-tax revenue (Rs. 3.78 crores), State's share of Union Taxes (Rs. 3.00 crores), Non-Plan Grants (Rs. 4.38 crores), Grants for State Plan Schemes (Rs. 6.59 crores) and Grants for Central and Centrally sponsored schemes (Rs. 1.96 crores).

(3) There was substantial under-utilisation of provision under revenue expenditure heads. Taking Plan and Non-Plan expenditure together, there was substantial shortfall of Rs. 8.24 crores (39.31 *per cent*) under General Services, Rs. 1.18 crores (4.43 *per cent*) under Social and Community Services, Rs. 1.28 crores (5.04 *per cent*) under Agriculture and Allied Services, Rs. 3.34 crores (55.39 *per cent*) under Water and Power Development and Rs. 1.12 crores (7.60 *per cent*) under Transport and Communications.

(4) Non-Plan revenue expenditure rose from Rs. 42.60 crores in 1985-86 to Rs. 46.99 crores in 1986-87. The increase of Rs. 4.39 crores was mainly under Social and Community Services (Rs. 1.98 crores), Water and Power Development (Rs. 0.60 crore) and Transport and Communications (Rs. 1.81 crores).

(5) Capital expenditure during the year was Rs. 31.84 crores (Plan : Rs. 31.74 crores; Non-Plan : Rs. 0.10 crore) as against the provision of Rs. 35.31 crores (Original : Rs. 34.13 crores, Supplementary : Rs. 1.18 crores). There was substantial under-utilisation of provision of Rs. 1.18 crores (19 *per cent*) under Social and Community Services and Rs. 1.73 crores (10.29 *per cent*) under Transport and Communications. The capital expenditure (Rs. 31.84 crores) increased by Rs. 6.86 crores over that in 1985-86. The increase was mainly under Water and Power Development (Rs. 3.17 crores), Transport and Communications (Rs. 2.38 crores) and General Services (Rs. 0.71 crore).

(6) Against the provision for disbursement of loans and advances of Rs.1.01 crores during the year, actual disbursement was Rs.1.06 crores out of which only Rs.0.56 crore were disbursed as loans for development purposes. The remaining amount of Rs.0.50 crore (47 *per cent* of the total loans) was paid as loans to Government servants etc. The excess expenditure has not been regularised (February 1988).

(7) At the end of the year, loans and advances of Rs.5.51 crores were outstanding out of which Rs.1.81 crores (32.85 *per cent*) were against Government servants etc. Rupees 0.65 crore were outstanding against a private firm, which were the erstwhile bankers to the State Government. The amount was to be transferred by the firm to the State Bank of Sikkim for credit to the State Government on the setting up of the Bank in 1968. This has not been done and the case for recovery is pending in the Court (April 1988).

(8) Interest of Rs.0.38 crore was received from Co-operative societies on account of loans and advances granted to them. No interest had, however, been received against loans amounting to Rs.3.58 crores granted to other institutions and bodies since 1975-76.

(9) Information regarding overdue amounts of principal and interest has not been received (April 1988) from the departmental officers who maintained the detailed accounts of loan and advances.

(10) The debt liability of Government at the end of 1986-87 was Rs. 53.32 crores which comprised internal debt of State Government, loans and advances from the Central Government, Small Savings and Provident Funds, etc., and also non-interest bearing deposits and other liabilities. The borrowings from the Government of India were Rs.34.17 crores which formed 75.86 *per cent* of the total public debt.

(11) Government paid interest of Rs.3.04 crores on debt during the year. As against this, Government received only Rs.0.61 crore as interest on loans and advances and Rs.0.77 crore as dividend on investments. The net burden of interest on State revenue was, thus, Rs.1.66 crores.

(12) During 1986-87, Government invested Rs.0.68 crore in the Government Fruit Preservation Factory, Sikkim Flour Mills Limited and the Sikkim Industrial Development Corporation. The total

investment at the end of the year was Rs.6.80 crores. The dividend from investment was Rs.0.77 crore. Unit-wise details of the amount of dividend have not been received (April 1988).

(13) Guarantees up to a maximum of Rs.10 lakhs each were given by the State Government, in August 1975 and July 1976 to the State Bank of Sikkim, in respect of advances (overdraft) made by the bank to the Sikkim Mining Corporation and the Sikkim Consumers' Co-operative Society respectively. The amount of outstanding overdraft of the Sikkim Consumers' Co-operative Society was Rs.4.79 lakhs as on 31st March 1987. No guarantee was invoked during the year.

No law under Article 293 of the Constitution has been passed by the State Legislature laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

(14) The grants and loans remitted by the Government of India to the State Government, in the form of bank drafts, were not credited in full to the accounts of the State Government with the State Bank of Sikkim. A part thereof was held as time deposits or banker's cheques with the State Bank of India, outside the account of the State Government, maintained by the Accountant General Sikkim. To this extent, the accounts for 1986-87, covered by this Audit Report were incomplete. The matter has been taken up with the State Government and is under correspondence.

CHAPTER III

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

3.01 General

The summarised position of actual expenditure during 1986-87 against grants/appropriations is as follows:

	Original grant/ appropria- tion (1)	Supplemen- tary grant/ appropria- tion (2)	Total (3)	Actual expendi- ture (4)	Variation Saving (—) Excess (+) (5)
(In lakhs of rupees)					
I. Revenue					
Voted	84,27.45	8,34.18	92,61.63	83,90.79	(—) 8,70.84
Charged	3,87.24	5.26	3,92.50	3,62.29	(—) 30.21
II. Capital					
Voted	34,12.47	1,18.54	35,31.01	31,84.18	(—) 3,46.83
III. Public debt					
Charged	1,26.57	5.40	1,31.97	1,32.19	(+) 0.22
IV. Loans and Advances					
Voted	51.95	49.30	1,01.25	1,06.24	(+) 4.99
Total	<u>1,24,05.68</u>	<u>10,12.68</u>	<u>1,34,18.36</u>	<u>1,21,75.69</u>	<u>(—) 12,42.67</u>

3.02 The following points emerge broadly from the appropriation audit:—

3.03 Supplementary provision :— Supplementary provision obtained during the year constituted 8.16 per cent of the original budget provision as against 8.44 per cent in the preceding year.

3.04 Unnecessary/excessive/inadequate supplementary provision:— Supplementary provision of Rs. 203.11 lakhs obtained in 17 grants proved unnecessary. In 10 grants, additional funds required were only Rs.471.69 lakhs as against the supplementary grants of Rs. 616.71 lakhs obtained, resulting in saving of over Rs. 2 lakhs in each case. In

3 grants, supplementary provision of Rs.55.66 lakhs proved insufficient by more than Rs.2.93 to Rs.6.12 lakhs leaving on aggregate uncovered excess of Rs. 14.55 lakhs.

3.05 The overall saving was Rs.12,75.30 lakhs in 46 grants/appropriations. The overall excess on the other hand was Rs.32.63 lakhs in 8 grants and 3 appropriations requiring regularisation under Article 205 of the Constitution, *vide* details in Appendix 3.1.

3.06 Unutilised provision:— In the following grants, the expenditure fell short by more than Rs.10 lakhs in each case and also by more than 10 *per cent* of the total provision.

Sl. No.	Description of the grant	Amount of saving (In lakhs of rupees) (Percentage of provision in brackets)	Reasons for saving
(1)	(2)	(3)	(4)
1. Revenue - Voted			
	17 - Public Works (Buildings)	508.68 (69)	Reasons for the saving have not been intimated (April 1988).
2.	20 - Pension and other retirement benefits	18.68 (36)	The saving was due to making provision for pensions payable to pensioners of the Defence Department and other Central Government Pensioners in the State Budget.
3.	37 - Irrigation and flood control	57.66 (17)	Reasons for the saving have not been intimated (April 1988).
4.	48 - Power	61.33 (10)	-do-
Capital-Voted			
5.	17 - Public Works (Buildings)	138.53 (19)	Reasons for the saving have not been intimated (April 1988)

(1)	(2)	(3)	(4)
6.	49 - Roads and Bridges	155.80 (10)	Reasons for the saving have not been intimated (April 1988).

Revenue-Charged

7.	10 - Other Taxes and Duties on commodities and services	39.64 (11)	-do-
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3.07 Substantial excesses:— In the following two grants/appropriations, the expenditure exceeded the approved provision by more than Rs. 5 lakhs and by more than 10 per cent of the total provision.

Sl. No.	Description of the grants/ appropriations	Amount of excess (In lakhs of rupees) (Percentage of excess in brackets)	Reasons for the excess
1.	17- Public Works (Buildings) (Revenue-Charged)	10.30 (763)	Reasons for the excess have not been intimated (April 1988)
2.	52- Loans to Government Servants (Capital-Voted)	5.50 (12)	-do-

3.08 Irregular or inadequate re-appropriations:— Out of the total 961 cases of re-appropriations of funds made during the year, re-appropriation in 305 cases proved to be either insufficient or excessive.

3.09 Trend of recoveries and credits:— Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure ; the anticipated recoveries and credits are shown separately below the budget estimates. During 1986-87, such recoveries and credits were anticipated at Rs.9.55 crores (Revenue). Actual recoveries and credits during the year, however, were Rs. 6.27 crores (Revenue).

Significant shortfall occurred under grant No. 17-Public Works- Buildings (Rs. 307.31 lakhs) and grant No. 37-Irrigation and Flood Control (Rs. 44.01 lakhs). Shortfall in recoveries under grant No. 37-Irrigation and Flood Control was attributed by the Chief-Engineer-cum-Secretary, Irrigation Department, to advance payments made to the State Trading Corporation of Sikkim for

procurement of materials charged to stock but due to delay in procurement not charged to works with contra credit to stock. Reasons for less recoveries under grant No. 17 - have not been intimated (April 1988).

3.10 Non-receipt of explanations for savings/excesses:— After the close of the accounts for the financial year, the detailed Appropriation Accounts showing the final grant/appropriations, the actual expenditure and the resultant variations are sent by the Accountant General to the Controlling Officers requiring them to explain the significant variations. In regard to Appropriation Accounts for the year 1986-87, explanations were not received (April 1988) in the case of 11 grants out of the 52 grants/appropriations.

3.11 Delay in regularisation of excesses of earlier years:— The excesses under the various grants/charged appropriations relating to 1979-80 (Rs.0.34 lakh), 1980-81 (Rs.96.37 lakhs), 1981-82 (Rs.196.43 lakhs), 1982-83 (Rs.153.17 lakhs), 1983-84 (Rs.441.53 lakhs), 1984-85 (Rs.65.06 lakhs) and 1985-86 (Rs.313.97 lakhs) mentioned in the Reports of the Comptroller and Auditor General of India for the years have not yet been regularised (February 1988).

3.12 Reconciliation of expenditure:— Note below sub rule (1) of rule 83 of the Sikkim Financial Rules, 1979, provides that the Administrative Department controlling a grant or appropriation should reconcile the departmental figures with those booked by the Accountant General every month. During 1986-87, out of the 52 grants, accounts of only 47 grants were reconciled by the concerned departments.

3.13 Contingency Fund:— A Contingency Fund of Rs. 50 lakhs has been placed at the disposal of Government to enable it to make advances for meeting unforeseen expenditure, pending authorisation by the Legislature. The advances from the Fund are to be made only to meet expenditure which is of such an emergent character that the postponement of it, till its authorisation by the Legislature, would be undesirable.

In all, 4 sanctions were issued during 1986-87 advancing Rs.11.68 lakhs from the Fund. Against the sanctions of Rs. 11.69 lakhs, Rs.9.97 lakhs were drawn. A further sum of Rs. 14,176 not covered by any sanction was also drawn which was irregular.

The Contingency Fund was closed with a debit balance of Rs.0.15 lakh during the year 1986-87. The reasons for non-recoupment have not been intimated (April 1988).

CHAPTER IV
CIVIL DEPARTMENT
ANIMAL HUSBANDRY DEPARTMENT

4.1 Short deposit of sale proceeds of farm produce

Under rules, all receipts of Government should be taken into the cash book immediately and promptly deposited into the bank. It was, however, noticed in audit (November 1986) that of Rs. 2.87 lakhs realised as sale proceeds of poultry birds, eggs, milk and animal feed in Tadong farm during the period from 1st May 1984 to 18th October 1986, only Rs. 1.40 lakhs were deposited into the bank. The balance amount of Rs. 1.47 lakhs was neither deposited into the bank nor accounted for in the cash book. Even in depositing the amount aggregating Rs. 1.40 lakhs into the bank, there were delays ranging from 29 to 194 days. Reasons for delay and non-deposit of the sale proceeds were not on record nor was any follow-up action taken to account for the balance amount in the cash book and its deposit into the bank. Non-observance of rules resulted in short deposit of Rs. 1.47 lakhs.

The matter was reported to Government in June 1987; reply has not been received (February 1988).

EDUCATION DEPARTMENT

4.2 Loss of cash due to theft

An amount of Rs. 1.05 lakhs representing pay and allowances of 103 teachers and staff of different schools of the Soreng complex for the month of July 1986 was drawn on 1st August 1986 by the Principal of Senior Secondary School, Soreng. A lower division clerk was allowed to handle cash without furnishing any security. Of the amount drawn, Rs. 0.45 lakh were disbursed on 1st August 1986. The undisbursed amount of Rs. 0.60 lakh was kept in the steel almirah of the Principal. Next day, the almirah was found broken and on verification by the Principal, the entire amount of Rs. 0.60 lakh was found missing.

The matter was reported on 2nd August 1986 to the Joint Director of Education, West District, Gyalshing, Sub-divisional Magistrate and the Police, Soreng. The final outcome has not been intimated (February 1988). The amount was, however, again drawn (August 1986) and disbursed (August 1986) to the teachers and staff.

The loss was not reported to the Accountant General as required under rules. Nor was any departmental investigation conducted and responsibility fixed on any official for the loss. The loss was yet to be written off (February 1988).

The matter was reported to Government in June 1987; reply has not been received (February 1988).

FINANCE DEPARTMENT

4.3 Non-recovery of house building advance

The department paid a sum of Rs. 1.78 lakhs as house building advances to 8 employees of the Medical, Rural Development and Education Departments during the period from October 1976 to March 1982 (Rs. 0.12 lakh in 1976; Rs. 0.36 lakh in 1977; Rs. 0.30 lakh in 1978; Rs. 0.20 lakh in 1979; Rs. 0.60 lakh in 1980 and Rs. 0.20 lakh in 1982). Under rules, the loan carries interest at 6 per cent per annum and its repayment commences 2 years after the payment of first instalment and recovery is to be completed within 15 years. In the event of the loanee being discharged from service or dying before making full repayment, the unrecovered amount of loan is to be recovered from the legal heirs of the loanee. Out of the 8 loanees, 2 had expired, 3 had resigned and 3 had retired from service (June 1987). The department had, however, recovered only Rs. 0.96 lakh from the gratuity of Rs. 1.11 lakhs in respect of 5 loanees. No recovery from the other 3 loanees has been made so far (June 1987).

Further, various sums aggregating Rs. 30.58 lakhs had been disbursed as house building advance to 146 employees of different departments during the period from 1975 to 1984. Although recovery in all the cases fell due long back, the department had started recovery in 49 cases only up to June 1987. Out of Rs. 9.55 lakhs that became due for recovery up to June 1987, the department had realised only Rs. 2.90 lakhs leaving a balance of Rs. 6.65 lakhs unrecovered. No reasons for non-recovery were on record.

Non-observance of the rules thus, resulted in non-recovery of advance of Rs.7.47 lakhs.

The matter was reported to Government in June 1987. In reply, the department stated (June and August 1987) that the cases were being pursued with the concerned departments.

HEALTH AND FAMILY WELFARE DEPARTMENT**4.4 National Programme for Control of Blindness****1. Introductory**

The National Programme for Control of Blindness was launched in the State in 1976-77 with the objective of providing eye-health education through media of mass-communication and eye care to the masses in the remotest areas in the shortest possible time and establishing a permanent infrastructure of eye-care within the general health-care delivery system at peripheral, intermediary and central level.

2. Organisational set up

The responsibility for the implementation of the programme in the State is vested in the Health and Family Welfare Department headed by a Director, who is assisted by a Medical Officer in charge of the programme and some medical and para-medical staff.

3. Scope of review

A review of the programme covering the period from 1983-84 to 1986-87 was conducted during June to August 1987 with reference to the records in the directorate and the 4 district hospitals. The results of review are summarised in the succeeding paragraphs.

4. Highlights

Of the Central assistance of Rs. 11.43 lakhs received up to March 1987, only Rs. 6.27 lakhs were spent leaving an unutilised balance of Rs. 5.16 lakhs.

Against the targets of organising 48 eye camps and performing 1600 cataract operations, only 32 eye camps were organised and 260 operations performed. No action was taken by the department to process the case for the creation of posts required for the central mobile unit, district mobile unit, district hospitals and primary health centres.

Equipment worth Rs. 0.56 lakh received from the Government of India was lying unutilised.

One mobile ophthalmic van borrowed in December 1980 from the Royal Commonwealth Society, Bombay, remained unutilised.

The central mobile unit could not be pressed into service due to non-equipping of the unit and non-recruitment of staff.

For the development of a district mobile unit neither equipment and vehicle were procured, nor were any posts created.

Monthly and quarterly reports about the functioning of the central mobile unit, district mobile unit, district hospitals, primary health centres etc., were not sent to the Central Government.

Survey for detecting cases of blindness which was required to be conducted immediately after April 1980 was conducted only during December 1986/January 1987. The survey report was still awaited (July 1987).

5. Outlay, expenditure and Central assistance

The budget provision, actual expenditure and Central assistance for the various years are given below:—

<i>Year</i>	<i>Budget Provision</i>	<i>Expenditure</i>	<i>Central assistance received</i>	<i>Amount that qualified for Central assistance</i>	<i>Unutilised Central assistance</i>
<i>(In lakhs of rupees)</i>					
Up to					
1982-83	3.30	2.76	3.99	2.71	1.28
1983-84	0.70	0.29	1.16	0.25	0.91
1984-85	3.29	1.45	3.97	1.36	2.61
1985-86	1.80	1.69	0.36	0.60	(—)0.24
1986-87	1.80	1.89	1.95	1.35	0.60
Total	10.89	8.08	11.43	6.27	5.16

In addition to the Central assistance of Rs. 11.43 lakhs in cash, equipment worth Rs. 0.14 lakh was also received in 1983-85 for the mobile units and the district hospitals.

The department spent Central assistance of Rs. 1.76 lakhs on items which did not qualify for reimbursement, such as office furniture, transfer travelling allowance, and repairs on vehicles not meant for this programme.

The saving of Rs. 5.16 lakhs out of the Central assistance received up to 1986-87 was due to non-purchase of equipment for the strengthening of the mobile units, district hospitals and primary health centres and non-creation of posts of various categories.

6. Targets and achievements

(i) Development of services

(a) Central mobile unit

The Government of India sanctioned one central mobile unit for the State in 1982-83 and asked the State Government to initiate action for procuring the vehicles and putting the mobile unit in operation. Although equipment worth Rs.0.41 lakh was purchased during February 1982, the vehicle was purchased only in January 1985 resulting in non-utilisation of the equipment up to January 1985. Against the non-recurring assistance of Rs. 4 lakhs for purchase of 2 vehicles and equipment and the recurring assistance of Rs. 1.5 lakhs per unit per annum on salaries for 15 members of the staff including 2 ophthalmic surgeons, POL, contingencies etc., only one vehicle and equipment worth Rs. 1.81 lakhs were purchased up to March 1986 and only one surgeon (April 1984) and one driver (January 1985) were appointed. In the absence of complete equipments and the necessary trained staff, the very purpose of establishing the central mobile unit was defeated. There was no record available regarding the performance of the central mobile unit.

One mobile van was borrowed by the State Government from the Royal Commonwealth Society, Bombay, in December 1980 for organising camps in the villages of Sikkim. Neither any staff for running the van was recruited nor was the vehicle put to use. However, Rs.0.37 lakh were spent on its repairs during 1982-83, 1983-84 and 1986-87.

(b) District mobile unit

In August 1986, the Government of India sanctioned the establishment of one district mobile unit and provided during 1986-87 a non-recurring assistance of Rs.1 lakh for the purchase of a van and equipment, recurring assistance of Rs. 1 lakh per annum on salaries for 6 members of the staff, POL and maintenance of the vehicle. But neither any staff has been recruited nor the van and equipment purchased so far (November 1987), resulting in non-establishment of the mobile unit. The department stated (June 1987) that the case for the recruitment of staff stood submitted to Government and that purchase of van and equipment was in progress.

(c) District hospitals

The Government of India wanted the development of 4 district hospitals during 1982-83 (1 hospital), 1983-84 (1 hospital) and 1984-85 (2 hospitals). However, the staff required to be posted to these hospitals for which Central assistance was provided during the years 1982-83 to 1984-85, was not recruited. Equipment worth Rs. 0.56 lakh provided by the Central Government for these hospitals during 1982-83 and 1983-84 also remained unutilised as no ophthalmic surgeon and assistant could be posted to these hospitals. The equipment provided by the Central Government for the year 1984-85 (worth Rs. 0.12 lakh) was not collected by the State Government till July 1987 from the New Delhi Central Store. The State Government had also not purchased essential equipment worth Rs. 1.32 lakhs meant for these hospitals according to the prescribed pattern of Central assistance. The 4 district hospitals were to be strengthened each with 15 beds for eye patients from time to time. No such bed was provided in any of the district hospitals as there were no ophthalmic surgeons. The department stated (July 1987) that the posts could not be created due to administrative reasons.

Thus the non-recruitment of the required staff and non-procurement of essential equipments for the district hospitals defeated the objectives of the scheme.

(d) Primary health centres

During 1986-87, the Government of India fixed targets for strengthening 3 primary health centres at Pakyong, Jorethang and Soreng and provided non-recurring assistance of Rs.24,000 per annum for the post of one ophthalmic assistant in each centre. But this assistance was not utilised due to non-creation of the posts.

(ii) Eye health education

Under the programme, the State Government was to create a post of health educator to educate the masses, include a chapter on eye care in informal and non-formal education, arrange exhibitions, organise group meetings, involve mass media through the All India Radio and conduct film shows and distribute literature on eye-care. Eye health education was, however, not imparted to the masses in any of these ways. The reasons for this were not on record.

(iii) Conducting of eye operations

As per the programme, eye operations were to be conducted by the central mobile unit and the upgraded district hospitals. Due to the non-availability of any equipped central mobile unit, the eye operations were not conducted in the rural areas. The department, however, conducted during April 1983 to December 1986 eye operations at the 3 district hospitals, Singtam, Namchi and Gyalshing by obtaining services of a Siliguri based eye surgeon on contract basis and with the help of one ophthalmic surgeon recruited in July 1983.

The targets fixed by the Government of India for eye camps and operations, and the achievements thereagainst are given below:—

<u>Year</u>	<u>Eye camps</u>			<u>Cataract Operations</u>		
	<u>Targets</u>	<u>Achievements</u>	<u>Shortfall</u>	<u>Targets</u>	<u>Achievements</u>	<u>Shortfall</u>
1983-84	12	7	5	500	65	435
1984-85	12	10	2	500	47	453
1985-86	12	6	6	500	50	450
1986-87	12	9	3	100	98	2
Total	48	32	16	1600	260	1340

The department stated (June 1987) that the shortfall was due to inadequacy of staff.

7. State Implementation Committee

As per the programme, a State Implementation Committee was to be formed under the Chairmanship of the State Health Minister, to review periodically the progress of the programme and to advise methods concerning its implementation.

The Committee formed in September 1984 with the Secretary, Health Department, as its Chairman and 9 members, never met since its formation. As such the objective behind the formation of the Committee was not achieved.

8. Monitoring and evaluation

No monitoring cell was created to watch the proper implementation of the programme. No reports and returns, as required under the programme, were furnished to the Government of India

on the functioning of the central mobile unit, development of district hospitals and strengthening of the primary health centres. As a result, the shortfall in achievements of the programme were not detected and, therefore, no remedial measures were taken.

The Government of India had asked the State Government to conduct speedy survey in April 1980 for ascertaining the total number of cases suffering from blindness in the State. The survey was conducted only from December 1986 to January 1987. The results have not yet been compiled (July 1987). In the absence of the survey report, the impact of the programme could not be ascertained.

The matter was reported to Government in September 1987; reply has not been received (February 1988).

4.5 National Leprosy Eradication Programme

1. Introductory

The State of Sikkim is having a population of 3.16 lakhs (1981 census) with the prevalence rate of 8 leprosy cases per 1000 population. The National Leprosy Control Programme, the precursor of the National Leprosy Eradication Programme (NLEP) was launched in the State in 1976-77 with the objective of detecting at least 90 per cent of the leprosy cases and arresting the disease in at least 40 per cent cases. The Sixth Five Year Plan, *inter alia*, envisaged reduction of leprosy by 50 per cent of the prevalence rate of disease in the active cases, reduction to half of the 20-25 per cent of the infectious cases, correction of the correctable deformed cases by 50 per cent and rehabilitation of 50 per cent of the socio-economically dislocated persons. The programme renamed as the "National Leprosy Eradication Programme" in March 1982 aims at complete eradication of leprosy from the country by 2000 A.D.

2. Organisational set up

The responsibility for the implementation of the programme in the State is vested in the Health and Family Welfare Department headed by a Director, who is assisted by a Medical Officer in charge of the programme and some medical and para-medical staff.

3. Scope of review

A review of the programme, covering the period from 1983-84 to 1986-87, was conducted during June and July 1987 with reference to the records of the directorate and the 4 district hospitals. The results of review are summarised in the succeeding paragraphs.

4. Highlights

Against the receipt of Central assistance of Rs. 50.06 lakhs during the period 1976-77 to 1986-87, budget provision was Rs. 33.48 lakhs only and the expenditure was Rs. 62.16 lakhs.

Due to inadequate recruitment of staff, the Leprosy Control unit and Urban Leprosy Centres could not be strengthened. Besides, the Survey Education and Treatment Centres, the District Leprosy Unit and the Sample Survey-cum-Assessment unit were not established.

Against the target of detection of 300 cases during 1983-84 to 1986-87, only 202 new cases were detected. Similarly, against the target of 40 cases of arresting the disease over a period of 4 years, only 27 cases were cured.

A jeep purchased in April 1978 and allotted for the use of the Leprosy Control Unit in January 1979 was disposed of in February 1987 by auction. The auction papers were not shown to Audit.

No monitoring cell was established as required under the programme. The State level quarterly evaluation reports were not made available to Audit.

5. Financial outlay and expenditure

The programme was financed cent per cent by the Central Government from 1976-77 onwards except during 1979-80 and 1980-81 when the financial responsibility was shared with the State Government on 50: 50 basis.

The budget provision, expenditure incurred, and Central assistance received were as follows:

Year	Budget provision	Expenditure	Central assistance		
			Received	Amount that qualified for Central assistance	(+) Excess received (-) Short received
Up to		(In lakhs of rupees)			
1982-83	10.94	18.91	16.47	17.02	(-) 0.55
1983-84	5.10	2.67	2.60	2.67	(-) 0.07
1984-85	4.52	4.96	5.20	4.91	(+) 0.29
1985-86	7.92	11.52	9.16	11.23	(-) 2.07
1986-87	5.00	24.10	16.63	24.04	(-) 7.41
	33.48	62.16	50.06	59.87	(-) 9.81

In addition, Central assistance of Rs.1.27 lakhs in the form of medicines was also provided during 1983-84 (Rs.0.04 lakh), 1984-85 (Rs.0.03 lakh), 1985-86 (Rs.0.74 lakh) and 1986-87 (Rs.0.46 lakh).

The expenditure included Rs.2.29 lakhs which did not qualify for reimbursement on items, such as needles, motor cycle repairs, engagement of chowkidar and donation to the Gandhi Memorial Leprosy Foundation, Agra.

6. Targets and achievements

The two key activities under the NLEP are identification of new cases and providing them with treatment. The overall achievements against targets during 1983-84 to 1986-87 are given below:-

Year	Old cases as on 1st April	Number of cases detected and brought under treatment	Total number of cases treated	Number of cases discharged/cured as disease arrested	Died/lost from treatment
	Targets	Achievements	Targets	Achievement	
1983-84	189	100	38	227	10 5 3
1984-85	219	100	47	266	10 4 4
1985-86	258	50	63	321	10 10 17
1986-87	294	50	54	348	10 8 2

The target fixed for detection of new cases was not achieved during 1983-84 and 1984-85. The percentage of patients cured/discharged as disease arrested during 1983-84, 1984-85, 1985-86 and 1986-87 was 2.20, 1.50, 3.12 and 2.30 respectively of the total number of patients. The achievement in the cases discharged/cured came to 50 per cent, 40 per cent and 80 per cent during 1983-84, 1984-85 and 1986-87 respectively.

The department stated (July 1987) that the shortfall in achievement was due to shortage of staff. But it was observed that Government did not take any action to fill up the posts required for implementation of the programme.

7. Physical performance

The main infrastructural facility under the NLEP are the setting up of the Leprosy Control Unit (LCU) in area of high endemicity having prevalence rate of 5 per 1000 population, Survey Education and Treatment (SET) Centres in areas of moderate endemicity at the rate of one per 20-25 thousand population and Urban Leprosy Centres (ULC) at the rate of one per 50,000 population. A Temporary Hospitalisation Ward was to be provided to serve those in need of special care. One District Leprosy unit (DLU) was to be provided for every district having prevalence rate of 5/1000 and in other cases one per two or three districts.

Performance in the field of setting up the infrastructural facilities was as under:—

LCU— The one LCU established in the State at Gangtok during 1985-86 did not conform to the prescribed staffing pattern and was short of 10 para medical workers.

SET Centres — As against the target for setting up 17 SET Centres (10 in 1976-77, 3 in 1983-84 and 4 in 1986-87) no such Centre was established till date (July 1987).

ULCs — As per approved norms, 6 ULCs were required to be set up. The State Government, however, fixed the target of 5 against which only 4 ULCs (three in 1984-85 and one in 1986-87) were established.

DLUs — As against the target of setting up 3 DLUs (one each in 1976-77, 1984-85 and 1986-87), no such unit was established (July 1987).

Sample Survey-cum-Assessment Unit (SSAU)

One Sample Survey-cum-Assessment Unit (SSAU) was sanctioned during 1986-87. For this unit, a sum of Rs.1.08 lakhs was advanced to the State Trading Corporation during December 1986 for procuring one jeep. Neither the vehicle was supplied to the department nor was any staff appointed till date (July 1987).

The reason for non-establishment of infrastructural facilities/ non-filling of the posts given by (July 1987) the department was the non-availability of qualified manpower.

8. Temporary hospitalisation ward (THW)

For temporary hospitalisation of acutely ill leprosy patients, the Government of India allocated a target of 2 THWS (one in 1984-85 and one in 1986-87) by undertaking construction of a 20 bedded ward covering a total area of 1500-2000 square feet, attached to a district hospital. But, contrary to the prescribed norms, the State Government, in 1985-86, acquired a piece of land at Sajong measuring 5920 square feet for Rs.92,135 for construction of a THW. A sum of Rs. 12 lakhs was advanced during 1986-87 to the Sikkim Public Works Department for its construction against the sanctioned estimate of Rs.22.08 lakhs. The building scheduled to be completed by December 1986, was still under construction (December 1987).

No action had been taken for the construction of the other THW, the reasons for which were not on record.

9. Other interesting points

a) A jeep purchased in April 1978 and allotted for the use of the LCU Gangtok (January 1979) was put to open auction (February 1987) by the Home Department without obtaining a condemnation certificate from the technical authorities. The auction report was not shown to Audit. The sale proceeds were also found to have been credited to the revenues of the Home Department instead of the Health Department.

b) One motor cycle was supplied by the Government of India to the State Government during 1978-79 for door to door inspection of patients and supply of medicines but the same was handed over to the LCU Gangtok in November 1983 only. As no log book was maintained, the manner in which the motor cycle was used during 1978-79 to October 1983 could not be ascertained. In March 1984, the motor cycle was irregularly handed over to the Accounts Officer of the department for use.

c) Construction of the THW at Sajong

As per the schedule of rates, the carriage rate from Ranipool to the work site was Rs.132 per hundred C.ft. but the contractors were paid at Rs.200 per hundred C. ft. This resulted in excess payment of Rs.0.11 lakh for carriage of 16036 C.ft. of sand. Further, the distance from Gangtok to the work site was taken as 26 kms. in place of the actual distance of 20 kms. This resulted in further excess payment of Rs.0.10 lakh on carriage of 4079 equintals of material to the work site.

10. **Monitoring and evaluation**

The programme envisaged setting up of a monitoring cell in the Health Directorate for maintaining necessary records for implementation of the Scheme. No monitoring cell was however established.

The implementation of the programme was jointly evaluated by the Government of India and the World Health Organisation in April 1987. The evaluation report has not been received (July 1987).

The department stated (July 1987) that the implementation of the programme was being evaluated quarterly at the State level. No such evaluation report was however made available to Audit.

The matter was reported to Government in September 1987; reply has not been received (April 1988).

4.6 **NATIONAL TUBERCULOSIS CONTROL PROGRAMME**

1 **Introductory**

Tuberculosis (TB) is a major health problem in India. The National Tuberculosis Control Programme (NTP) was introduced in 1962 to tackle the problem of tuberculosis in the country.

The main aim of the programme was to detect as large a number of patients (suffering from tuberculosis) as possible and to treat them effectively, so that the infectious patients were rendered non-infectious and the active and non-infectious cases did not become infectious. In the absence of any survey, the extent of incidence of TB in the State was not known.

2. **Organisational set up**

The responsibility for the implementation of the programme in the State is vested in the Health and Welfare Department headed by a Director who is assisted by a TB Officer-in-charge of the programme and some medical and para medical staff.

3. **Scope of review**

A test-check of the records connected with the programme maintained by the directorate and the TB officer, Singtam, was

conducted in audit during June and July 1987. The results are described in the succeeding paragraphs.

4. Highlights

Though funds for the programme were provided from 1976-77, no targets were fixed up to 1983-84.

Sputum case finding was very poor, being only 0.44 to 25 per cent of the targets.

Domiciliary treatment of the TB patients remained confined only to the DTC at Singtam which resulted in depriving the patients of the other rural areas of the intended benefits.

Percentage of patients lost from treatment ranged from 15 to 57 during 1983-84 to 1986-87.

There was heavy shortfall in the supply of anti-TB drugs to DTC, Singtam, by the State Government.

Medicines valuing Rs.0.42 lakh drawn by the DTC, Singtam, from the Central Health Medical Stores, Gangtok, during December 1984 to March 1985 were not accounted for in the stock register.

Claim for the short receipt of medicines worth Rs.1.40 lakhs was not lodged with the Railways.

5. Allotment of funds and expenditure

The year-wise budget provision and actual expenditure since 1983-84 are given below:—

Year	Budget Provision	Expenditure	Excess (+) Saving (-)
	(In lakhs of rupees)		
1983-84	2.20	0.02	(—) 2.18
1984-85	2.00	0.07	(—) 1.93
1985-86	2.00	0.25	(—) 1.75
1986-87	2.00	1.13	(—) 0.87

Substantial savings each year were due to (i) non-adjustment of the cost of Central assistance received from the Government of India in kind under the programme during 1983-84 (Rs. 0.49 lakh), 1984-85 (Rs. 1.64 lakhs), 1985-86 (Rs. 1.04 lakhs) and 1986-87 (Rs. 0.72 lakh); (ii) non-booking of the salary of the medical and para medical staff, to the programme and (iii) non-booking of the cost of anti-TB drugs amounting to Rs. 1.49 lakhs procured during 1983-84 to 1986-87, to the programme.

6. Targets and achievements

<u>Year</u>	<u>Sputum examination</u>		<u>Detection of new TB cases</u>	
	<i>Targets</i>	<i>Achievements</i>	<i>Targets</i>	<i>Achievements</i>
	<i>(Number of cases)</i>			
1983-84	NA	164	NA	621
1984-85	9000	2279	1250	1177
1985-86	4500	20	1250	1562
1986-87	4500	125	1200	1281

Though funds for the programme were provided from 1976-77, the targets for sputum examination and detection of new cases were fixed only from 1984-85.

Further, compared to targets, achievement in sputum examination cases was very poor. The achievements worked out to 25.32 per cent in 1984-85; 0.44 per cent in 1985-86 and 2.78 per cent in 1986-87.

The low achievements were attributed by the department (August 1987) to the untrained laboratory technicians in most of public health centres (PHCS). The department, however, stated that steps were being taken to train the untrained laboratory technicians.

7. Expansion of TB programme in the rural areas

To intensify the activities under the programme in the rural areas, it was recommended by the Central Government that all the health workers of the Peripheral Health Institutions (PHI) should be involved in sputum case finding and domiciliary treatment of TB patients and in BCG vaccination of the newly born babies and infants. For this purpose, the auxiliary nurse midwives (ANM) and the multipurpose workers (MPWs) in PHC/s were to be trained in sputum case finding, domiciliary treatment and health education activities. But the case finding and treatment activities were confined mainly to the only District Tuberculosis Centre (DTC) established at Singtam in East District and involvement of PHCs in the programme was very meagre. It was, however, stated by the department (June 1987) that 10 beds in each of the 4 district hospitals had been allotted for TB patients. Thus, the bulk of TB patients in the other rural areas were not benefited.

8. Treatment

The aim of case finding is to ensure uninterrupted treatment of TB patients till it is successfully completed so as to reduce the source of infection. Details of new patients, patients resuming treatment and patients lost from treatment are given in the table below :—

Number of patients

Year	Put on treatment during the year	Collecting drugs during the last year	Resumed treatment	Total	Lost from treatment	Percentage lost from treatment	Reported dead	Completed Treatment
1983-84	681	NA	90	—	595	—	24	41
1984-85	698	340	80	1118	642	57	15	38
1985-86	907	529	50	1486	550	37	20	42
1986-87	804	1587	55	2446	371	15	3	28

The above table would show that the percentage of patients 'lost from treatment' ranged from 15 to 57, thus defeating the very purpose of case finding.

The department, while admitting (June 1987) that a large number of patients had been 'lost from treatment', stated that no follow-up action, viz., to contact each and every defaulting patient, could be taken due to shortage of staff and that lack of vehicles exclusively for the programme made it further difficult to contact the patients at far flung places.

9. Other points of interest

(i) Medicines

Computed with reference to the number of patients under treatment and the prescribed doses, there was a noticeable shortfall in the supply of anti-TB drugs by the State Government to the DTC Singtam, ranging from 0.08 lakh to 0.67 lakh in the case of injections, 1.70 lakhs to 2.98 lakhs in the case of capsules and 0.10 lakh to 6.59 lakhs in the case of tablets during the period from 1983-84 to 1986-87.

The extent to which the short supply of medicines affected the regular treatment of TB patients had not been ascertained by the department.

(ii) Non-accountal of medicines

A test-check of the stock register of medicines maintained by the DTC, Singtam, disclosed that anti-TB drugs valuing Rs. 0.42 lakh supplied by the Central Health Medical Store (CHMS), Gangtok, were not accounted for in the stock register(s). Stock registers were also not maintained properly inasmuch as entries of receipt and issue were not attested by any responsible officer.

While confirming (August 1987) the non-accountal of medicines, the DTC stated that the matter would be taken up with the CHMS for further investigation of the case.

(iii) Non-preferment of claim with the Railways

A test-check of the records of the CHMS wing of the department revealed that, out of the 36 cartons of anti-TB drugs sent by the the Government Medical Supply Depot (GMSD), Calcutta, to the CHMS, 3 cartons were found/received (June 1986) empty from the Railway Out Agency. A certificate to this effect was also obtained from the Railway Out Agency while taking delivery of the material. The department, however, neither took up the matter with the Railways nor with the GMSD Calcutta to make good the loss.

The department stated (July 1987) that no claim was lodged with the Railways due to ignorance about the procedure to be followed. The cost of medicines received short was Rs. 1.40 lakhs. Thus, failure of the department, in lodging a claim with the Railways, resulted in a loss of Rs. 1.40 lakhs to Government.

10. Reports and returns

Accuracy of the monthly progress reports regarding detection of new TB cases and sputum examination sent to the Central Government could not be verified in audit due to non-availability of the basic records reportedly (July 1987) misplaced during the shifting of the DTC from Gangtok to Singtam in September 1986.

The matter was reported to Government in September 1987; reply has not been received (April 1988).

INDUSTRIES DEPARTMENT**4.7 Village and Small Scale Industries****1. Introduction**

The development of small scale and village industries has been given high priority in the successive Five Year Plans as such industries require low investment and have high potential for employment generation especially in the rural and semi-urban areas. The Programme for Development of Small Scale and Village Industries, *inter alia*, aims at creation of additional employment opportunities on a dispersed and decentralised basis, establishment of a wider entrepreneurial base through appropriate training and package of incentives and providing of all services and support needed by the entrepreneurs.

2. Organisational set up

The Programme is implemented by the Director of Industries through

- a) the DICs set up to provide guidance, raw materials, training and marketing facilities to small entrepreneurs,
- b) the Sikkim Industrial Development and Investment Corporation Limited and the Sikkim Khadi and Village Industries Board, by providing infrastructural facilities, seed money and finance and
- c) the Small Industries Service Institute (SISI) which provides technical, managerial, marketing and other assistance.

3. Scope of review

A review of the programme was taken up in audit during April 1986 to October 1986 with reference to the records of the Directorate and the District Industries Centres (South and West) and the results thereof are brought out in the succeeding paragraphs.

4. Highlights

Against the registration of 978 units, only 307 units (31 per cent of the registered units) were functioning in the State at the close of 1986-87.

The overdue balance of the principal and interest in respect of the loans granted to small scale units increased from Rs.6.65 lakhs in 1981-82 to Rs.7.58 lakhs in 1985-86.

Under the scheme of self-employment to the educated unemployed youth, 147 entrepreneurs were provided with a loan assistance of Rs.34.20 lakhs during the period from 1983-84 to 1986-87. But, according to department, only 136 units had been commissioned up to April 1987.

Of the budget provision of Rs.117.92 lakhs, the Government Institute of Cottage Industries could not spend Rs.28.97 lakhs during the Sixth Five Year Plan period. Out of the total production valuing Rs.107.47 lakhs in its production centres from 1980-81 to 1986-87, the total sale was only of Rs.61.44 lakhs.

1450 artisans were trained under the Rural Artisans Training Programme. The number of trained artisans who actually started self-employment ventures was not available with the centres.

Against the allocation (1981-85) of 8900 tonnes of cement for supply to small scale units, the directorate lifted only 6964.650 tonnes and the balance quota of 1935.350 tonnes lapsed.

Though the department stated that the various aspects of the programme were closely monitored, no records to this effect were shown to Audit.

5. Registration of Small Scale Industries

The registration of small scale units is done in two stages, namely, (a) provisional registration to an applicant who proposes to set up a small scale industrial unit, and (b) permanent registration after establishment of the unit.

978 units were granted provisional registration and 94 units were granted permanent registration up to the end of March 1987.

According to the directorate (April 1987) out of the 978 units provisionally registered up to 1986-87, only 307 units were functioning in the State, as at the end of 1986-87.

No returns were prescribed by the directorate for the units to report their achievements from time to time. The directorate stated (August 1986) that the achievements were assessed by physical inspection.

6. Financial assistance to units

The Directorate of Industries had been extending financial assistance in the form of loans up to Rs.10,000 to small scale industries and rural artisans. The grant of financial assistance was discontinued from 1985-86. The terms and conditions of loans, *inter alia*, were that the amount of loan should be utilised for the purpose for which it was granted, that the loan together with the interest should be repaid in 9 half-yearly instalments, that the rate of interest would be 6 *per cent* per annum and that, in case the loanees failed to pay instalments of loan together with the interest or failed to fulfil the terms and conditions on which the loan was granted, the Directorate of Industries shall have powers to realise the same as arrears of land revenue.

The details of disbursement of loans, repayments, overdue balances and the number of artisans/small scale industries benefitting during the period from 1980-81 to 1986-87 were as under:—

Year	Overdue amount at the beginning of the Year	Disbursement	Number of beneficiaries during the year	Repayment	Overdue amount at the close of the year
(In lakhs of rupees)					
1980-81	8.31	0.86	28	1.23	7.94
1981-82	7.94	1.68	51	2.97	6.65
1982-83	6.65	1.74	60	1.53	6.86
1983-84	6.86	2.06	55	1.39	7.53
1984-85	7.53	2.12	124	1.06	8.59
1985-86	8.59	Nil	Nil	1.01	7.58
1986-87	7.58	Nil	Nil	2.97	4.61

It would be seen from the above table that while the disbursement of loans continued to increase from year to year, the repayment declined in 1982-83 to 1984-85. Similarly, the overdue balances increased from Rs.6.65 lakhs in 1981-82 to Rs.7.58 lakhs in 1985-86.

The directorate contemplated (January 1978) the following measures to effect recoveries of the overdue amounts:—

- (a) issuing of demand and show cause notices,
- (b) filing of legal suits against defaulters, and
- (c) occasional visits of inspectors to the defaulting units for realisation.

Government did not confer upon the district collectors the powers to collect such outstandings as arrears of land revenue till March 1988. Accordingly, the directorate was obliged to file cases in court to effect such recoveries. Up to the end of March 1987, 98 court cases were instituted against the defaulters for recovery of dues of which 7 cases had been decided by the court. Still, there were heavy outstandings of loans which indicated that the measures adopted by the directorate were not sufficient to speed up the recovery of the principal and interest.

7. **Small Industries Service Institute (SISI)**

The Small Industries Service Institute (SISI) was established in September 1976 with the objectives of rendering service towards promotion and development of small scale industries in the State, conducting seminars, exhibitions, and imparting training and like activities with a view to generating technical knowledge conducive to the local conditions. It also aims at rendering consultancy services, giving guidelines and shaping schemes for small scale units.

An expenditure of Rs. 11.30 lakhs was incurred by it on the performance of various types of activities during the period from 1977-78 to 1986-87. The Institute imparted training to 479 persons in technical courses, 15 persons in managerial courses, 375 persons in economic and statistical courses and 583 persons in other courses relating to small scale industries during the period from 1979-80 to 1986-87. Further, during this period, it provided assistance in the form of technical know-how to 591 entrepreneurs to start new industries.

8. **Scheme for providing self-employment to the educated unemployed youth**

The Government of India launched this scheme in August 1983 with the objective of encouraging the educated unemployed youth to undertake self-employment ventures in industry, service and business. The scheme was implemented by a Task Force (February 1984) at the State level consisting of the Director of Industries as Chairman, General Managers, District Industries Centre (DIC), Assistant Directors of District Industries, a representative each from the Lead Bank and the Small Industries Service Institute, as members, to motivate, select and recommend loans for entrepreneurs and to monitor the scheme. After identification of the beneficiaries and subject to their projects being found feasible by the Task Force, the bank would provide to the entrepreneurs a composite loan not exceeding Rs.0.25

lakh. The educated unemployed youth who are atleast matriculates and within the age group of 18-25 years were eligible for the loan under the scheme. Since the inception of this scheme in February 1984, the Task Force recommended up to March 1987, 234 applications to the Lead Banks against which 147 entrepreneurs were sanctioned loans amounting to Rs.34.20 lakhs. The Lead Banks rejected the remaining applications on account of incomplete documents and non-fulfilment of eligibility tests.

According to the department (April 1987), out of the 147 cases, only 136 units had been commissioned with the help of loans so granted. Reasons for non-commissioning of the remaining 11 units, could not be explained by the department.

A joint evaluation survey conducted (August 1985) in East District by the SISI and the department revealed that all the 12 units granted loans during 1983-84 had started functioning. No survey has been conducted so far (May 1987) in other districts and of units sanctioned loans in other years.

9. The Government Institute of Cottage Industries

The Institute was established in March 1957 as a training centre to impart employment-oriented training to permanent residents of the State. The main objectives of the training were not only to preserve the age-old arts and crafts but also to create gainful employment opportunities for the trainees after completion of their training.

Starting with 4 sections, viz., carpet weaving, carpentry, handlooms and hand made paper unit with only 28 trainees, the institute had 19 different sections with more than 186 trainees in March 1987.

Against the approved Sixth Five Year Plan outlay of Rs. 126 lakhs for the Institute, the provision made in the budget was of only Rs.117.92 lakhs (93.58 *per cent*) of which Rs.88.95 lakhs were spent on the cottage industries schemes during the Plan period thereby resulting in a net saving of Rs.28.97 lakhs (23 *per cent* of the approved Plan outlay and 24.57 *per cent* of the budget estimates).

Under the scheme of "Field Level Organisation" (FLO) introduced in the Institute from October 1975, the Institute has, so far, (March 1987) trained 1065 artisans and they were either engaged at the production centres of the Institute or given loans in the form of raw materials, such as raw wool, yarn, looms and accessories to enable them to carry on their trade wherever they liked. Under the FLO,

more than 429 artisans had been provided with raw materials (up to March 1987) and in return the Institute had received finished products such as carpets and wood crafts in repayment of the FLO loans.

Under the Artisans Training Scheme, against the target of establishing 6 training centres by 1986-87, only 5 were established by the Institute. Further, against the target of 731 artisans to be trained, during the period from 1982-83 to 1986-87, the number trained was 642.

While the employment in its production centres increased from 89 in 1984-85 to 97 persons in 1985-86, the production decreased from Rs.7.20 lakhs to Rs.6.81 lakhs during the same period. The number of sale centres also decreased from 4 in 1981-82 to 2 in 1983-84. Compared to the total production of Rs.107.47 lakhs during the period from 1980-81 to 1986-87 (January 1987), the total sale was only Rs. 61.44 lakhs (57.16 per cent of the production) resulting in accumulation of stock.

10. Rural Artisans Training Programme

The department started in 1978-79 the Rural Artisans Training Programme (RATP) to provide training in cutting and tailoring, knitting, carpentry, cane and bamboo crafts, carpet weaving, *thanka* painting, wood carving and other traditional crafts to the rural artisans at the village level to promote self-employment ventures. Under this programme, the department extended financial help to the successful trainees in different trades to set up their own units as well as to provide employment to the rural masses. From 1983-84, this programme was integrated with the Training of Rural Youths for Self-Employment (TRYSEM) and was implemented in collaboration with the Sikkim Rural Development Agency (SRDA). The year-wise budget provision, expenditure, the number of artisans covered by the scheme since its inception were as under:—

Year	Budget provision	Expenditure	No. of artisans trained	Remarks
	(In lakhs of rupees)			
1978-79	1.00	1.28	28	RATP
1979-80	2.00	1.94	36	"
1980-81	1.07	1.06	50	"
1981-82	3.57	3.45	61	"
1982-83	1.06	1.06	43	"
1983-84	1.92	1.91	196	TRYSEM
1984-85	1.50	1.37	101	"
1985-86	1.21	1.21	194	"
1986-87	3.75	3.72	181	"

Besides, the District Training Centre, Jorethang, incurred the following expenditure on implementation of this programme for the trainees from the South and West Districts:—

Year	Budget provision	Expenditure	Targets (Number to be trained)	No. of Artisans trained
(In lakhs of rupees)				
1980-81	1.89	1.39	100	85
1981-82	1.59	1.13	100	68
1982-83	0.22	0.10	150	67
1983-84	0.89	0.85	150	55
1984-85	1.00	0.94	150	69
1985-86	1.21	1.21	150	83
1986-87	2.00	2.00	133	133

It will be seen from the above table that the targets fixed for the period from 1980-81 to 1985-86 could not be achieved by the Centre. The number of trained artisans who actually started self-employment ventures was not available with the Centre (February 1987).

11. Training of craftsmen in the Industrial Training Institute (ITI), Rangpo

The Institute was set up in August 1976 with a capacity to train 108 persons at a time in 7 trades, viz., motor mechanic, draftsman (civil), fitter, wireman, welder, plumber and cutting and tailoring (for women). The first 4 courses were of two years duration and the remaining 3 of one year duration.

The number of candidates admitted, and the number of trainees passing, failing and dropping out during 1980-81 to 1986-87 were as follows:—

Year	Admitted	Passed	Failed	Dropping out	Percentage of dropouts
(1)	(2)	(3)	(4)	(5)	(6)

Two Years Course

1980-82	59	35	12	12	20.34
1982-84	59	51	1	7	11.86
1984-86	73	46	4	23	31.51

(1)	(2)	(3)	(4)	(5)	(6)
One Year course					
1980-81	37	22	Nil	15	40.54
1981-82	31	22	1	8	25.81
1982-83	34	22	2	10	29.41
1983-84	39	29	3	7	17.95
1984-85	41	24	2	15	36.59
1985-86	53	25	2	26	49.06
1986-87	20	15	1	4	20.00

The percentage of dropouts varied from 17.95 (1983-84) to 49.06 (1985-86) in respect of one year courses and from 11.86 (1982-84) to 31.51 (1984-86) in respect of two year courses.

According to the Institute (August 1986), the employment/self-employment of the trained craftsmen in different trades varied from 20 to 100 per cent.

Distribution of raw materials

The Directorate of Industries controls the supply of scarce raw materials and critical inputs, such as iron and steel and cement to ensure their equitable distribution between the consumer industries.

It was noticed in audit that, against an allocation (1981-85) of 8900 tonnes of cement, the directorate lifted only 6964.650 tonnes and the balance quota of 1935.350 tonnes (21.75 per cent) lapsed.

The directorate stated (August 1986) that, due to non-availability of railway wagons, the balance quantity could not be lifted. It was also stated that the Sikkim Public Works Department (SPWD) and the STCS were providing cement to the consumer units on loan basis.

Even of the lifted quantity of 6964.650 tonnes of cement, the handling agent (STCS) diverted 1896.150 tonnes (27.23 per cent) to other departments and private parties. Thus, due to lack of proper arrangements by the STCS, the industrial units were deprived of the benefit of 3831.500 tonnes (43.05 per cent) of cement.

12. Monitoring and evaluation

The directorate stated (July 1986) that the various aspects of the programme were being closely monitored and that progress made was reviewed from time to time. But no records to this effect were shown to Audit.

The above points were reported to Government in August 1987; reply has not been received (April 1988).

CHAPTER V
WORKS EXPENDITURE
POWER DEPARTMENT

5.1 Rural Electrification Schemes

1. Introduction

Sikkim was brought within the purview of financial assistance by the Rural Electrification Corporation (REC) with effect from 27th March 1981 for implementation of the REC schemes.

The main objective of the schemes was to extend electricity to the rural areas of the State.

2. Organisational set up

The responsibility for the execution of the REC schemes was entrusted to the Power Department and to the already existing 4 divisions of the Power Department in addition to their normal duties. No separate wing for this purpose was created.

3. Scope of review

A review of the REC schemes executed in the State from 1981-82 to 1986-87 was conducted during January 1987 to March 1987 with reference to the records in the office of the Chief Engineer and the 4 divisions. The results of review are described in the succeeding paragraphs.

4. Highlights

Due to non-payment of interest on due dates to the REC, the department could not avail itself of the rebate of Rs.0.46 lakh and paid instead Rs.0.27 lakh as penal interest for delayed payments.

Due to arithmetical mistakes in contractors' bills, there was an excess payment of Rs.0.63 lakh.

There was also another excess payment of Rs.1.21 lakhs to a contractor.

No evaluation report in respect of the schemes under implementation was on record.

Information regarding the progress of work in each village and service connections given was not on record.

Separate revenue accounts for each scheme and the connected initial records were also not maintained.

5. Financial outlay

For execution of all the schemes, funds were to be provided by the REC as loans to the State Government. The year-wise break-up of loans released by the REC, expenditure incurred and interest paid against the outstanding loans are shown below:—

<i>Year</i>	<i>Amount of loans released by the REC</i>	<i>Expenditure</i>	<i>Interest paid by Government</i>	<i>Principal repaid</i>
	<i>(In lakhs of rupees)</i>			
1981-82	32.44	38.32	1.89	Nil
1982-83	106.31	72.29	8.27	"
1983-84	111.12	131.66	18.70	"
1984-85	159.82	188.31	20.81	"
1985-86	179.15	178.80	17.93	"
1986-87	344.34	27.05	49.23	"
Total	933.18	879.43	116.83	

Less expenditure during 1982-83, 1985-86 and 1986-87 was due to non-execution/non-completion of the different components of the schemes.

6. Targets and achievements

(a) Twenty five schemes (estimated cost: Rs.1475.27 lakhs) were sanctioned by the REC from 1981-82 to 1986-87 as under:—

Year	Number of schemes	Targets fixed towards number of revenue blocks to be covered	Number of blocks actually covered	Sanctioned amount (In lakhs of rupees)
1981-82	6	74	64	274.71
1982-83	Nil	—	—	—
1983-84	6	45	43	350.82
1984-85	7	59	43	461.18
1985-86	Nil	—	—	—
1986-87	6	58	(Execution of the scheme not yet started)	388.56
Total	25	236	150	1475.27

Of the 25 schemes sanctioned by the REC, 19 were to be completed by 1990, covering 178 revenue blocks in all the 4 districts of the State. Even though 6 of the schemes were required to be completed by the end of January 1987, the department was able to complete only 3 of these by June 1987. The shortfall in achieving the target, as ascertained in audit, was due to the fact that the targeted connections which were also one of the components of the schemes, could not be given due to less demand from the consumers.

Formal completion report was not prepared and submitted to the REC for any of the completed schemes (June 1987) as the targeted number of service connections could not be given.

(b) The physical achievements vis-a-vis targets of the 19 schemes under execution, including the 3 schemes already completed, as on 31st March 1987, were as indicated below:—

Year	Domestic/Industrial Street		Sub-sta-		H.T.		L.T.					
	Commnl. Con- nec- tions	connec- tions	light	tions	line	line						
	*T	A	T	A	T	A	T	A				
	(in Nos.)				(in kms)							
1981-82	2391	1724	22	1	945	945	77	77	186	184	358	360
1982-83	—	—	—	—	—	—	—	—	—	—	—	—
1983-84	2380	915	19	1	930	930	117	117	251	251	464	464
1984-85	3379	135	10	—	920	588	157	125	245	222	570	399
1985-86	—	—	—	—	—	—	—	—	—	—	—	—
1986-87	Execution of work not started											
Total	8150	2774	51	2	2795	2463	351	319	682	657	1392	1223

The abnormal shortfall in achieving the targets was attributed by the department to non-availability of demand from the consumers.

7. Implementation

A test-check of the departmental records revealed the following:

(i) No detailed records, viz., scheme-wise assets register and revenue accounts, as required by the REC, were maintained to show the progress achieved from time to time.

(ii) Proper initial records in support of the figures of achievements (as per proforma of the register supplied by the REC for recording the progress of work in detail) showing separately the expenditure on materials and labour, scheme-wise measurement of work done and materials at site account were not maintained. The revenue earned to date from the REC schemes could not be assessed as separate sets of records in this regard were not maintained by the department.

(iii) Neither was the division of expenditure between "materials" and "labour" available nor was the register of works maintained properly. The measurement books were also not maintained for works done departmentally.

(iv) Physical verifications of the materials at site were not conducted.

*T = Targets ; A = Achievements

(v) Two non-scheme revenue blocks were brought under the scheme, pending approval of the REC. The approval was still to be obtained (November 1987).

8. Other topics of interest

(i) Delayed payment of interest

The REC sanctioned 6 schemes with loan assistance of Rs. 274.71 lakhs during the year 1981-82. According to the terms and conditions of loan assistance, interest was to be paid twice a year on 20th March and September each year. For punctual payment, rebate at the rate of $1/4$ per cent was admissible, but, for delayed payment, the department was liable to pay penal interest at the rate of 2.5 per cent. The department defaulted/delayed payment on 3 occasions during the period 1981-82 to 1982-83 which resulted in depriving the benefit of rebate to the extent of Rs.0.46 lakh and the department in turn had to pay penal interest of Rs.0.27 lakh. The department attributed (March 1987) the loss of Rs.0.73 lakh to procedural delays.

(ii) In two cases there was an excess payment of Rs.0.63 lakh due to arithmetical mistakes as detailed below:—

For scheme No. East 2/2, 22 numbers of mildsteel channels for supporting line structure were purchased in November 1984. But the payment was made for 221 numbers. This led to an overpayment of Rs.0.18 lakh.

For scheme No. West 6/1, certain materials were purchased in July 1986 for Rs. 10,023 but due to an arithmetical mistake, payment made was Rs.54,998. The department stated (February 1987) that the amount overpaid would be recovered. A report on the recovery has not been received (April 1988).

(iii) For execution of scheme No. South 4/8, materials, such as cement, galvanised iron wire, barbed wire and conductors were to be issued to the contractor by the department. It was, however, seen in audit, that during the period from March 1984 to August 1985, in addition to the materials issued by the department, the contractor procured these materials worth Rs. 1.33 lakhs from the market for use in the work, without the approval of the department. There was neither any shortage of materials in the departmental store nor was any indent submitted by the contractor to the department for issue of materials. Excepting cement, the materials already issued by the department were in excess of the estimated quantity and hence there

was no justification for purchase of materials by the contractor himself. Further, as per measurements taken by the department, materials worth Rs.1.21 lakhs were not utilised on the work. The departmental committee consisting of the Chief Engineer, and other officers held (November 1985) that payment to the contractor for the materials procured by him would under no circumstances be made. But inspite of the above decision, the department paid the final bill of the contractor including the value of the materials procured by him from the market. The materials not utilised in the work were neither returned by him nor was the value thereof recovered. Thus, there was an excess payment of Rs.1.21 lakhs.

9. **Monitoring and Evaluation**

Nine schemes were monitored by the REC officials during February 1984, July 1986 and August 1986 and the reports, sent thereon, revealed defects of the following nature:

Village-wise progress register and service connection register were not maintained. The achievements were below the targets prescribed. REC construction standard was not followed in some cases and due to non-procurement of energy meters, service connections under this scheme were badly affected.

The department has not taken any remedial measures as yet (November 1987).

No evaluation of the schemes has so far been made (April 1988)

The above points were reported to Government in July 1987; reply has not been received (February 1988).

SIKKIM PUBLIC WORKS DEPARTMENT

5.2 **Stores accounts**

1. **Introduction**

Stores required by the Public Works Department are procured through the State Trading Corporation of Sikkim (STCS). The Public Works Department (PWD) places funds with the STCS for supply of stores. The STCS settles all the formalities, such as the rates, mode of payment and transportation of stores from the place of supply to the storing yards of the Public Works Department.

2. Organisational set up

The stores and stock accounts of the PWD are being maintained by Secretary-cum-Chief Engineer, Roads and Bridges, assisted by a Divisional Engineer (Stores). There are 3 store depots one each at Gangtok, Singtam and Jorethang each headed by an Assistant Engineer.

3. Scope of review

A review of the stores and stock accounts of the PWD covering the period from 1982-83 to 1986-87 with reference to the records of the office of the Chief Engineer, the Divisional Engineer (Stores), Gangtok, and all the 3 store depots was conducted during June and July 1987. The results of the review are described in the succeeding paragraphs.

4. Highlights

Reconciliation of advances made by the PWD to the State Trading Corporation of Sikkim (STCS) with records of the latter had not been done since 1983-84 and consequently the stock account could not be compiled by the department.

Reserve stock limits of stores had not been fixed in any year. Stores were procured without any assessment of requirements. There was no proper control on expenditure on purchase of stores.

Out of the advances of Rs.1098.31 lakhs made till 1986-87 to the State Trading Corporation of Sikkim, Rs.383.04 lakhs were lying outstanding as on 31st March 1987.

The department sustained a loss of Rs.0.90 lakh due to short levy of supervision charges.

There was an excess payment of Central Sales Tax of Rs. 0.84 lakh.

As against the actual transportation of 720 tonnes of cement, the department paid transportation charges for 910 tonnes and thereby paid Rs.0.53 lakh in excess.

The department suffered a loss of Rs.4.64 lakhs paid as road freight on 1965.11 tonnes of cement from Shalimar/Howrah to Sili-guri, due to non-preferment of reimbursement claim on the cement factory.

Shortage of materials valuing Rs.9.25 lakhs was found during physical verification of stores in May 1985. Physical verification of stores had not been done after May 1985.

Embezzlement of stores valuing Rs.4.64 lakhs by the store keeper of the Jorethang store depot in October 1986, remained unsettled till April 1988.

Serious irregularities brought out in the special audit conducted in October 1984 relating to non-accountal of stores (Rs.2.06 lakhs); loss of stores in transit (Rs.59.28 lakhs) and non-recovery of the cost of materials from the contractors and other agencies (Rs. 60.40 lakhs) still remained un-settled (April 1988).

5. Budget provision and expenditure

The budget provision and expenditure incurred on procurement of stores during 1982-83 to 1986-87 were as under:—

Year	Budget provision	Expenditure	Excess (+) Saving (—)
(In lakhs of rupees)			
1982-83	400.00	187.57	(—) 212.43
1983-84	0.55	84.46	(+) 83.91
1984-85	200.00	263.61	(+) 63.61
1985-86	510.00	434.19	(—) 75.81
1986-87	500.00	326.82	(—) 173.18

Major portion of the expenditure was by way of advances made to the STCS for procurement of materials. Budget estimates were framed without assessing the actual requirement of materials. During 1983-84 and 1984-85, purchase of materials was far in excess of the budget provision, which indicated that there was no proper control on expenditure which resulted in excess drawal over the provision.

6 (a) Outstanding advances with the STCS

Advances are paid to the STCS by the department each year for procurement of materials. The reconciliation of accounts with the STCS was last done up to the financial year 1982-83. As per the reconciliation, advances amounting to Rs.152.47 lakhs were outstanding with the STCS as on 31st March 1983. The department made further advances of Rs.945.84 lakhs from 1983-84 to 1986-87. The actual

balance of advances with the STCS, as on 31st March 1987, could not be ascertained as no reconciliation had been done by the department with the STCS since 1983-84. However, the cost of materials received from 1983-84 to 1986-87 on the basis of the STCS bills worked out to Rs.715.27 lakhs, leaving a balance of Rs.383.04 lakhs unadjusted. Despite huge balances lying with the STCS at the end of each financial year, the department went on making further advances in subsequent years. The department stated (October 1987) that because of financial constraints of the STCS, it had no option but to give further advances to ensure flow of materials.

(b) **Outstanding advances with other parties**

Apart from the advances paid to the STCS, advances amounting to Rs. 55.86 lakhs were also paid by the department during 1983-84 and 1985-86 directly to private parties for supply of materials, such as cement and bitumen which were already being procured by the STCS. Although it was stated by the department that stores were received against the advances of Rs.55.86 lakhs, no records in support were made available for verification.

All the advances were booked either under 'Stock' or the final head of account instead of the "Miscellaneous Public Works Advances". No provision is being made in the budget estimates under the head "Miscellaneous Public Works Advances" to admit drawal of such advances.

7. **Procurement of stores and maintenance of stock accounts**

Reserve stock limits of stores had not been fixed in any year. Stores were procured without any assessment of requirements. There was no proper control on expenditure on purchase of stores. Contrary to rules, no stock account had been maintained by the Divisional Engineer (Stores), Gangtok.

Tubular trusses valuing Rs.0.73 lakh had been lying unused at the Jorethang store depot since 1980-81. Further, an amount of Rs. 0.41 lakh was yet to be realised from a private party to whom obsolete stores worth Rs. 2.04 lakhs had been sold.

8. **Physical verification of stores**

The physical verification of stores is required to be done once a year. But such a verification had not been done after May 1985.

9. Agency commission

The STCS is to receive a commission of 3 per cent on the value of the materials purchased through it. Scrutiny of advances register revealed that where 100 per cent advances were made to the STCS, 3 per cent commission was also paid in advance.

According to departmental records, an amount of Rs.14.90 lakhs was due to the STCS towards its commission, as on 1st April 1983. Scrutiny of the STCS bills and advances register in the PWD, however, revealed that the department was always having credit balances with the STCS and the STCS always adjusted its commission against those advances and as such it was not clear how the commission of Rs. 14.90 lakhs could be outstanding against the PWD. The matter had not yet been reconciled by the department (April 1988).

10. Issue of stores to contractors

The basic record for watching the recovery of outstanding advances for issue of materials to contractors is the contractor's ledger. The department, however, did not maintain the contractor's ledger properly inasmuch as the ledgers were maintained work-wise instead of contractor-wise. The materials issued to contractors were also not entered in the ledgers. Only the payment made to the contractors and the recoveries effected from the bills were entered. As such the cost of materials lying with the contractors could not be ascertained.

11. Other topics of interest

(i) Loss due to short levy of supervision charges

While computing issue rates of materials, 10 per cent supervision charges are to be added to the cost in addition to storage charge to be fixed by the department. But the department did not include any supervision charges for reasons not on record. A test-check of the issue of materials from all the 3 store depots during 1982-83 to 1985-86 revealed loss of Rs. 0.90 lakh on this account.

(ii) Excess payment of Central Sales Tax

In two bills preferred by the STCS in July 1983 and March 1984, Central Sales Tax at the rate of 10 per cent was charged instead of the admissible rate of 4 per cent resulting in excess payment of Rs. 0.84 lakh. No reason for this were on record.

(iii) Loss on transportation of cement

Usually cement procured from the Durgapur Cement Factory is transported by the factory through rail up to the nearest rail head at New Jalpaiguri (NJP)/Siliguri. In case of its transportation by road, the entire freight is reimbursable by the factory up to the limit of railway freight from Durgapur to NJP/Siliguri. It was, however, seen that during November 1984, March 1986 and November 1986, 1965.11 tonnes of cement was sent up to Shalimar (Howrah) through rail instead of up to NJP/Siliguri. From Shalimar, the cement was transported by the STCS up to Siliguri by road and the department paid transportation charges of Rs. 4.64 lakhs but did not claim reimbursement of this amount from the cement factory. The department stated (October 1987) that the STCS had since claimed this from the cement factory. Report on further developments has not been received (April 1988).

(iv) Irregular payment

Stores are generally procured from Calcutta and transported to Siliguri by road through different transport companies at the rates fixed by the STCS after calling tenders. It was seen that during November 1985 to January 1987, the transport companies transported some stores through rail and paid during November 1985, December 1986 and January 1987 demurrage charges of Rs. 0.32 lakh to the Railways. The STCS claimed (March 1987) this amount from the department and the department also paid it. Since the responsibility of taking delivery from Railway lay with the transport companies, payment of demurrage charges by the department was irregular.

(v) Excess payment of carriage charges

During August and December 1984, 910 tonnes of cement were shown to have been transported from Durgapur to Siliguri by a transport company engaged by the STCS. The STCS claimed (September 1984 and January 1985) the carriage charges billed for by the transporter from the department and the department made the payment. A scrutiny of the challans issued by the cement factory which were mentioned in the transporter's bills, however, revealed that actually only 720 tonnes of cement were despatched by the factory during the period and accounted for by department. Thus, there was excess payment of Rs. 0.53 lakh on account of carriage charges of 190 tonnes of cement.

(vi) Loss of stores

During physical verification of all the 3 store depots conducted in May 1985, 1083 bags of cement, 16,510 tonnes of mild steel rods, 1,192 tonnes of torsteel and 151 pieces of plain sheets valuing Rs. 2.23 lakhs were found short. Further 1,050 bags of cement valuing Rs. 0.70 lakh were found set and 1,159 drums of bitumen valuing Rs. 6.32 lakhs were found empty.

The department has not taken any action so far (July 1987) to fix responsibility for shortages.

(vii) Embezzlement of stores

During transfer of charge of the Jorethang store depot in October 1986, materials, such as cement (1205 bags), mild steel rods (20.939 tonnes), torsteel (10.285 tonnes), galvanised corrugated iron sheets (302 pieces), bitumen (7 drums) and galvanised iron pipe (151.62 metres) valuing Rs. 4.64 lakhs were found short. The enquiry conducted by the department (December 1986) revealed that the materials found short had been embezzled by the ex-store keeper. The store keeper returned materials worth Rs. 0.18 lakh and requested recovery of the balance amount from his salary. The department lodged (May 1987) a complaint with the police against the store keeper. Report on further developments has not been received (April 1988).

(viii) Serious irregularities pointed out earlier but remaining unsettled

Some of the serious irregularities/deficiencies detected during special audit (October 1984) of stores accounts conducted by Audit at the instance of the Finance Department still remained unsettled (April 1988). These are summarised below:—

(a) Out of stores worth Rs. 1541 lakhs procured during 1977-78 to 1982-83, stores valuing Rs. 1335 lakhs only were accounted for by the department. Thus, there was short accountal of stores valuing Rs. 206 l.khs

(b) During 1977-78, two wagons containing 1562 bags of cement despatched from a factory did not reach the rail head (NJP). The case was reported (July 1977) to the Railways. Report on further developments has not been received.

(c) During the period from May 1977 to July 1983, stores worth Rs. 8.67 lakhs were lost in transit during the movement of railway

wagons. The cases were taken up with Railways for compensation by the STCS. The final outcome had not been intimated (April 1988).

(d) Stores worth Rs. 50.61 lakhs procured during the period 1980-83 were short delivered by the transporters.

(e) Cost of materials worth Rs. 45.66 lakhs issued to the contractors during the years 1975-76 to 1979-80 was not recovered due to non-submission of running account and final bills by the contractors.

(f) Stores, such as cement (25,450 bags); mild steel rods (26.481 tonnes); galvanised iron plain sheets (24 pieces); corrugated galvanised iron sheets (665 pieces); galvanised iron pipe (1866 metres); bitumen (135 drums); gelatine (550 kg.) and detonator (70,000 Nos.) costing Rs. 14.74 lakhs issued to different agencies during the period from 1977-78 to 1982-83 on loan basis were lying unadjusted either due to non-return of materials or non-realisation of the value of the materials.

Despite issue of reminders to the department/Government, no reply to the Audit inspection report on special audit has been received so far (April 1988). The Finance Department stated (December 1986) that the matter was being pursued closely with the department.

The matter was reported to Government in September 1987; final reply has not been received (April 1988).

5.3 Available Expenditure

The work relating to widening of Nayabazar Legship Road from km 1 to km 25 was divided into 25 groups of one kilometre each and awarded to 25 contractors during the period from January 1985 to November 1985. While the lowest tenders were accepted in 15 groups, the works in other 10 groups were awarded at higher rates. Of the 10 contractors who were awarded the works at higher rates 1 was the second lowest, 3 were the third lowest, 2 were the fifth lowest, 1 was the sixth lowest, 2 were the seventh lowest and 1 was the eighth lowest. The recorded reasons for not awarding the works at the lowest rates were that in 7 groups the rates were found to be not workable and in 3 groups the contractors who had quoted the lowest rates were having other works in hand. But the contentions of the department were not tenable due to the fact that the lowest tendered rates rejected in these 10 groups varied from 17.25 per cent to 24.51 per cent below the schedule of rates whereas the works awarded in the other 15 groups varied from 7 per cent to 31 per cent below the

schedule of rates. Besides, there were certain cases where the contractors were awarded more than one work during the same period.

Non-acceptance of the lowest rates thus resulted in avoidable expenditure of Rs.3.06 lakhs.

Government stated (October 1987) that the allotment of works to tenderers other than the lowest was made in the interest of work.

5.4 Purchase of galvanised iron wire at higher rates

Under rules, all purchases exceeding Rs. 10,000 in value should normally be made through the State Trading Corporation of Sikkim (STCS). However, in case of urgency and where delay is anticipated in procurement through the STCS, purchases may be made by the Chief Engineer at the reasonable market price with the approval of the Finance Department.

It was seen during audit (March to May 1987) that the roads and bridges wing of the department purchased, without inviting tenders, 470.076 tonnes of galvanised iron wire between June 1985 and October 1986 valuing Rs. 53.07 lakhs, from private firms on grounds of urgency. The purchases were made at different rates (from Rs. 9,500 to Rs. 10,948 per tonne plus Sales Tax) during the same financial year from different suppliers. Even during the same month, purchases were made at different rates. Neither the approval of the Finance Department was obtained nor any reasons therefor were recorded.

It was held by the department (November 1986) that the purchases were made at the rates approved by the STCS. But it was not so as the rates approved by the STCS during 1985-86 were Rs.8,190 per tonne excluding all taxes and in 1986-87 Rs. 9,800 per tonne including all taxes f.o.r. destination. While according approval for local purchase of galvanised iron wire by another department, the Finance Department had held (September 1986) that the rates approved (Rs. 9,800 per tonne inclusive of all taxes f.o.r. destination) by the STCS and valid up to March 1987, were to be followed by all the departments.

Computed with reference to the rates of the STCS prevailing during 1985-86 and 1986-87, an extra expenditure of Rs. 11.24 lakhs had been incurred on purchase of 470.076 tonnes of wire.

The matter was reported to Government in September 1987. In reply, the department stated (October 1987) that the value of the

materials purchased was recovered from the contractors at issue rate of stores which were higher than the purchase rate and so there was no loss to Government. But the department's contention was not tenable as some of the works were also done departmentally and in respect of works done on contract, the contractors quoted their rates based on the issue rates of the materials supplied by the department.

RURAL DEVELOPMENT DEPARTMENT

5.5 Supply of drinking water to problem villages

1. Introductory

The State of Sikkim has a mountaineous terrain all through with an area of 7096 Sq. kms. and a population of 3.16 lakhs as per the 1981 census. The entire State falls within the high rainfall area and as a result there are numerous springs and streams from which fairly abundant quantities of water are capable of being utilised for drinking purposes. Still, the problem of drinking water here is acute because in the rural areas there are no cluster type of habitations, the houses lie scattered and the people have to cover long distances to bring drinking water. Besides, the water of the springs and streams contains mica and other impurities which have adverse effect on health.

In view of this, in the Sixth Five Year Plan, all the 440 villages of the State were categorised as problem villages.

The Centrally Sponsored Accelerated Rural Water Supply Programme (ARP) and the State Sector Minimum Needs Programme (MNP) were introduced in the State from 1975 for providing piped water supply to the rural population.

2. Organisational set up

The scheme is being implemented by the Rural Development Department (RDD). The RDD headed by a Chief Engineer is having a Circle and 2 divisions for execution/maintenance of different rural water supply schemes in the State.

3. Scope of review

A review of the expenditure incurred on the schemes executed from 1980-81 to 1986-87 was taken up in audit with reference to the records in the office of the Chief Engineer, the Circle office and the 2 divisions during the period October 1986 to December 1986 and in May 1987. The results of review are described in the succeeding paragraphs.

4. Highlights

No survey was conducted to identify the worst affected villages.

Out of the Central assistance of Rs. 1472.83 lakhs from 1980-81 to 1986-87; Rs. 48.26 lakhs could not be utilised.

Inadequate funds were provided under the State sector in the years 1983-84 to 1986-87.

There was delay in completion of 27 schemes ranging from 6 months to 3 years resulting in cost overruns.

Out of the 355 schemes checked in audit, the expenditure had exceeded the sanctioned amount by about 45 per cent in 102 schemes, but the cases had not been moved for revised administrative approval and technical sanctions.

Due to awarding of works at rates higher than the lowest in 4 schemes without any valid reasons, there was an avoidable expenditure of Rs. 1.25 lakhs.

Due to lack of proper supervision, the department suffered a loss of Rs. 4.19 lakhs being the value of materials misused by the contractors in the Syari and Tumlabung water supply schemes.

Due to acceptance of a modified tender after the specified due date, there was an extra expenditure of Rs. 34.87 lakhs in the purchase of galvanised iron pipe.

There was an excess payment of Rs. 11.99 lakhs being the cost of pipe not received by the department.

There was a shortage of materials worth Rs. 10.90 lakhs in the Tadong and Jorethang stores.

No monitoring of the schemes under execution was done though the department spent Rs. 12.39 lakhs on the monitoring and evaluation cell during the period from 1980-81 to 1986-87.

5. Identification of worst affected villages

No survey was conducted to identify the worst affected villages, viz., those (i) which did not have an assured source of drinking water within a reasonable distance, (ii) where the water supply was prone to

water borne diseases and which suffered from excessive salinity, iron and other toxic elements. No priority as such could be given to the villages which were suffering the most.

6. Financial and physical targets and achievements

The year-wise details of financial and physical targets and achievements under the Centrally Sponsored Accelerated Rural Water Supply Programme (ARP) and the State sector Minimum Needs Programme (MNP) are as below :—

Year	(i) Financial targets MNP		ARP		
	Budget provision	Expenditure	Central assistance	Expenditure	(+) Excess (-) Savings
	(In lakhs of rupees)				
1980-81	80.00	81.86	38.85	31.48	(-) 7.37
1981-82	72.00	72.37	69.74	39.68	(-) 30.06
1982-83	111.00	110.69	62.43	98.48	(+) 36.05
1983-84	128.00	128.17	344.04	304.64	(-) 39.40
1984-85	123.93	123.93	372.39	173.89	(-) 198.50
1985-86	181.10	181.10	210.00	401.40	(+) 191.40
1986-87	372.00	340.00	375.38	375.00	(-) 0.38

(ii) Physical targets

Year	MNP		ARP		Total coverage	Short-fall	Percentage of short-fall
	Tar-gets	Achievements	Tar-gets	Achievements			
	(Number of villages)						
1980-81	15	15	6	6	21	—	—
1981-82	22	22	8	8	30	—	—
1982-83	40	22	45	29	51	34	40
1983-84	28	17	60	59	76	12	14
1984-85	45	1	45	33	34	56	62
1985-86	22	22	21	21	43	—	—
1986-87	16	19	16	19	38	(-) 6	—
	188	118	201	175	293	96	

From the above it would appear that only 293 villages were covered against the target of 389 during 1980-81 to 1986-87.

While the Centrally Sponsored Accelerated Rural Water Supply Programme aims at supplementing the resources of the State Government, inadequate funds were provided specially in the years 1983-84 to 1986-87 under the State sector. Central assistance amounting to Rs. 48.26 lakhs was also not utilised during the period from 1980-81 to 1986-87.

7. (i) Delay in completion of schemes

Except in the case of 31 schemes, the department was not aware of the dates of completion of the schemes. Out of these 31 schemes, delay occurred in completion of 27 schemes. The delay ranged from 6 months to 1 year (5 schemes), 1 year to 2 years (11 schemes), 2 years to 3 years (8 schemes) and over 3 years (3 schemes).

Reasons given for the delay in the completion of the schemes were (a) shortage of funds (b) difficulties in transporting materials and (c) lack of skilled and unskilled labourers.

The delay in completion, apart from denial of the benefits to the villagers, resulted in cost overruns.

(ii) Revised administrative approval/technical sanctions not obtained

In 992 schemes, the expenditure registers and works registers to show the upto-date cost of the schemes were not maintained. Out of the 355 schemes (where total cost was available), the expenditure exceeded the sanctioned cost by about 45 per cent in 102 cases, but the cases had not been moved for revised administrative approval and technical sanctions.

(iii) Avoidable expenditure

(a) The "Rishi to Mangalbarey" water supply scheme (a UNICEF assisted project) costing Rs.55.60 lakhs was approved in February 1983 by the Government of India. The cost component to be borne by the UNICEF was Rs.33.25 lakhs and by the State Government Rs.22.35 lakhs. In March 1983, tenders were invited for the civil works costing Rs. 20.19 lakhs. Of the 7 tenders received, the rate offered by tenderer 'A' of Jorethang at 11.10 per cent below the schedule of rates was the lowest. The department, however, awarded (May

1983) the work to tenderer 'B' of Gangtok at the second lowest rate of 7.05 per cent below the schedule of rates on the ground that the second lowest tenderer was a rural based contractor and had successfully executed many works under the department, and that the lowest tenderer was not well known to the department. It was, however, noticed that the lowest tenderer was a class I contractor and had executed a number of big works of the State Public Works Department, Irrigation Department and also the water supply schemes of the department in the recent past. The scheduled date of completion was February 1984 but the work was yet to be completed (October 1986). Due to awarding of the work at higher rate, the department had thus incurred an avoidable expenditure of Rs.0.82 lakh.

(b) An avoidable expenditure of Rs.0.43 lakh due to award of works at higher rates was also incurred in the execution of civil works for the following 3 schemes :—

Name of schemes	Amount put to tender	Lowest tender rate	Rate at which works were awarded	Difference	Extra expenditure involved
	Rs.				Rs.
1. Sany Dorji Water Supply Scheme	99,488	25.51 per cent below	5 per cent below (6th lowest)	20.51 per cent below	20,405
2. Machang Water Supply Scheme	96,066	17 per cent below	7 per cent below (3rd lowest)	10 per cent below	9,607
3. Hathidunga Water Supply Scheme	94,361	22 per cent below	7.99 per cent below (3rd lowest)	14.01 per cent below	13,200

There were no recorded reasons for not awarding the works at the lowest rates. Subsequently (December 1986), the department stated that, as the works could not be completed by the contractors at the original lowest rates, the revised rates which were not higher than the schedule of rates were approved. But the reply of the department was not relevant as even originally the works were allotted at higher rates and there was no case of non-completion of works allotted at the lowest rates.

(iv) **Loss on abandonment of work**

(a) **Syari Water Supply Scheme (under Accelerated Rural Water Supply Programme)**

The above work was sanctioned by the State Government in March 1981 at an estimated cost of Rs.9.67 lakhs which included cost of pipes and fittings of Rs.6.12 lakhs. The civil works (Rs.3.27 lakhs) were put to tender in April 1981 and awarded (May 1981) to the lowest tenderer at 1 per cent below the schedule of rates. The stipulated date of completion was 27th December 1981, which, however, was extended up to April 1982 due to non-availability of materials. The contractor started the work in June 1981 and, after executing work valuing Rs.6.42 lakhs up to March 1982, left the work incomplete. The contractor was paid (up to March 1982) Rs.2.56 lakhs. A joint inspection conducted (December 1985) by the departmental officers and the panchayat and villagers, revealed that (i) the work done by the contractor was in an incomplete shape and required thorough rectifications, (ii) the original source of water had been affected by the landslide, (iii) the pipes already laid had been lifted away from the site by contractor's own men and also by the villagers and (iv) out of the 19,975 metres of galvanised iron pipe issued to the contractor, only 6,281.75 metres pipe was actually laid. Recovery was, however, made for 12,680 metres. The balance 7,295 metres of pipe was not returned by the contractor.

The whereabouts of the balance pipe could not be traced by the department and the contractor also denied any stock of pipe with him. Thus, due to lack of proper supervision by the departmental officers during execution of work as well as absence of proper control over issue of materials to the contractor, the department suffered a loss of Rs.2.80 lakhs towards the cost of 7,295 metres of pipe not returned by the contractor and 6,768.25 metres not used in the work.

The department submitted (June 1984) a revised estimate of Rs. 12.83 lakhs to Government which was yet (October 1987) to be sanctioned. The work had also not been re-allotted to any other agency. The delay in completion of the work not only resulted in increase in cost by Rs.3.16 lakhs (revised estimate of Rs. 12.83 lakhs minus original estimate of Rs.9.67 lakhs) but also deprived the villagers of the supply of drinking water.

(b) **Tumlabung Accelerated Rural Water Supply Scheme**

The scheme was sanctioned by Government during 1984-85 at an estimated cost of Rs. 6.74 lakhs which included civil works for Rs. 2.14 lakhs. The civil works were put to tender in January

1985. Out of the 11 tenders received, the work was awarded (February 1985) to tenderer 'A' of Gangtok who was also the lowest tenderer at his quoted rate of 27.56 per cent below the schedule of rates with the stipulation to complete the work by 14th July 1985 and an agreement was also signed with him in March 1985. The contractor started the work accordingly and, after receiving payment of Rs. 0.49 lakh up to 19th October 1985, left the work incomplete (October 1985). The site inspection conducted (January 1986) by the departmental Engineers alongwith the contractor's representatives and villagers revealed that (i) the progress of work was very poor, (ii) the quality of work was not satisfactory as the work was done in a most unsatisfactory manner and was below specifications, (iii) there was poor supervision by the departmental field staff, (iv) the materials, such as cement (191 bags), mildsteel rods (7.5 quintals), galvanised iron pipe (2,177.94 metres) worth Rs. 0.90 lakh were neither used in the work nor returned by the contractor and (v) the departmental field staff did not maintain the site order book and the register of materials-at-site.

Despite issue of notice, the contractor did not return the unused materials. The department instituted a police case against the contractor in July 1986. The outcome thereof had not been reported (April 1988). The work had also not yet (March 1987) been awarded to any other agency and no responsibility had been fixed on any of the departmental officers.

Apart from depriving the rural people of the facilities of drinking water and increase in the cost of the scheme due to late execution, the department suffered a loss of Rs. 1.39 lakhs being the value of materials misused by the contractor apart from the sub-standard work done by him.

(v) (a) **Extra expenditure of Rs. 34.87 lakhs in the purchase of galvanised iron pipe**

For the purchase of 19,09,768 metres of galvanised iron pipe, tenders were invited on 15th June 1985 from 18 manufacturers. According to the tender notice, the last date for submission of tenders was 30th June 1985 and the date of opening the tenders was 1st July 1985. The tenders received after 30th June 1985 were liable to be cancelled. Of the 6 tenders received, the rate offered by firm 'A' of Delhi was the lowest. But on 5th July 1985, after the tenders had already been opened, a representative of the firm submitted a revised offer to the department on the ground that the rate quoted in the original tender was not correct. It was also stated by the representative

that the revised offer had also been sent by post on the same day (25th June 1985) the original offer was posted. The revised offer which was higher than the original offer was still the lowest among the other tenders.

The Chief Engineer did not agree to the acceptance of the revised offer on the following grounds :

(1) While the original offer was sent under registered post, the revised offer was sent under ordinary post and the letter did not reach the department till 5th July 1985.

(2) In view of the urgency of the matter, the firm should have informed about the revised offer by wire or even sent somebody before opening of the tenders.

(3) The letter head and type face of the original and revised offers were different.

The matter was also referred to the Finance Department which also did not give its concurrence to the acceptance of the revised offer. The rules also provide that belated tenders or modification to the tender after the due date should not be considered.

Still, the department placed orders (July 1985, February and March 1986) for the entire quantities on firm 'A' at the revised rate.

Thus, due to acceptance of the revised higher rate, even though still the lowest, the department incurred an extra expenditure of Rs. 34.87 lakhs.

(b) Payment in excess of materials received

The terms and conditions in the above case provided for 100 per cent payment against proof of despatch of materials, to be sent by the suppliers by road to New Jalpaiguri/the Sikkim Nationalised Transport stockyard at Siliguri. During the period from July 1985 to July 1986, the firm sent intimations about despatch of 19,09,621.20 metres of pipe and, accordingly Rs. 484.80 lakhs being the 100 per cent value thereof were paid. But the department actually received 18,62,525.30 metres of pipe valuing Rs. 472.81 lakhs. Thus, the department paid Rs. 11.99 lakhs in excess, being the value of 47,095.90 metres pipe not received from the firm.

On this being pointed out in audit (December 1986), the department decided to take action to recover the value of the materials received short. Report on the action taken has still not been received (April 1988).

(vi) **Shortage of stock materials**

The department has 2 store depots one at Tadong and the other at Jorethang. The physical verification of stores in May 1986 in these two stores revealed shortage of materials worth Rs. 10.90 lakhs.

The department stated (August 1987) that this was the first verification done during the last 10 years (i.e. 1976-77 to 1986-87) and, considering the volume of stores purchased during these years (Rs. 40/42 crores), the shortage of stores worth Rs. 10.90 lakhs worked out to 0.21 per cent only which was within the permissible limit of 1 per cent. No Government orders to this effect could, however, be shown by the department.

8. **Maintenance**

Completed schemes are handed over to the block panchayat for maintenance. Section 27 of the Sikkim Panchayat Act, 1982, prescribes for assessment and collection of taxes or fees on water from the beneficiaries, for maintenance of the projects. But no such tax or fee was being realised. No reasons for this were on record.

9. **Monitoring and evaluation**

A monitoring cell was created in 1981-82 in the Office of the Chief Engineer, Rural Development Department, for keeping a watch on the progress of coverage of villages. There was, however, no system for keeping a watch over the number of schemes sanctioned, completed and in progress, actual discharge of water through various schemes since completed and its comparison with the targets. There were delays ranging from 1 year to 1 year 9 months, in the submission of quarterly progress reports to the Government of India. The department stated (December 1986) that the delay was mainly due to the delay in getting information from the sub-divisions as well as the shortage of staff in the cell. But the department was having full strength of the cell as sanctioned by the Government of India. Against the Central assistance of Rs. 11.42 lakhs, the department spent Rs. 12.39 lakhs on the monitoring and evaluation cell during the period from 1980-81 to 1986-87.

CHAPTER VI

Revenue Receipts

6.1 Trend of Revenue Receipts

The total receipt of the Government of Sikkim for the year 1986-87 were Rs. 11,347.36 lakhs, against the anticipated receipts of Rs. 10,440.42 lakhs. The total receipts during 1986-87 showed an increase of 23.83 per cent over those in the year 1985-86 (Rs. 9,163.40 lakhs). Out of the total receipts of Rs. 11,347.36 lakhs, revenue raised by the State Government amounted to Rs. 2,434.49 lakhs, of which Rs. 974.65 lakhs represented 'tax revenue' and the balance of Rs. 1,459.84 lakhs, 'non-tax revenue'. Receipts from the Government of India (Rs. 8,912.87 lakhs) accounted for 78.55 per cent of the total receipts during the year.

6.2 Cost of collection

Receipts from the major sources of revenue, alongwith cost of collection, during the years 1984-85 to 1986-87 are given below :—

<i>Head of Account</i>	<i>Year</i>	<i>Gross Collection</i>	<i>Expenditure on collection</i>	<i>Percentage of expenditure to gross collection</i>
(1)	(2)	(3)	(4)	(5)
		(In lakhs of rupees)		
1. Taxes on Income other than Corporation Tax*	1984-85	103.63	2.26	2.18
	1985-86	190.99	2.72	1.42
	1986-87	292.49	5.65	1.93
2. Land Revenue **	1984-85	3.84	22.76	—
	1985-86	5.04	30.62	—
	1986-87	9.88	35.56	—
3. State Excise	1984-85	312.85	8.24	2.63
	1985-86	348.87	11.01	3.16
	1986-87	406.79	13.74	3.38

* Indicates Sikkim State Income Tax

**The expenditure under 'Land Revenue' relates to several other administration functions of the Department also. Expenditure on collection of 'Land Revenue' has not been segregated

<i>Head of Account</i>	<i>Year</i>	<i>Gross Collection</i>	<i>Expenditure on collection</i>	<i>Percentage of expenditure to gross collection</i>
(1)	(2)	(3)	(4)	(5)
4. Sales Tax	1984-85	131.35	5.85	4.44
	1985-86	143.46	5.49	3.83
	1986-87	169.46	4.62	2.73
5. Taxes on Vehicles	1984-85	10.93	2.22	20.31
	1985-86	15.01	3.66	24.39
	1986-87	16.78	3.15	18.77
6. Entertainment Tax	1984-85	20.62	0.45	2.18
	1985-86	23.86	0.64	2.68
	1986-87	71.07	0.36	0.51

EXCISE (ABKARI) DEPARTMENT

6.3 Deferment of payment of excise duty

The Medicinal and Toilet Preparations (Excise Duties), Act, 1955 was extended to the State of Sikkim with effect from 1st February 1983. This Act is administered and duty collected and appropriated by the Excise Department of the respective State Government.

The State Excise Department granted a provisional licence in September 1983 to a Private Company for manufacturing an Ayurvedic medicine 'Mrit Sanjivini Sura' on which the duty payable was Rs. 52.80 per litre of pure alcohol content. The Company, however, did not pay any duty till August 1984. From September 1984 onwards, the Company started paying duty at Rs. 20 per London proof litre for the despatches made from that month onwards as per a State Government notification dated 7th December 1984, which was effective retrospectively from 25th October 1983. As the duties are payable under the Act and the schedules thereunder, the issue of above notification by the State Government was without jurisdiction.

In May 1985, the Company requested the Government to grant certain incentives in the form of interest free loan equivalent to 75 per cent of the duty payable and in lieu thereof agreed to pay duty on their products at the rates prescribed in the M & TP Act itself from

October 1983 onwards (from the month of commencement of production). The Government considered this request and decided in April 1986 that out of the duty payable, as per the M & TP Act, for all the products since inception, the Company could deposit 50 per cent of duty and retain the balance 50 per cent as interest free loan repayable on 1st April 1989 and 1st April 1991 on equal instalments. By a separate notification dated 1st April 1986, the State Government extended this benefit to any industry, paying excise duty beyond Rs.50 lakhs and up to Rs.200 lakhs in any financial year, without specifying up to which period such a concession would continue. Such a notification amounted to deferment of excise duty which is not contemplated in the Act.

The excise duty payable by this Company on its total despatches during the period from October 1983 to March 1986 amounted to Rs. 160.72 lakhs, against which the Company paid 50 per cent duty amounting to Rs. 80.36 lakhs up to March 1986 and the balance duty of Rs. 80.36 lakhs was treated as interest free loan even without providing any bank guarantee as security against the loan. The Company, instead, furnish a third party gurantee in July 1987, as approved by the State Government in May 1987. In respect of medicines produced during 1986-87, the Company, however, paid full duty of Rs.90 lakhs out of which Rs. 45 lakhs were given back to the Company in the form of interest free loan. The total amount of interest free loan, thus granted to this Company amounted to Rs. 125.36 lakhs. The issue of notification by the State Government authorising payment of duty at a lower rate; non-realisation of duty in time and treatment of a part of the duty as interest free loans for an unlimited period are against the provisions of the Act.

On the irregularity/deferment of excise duty being pointed out in audit (July 1987) the department stated (August 1987) that the matter regarding fixing certain period up to which such facility would be available is under the consideration of the Government. Report on further development has not been received (April 1988).

The metter was reported to Government in September 1987; their reply has not been received (April 1988).

6.4 Loss of excise duty due to allowing irregular concession

Under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955, which has been extended to the State of Sikkim from

1st February 1983, excise duty on allopathic medicinal preparation was leviable at 20 per cent *ad valorem*. Further, under Rule 8 of the Medicinal and Toilet Preparations (Excise Duties), Rules, 1956, the Central Government may, by notification in the official Gazette, exempt subject to such conditions, as may be specified in the notification, any dutiable goods from the whole or any part of the duty leviable on such goods, if in the opinion of that Government it is necessary to grant such exemption in the interest of trade or in the public interest.

In Sangkhola, a firm dealing in cosmetics and pharmaceuticals was granted a licence in June 1983 for manufacturing an allopathic tonic with the brand name "Dexorange". The firm requested (June 1984) the department to allow them to pay duty at the old rate *viz.* Re. 0.77 per bottle leviable under department's communication dated 11th October 1983 instead of at 20 per cent *ad valorem*. The department allowed (July 1984) the firm to despatch the stock manufactured up to 31st May 1984, after paying duty at old rate. As an incentive to the industry the concession was further extended (December 1985) up to 31st March 1986.

The firm despatched 20,41,124 bottles of "Dexorange" valuing Rs. 1,25,73,330 (Rs. 6.16 per bottle), during the period from 1st June 1983 to 31st March 1986, on payment of duty at old rate *viz.* Re. 0.77 per bottle. As any exemption full or part, from levy of duty could be allowed by Central Government, by issue of notification, action of the department in allowing payment of duty at old rate was irregular and in contravention of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 and Rules framed thereunder. This resulted in loss of revenue amounting to Rs. 9.43 lakhs.

The irregularity was brought to the notice of the department and Government in June 1987; their replies have not been received (February 1988).

SALES TAX DEPARTMENT

6.5 Non-realisation of tax and interest

According to Section 14 (3) of Sikkim Sales Tax Act, 1983, if a dealer has failed, without reasonable cause, to make payment of tax together with penalty, if any, by the date specified in the notice or by the date extended, interest at 10 per cent per annum would be charged on such amount from such date.

Tax amounting to Rs. 4,02,038 for the year 1985-86 has not been paid by 29 dealers by the due dates. The delay ranges between 359 and 942 days as on 28th February 1987 and interest accrued on the outstanding amount of tax works out to Rs. 76,289. The department had not taken any initiative to realise the tax and interest accrued on it according to the above provisions of the Act.

The case was reported to the department in March 1987 and to Government in June 1987. In reply, the department stated (September 1987) that necessary demand had since been raised to realise the unpaid tax and interest. Report on recovery has not been received (April 1988).

6.6 Irregular grant of exemptions from sales tax

Under the Sikkim Sales Tax Act, 1983, sales or purchases taking place in the course of import of goods into or export of goods out of the territory of India are not liable to tax. As per the Central Sales Tax Act, 1956, as extended to the State of Sikkim from 1st October 1982, a sale or purchase of goods shall be deemed to have taken place in the course of export of the goods out of the territory of India if such sales or purchases are effected by a transfer of document of title to the goods after the goods have crossed the customs frontiers of India. On inter-State sales not supported by prescribed declarations, tax is leviable at the rate of 10 per cent or State rate, whichever is higher.

Scrutiny of assessment records of 3 firms engaged in manufacture and sales of liquor and leather processing for the years 1983-84 (1 firm) and 1984-85 (2 firms) revealed (March 1987) that sales amounting to Rs. 4,01,406 were exempted from levy of tax considering them as sales made in the course of export out of India. But out of the sales of Rs. 4,01,406 sales amounting to Rs. 2,80,465 were not supported by document of export and customs clearance. These sales were, therefore, to be treated as inter-State sale not supported by prescribed declarations and accordingly central sales tax at the rate of 10 per cent was leviable. The mistake resulted in non-levy of tax amounting to Rs. 0.28 lakh.

The matter was reported to the department and Government in June 1987. In reply, the department stated (September 1987) that the firms had been directed to produce certificates/documents in support of export, failing which revised assessment would be made. Report on further development has not been received (April 1988).

POWER DEPARTMENT**6.7 Outstanding electricity charges**

Mention was made in paragraph 3.2.6 of the Audit Report for the year 1978-79 regarding outstanding electricity charges amounting to Rs. 10.80 lakhs. In its Fourth Report (March 1982), the Public Accounts Committee recommended that the department should examine the matter in all respects and take immediate steps to arrest the accumulation of dues and liquidate the outstanding amounts in a phased manner and within a specified time limit.

A scrutiny (February-April 1987) of the register of demands, collection and balances of the department indicated that the outstanding electricity charges had mounted to Rs. 58.72 lakhs as on 31st March 1987. It was noticed that the collections were far below the current demand from year to year.

The department has not taken any steps so far (August 1987) for speedy realisation of the arrears either by disconnecting the lines or initiating legal action against the defaulters.

The matter was reported to the department and Government in September 1987; their replies have not been received (April 1988).

CHAPTER VII GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7.1 General

This section deals with Government Companies, Statutory Corporations and Departmentally managed Government Commercial/Quasi-Commercial undertakings in which Government had invested funds. Paragraph 7.2 gives a general view of the Companies; paragraph 7.3 deals with aspects relating to the statutory corporations and paragraph 7.4 deals with departmentally managed Government Commercial and quasi-Commercial undertakings.

7.2 Government Companies — General view

7.2.1 There were 5 Government Companies in the State as on 31st March 1987, the audit of which had been taken up by the Comptroller and Auditor General of India at the request of the State Government under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for the period from 1986-87 to 1990-91.

7.2.2 The statement as per Appendix 7.1 gives the particulars of up to date paid-up capital and outstanding loans, in respect of all Government Companies, as on 31st March 1987.

The position is summarised below :

(a) Against the aggregate paid-up capital of Rs. 449.18 lakhs as on 31st March 1986 in 5 Government Companies, the aggregate paid-up capital as on 31st March 1987 stood at Rs. 556.31 lakhs as per details given below :

Particulars	No. of Com- panies	Amount invested by			Total
		State Govern- ment	Central Govern- ment	Others	
(R u p e e s i n l a k h s)					
i) Companies wholly owned by the State Government	4	238.28	—	5.43	243.71
ii) Company jointly owned by the Central Government/Others	1	156.30	—	156.30	312.60
	5	394.58*	—	161.73	556.31

*The figure as per Finance Accounts for 1986-87 was Rs. 376.70 lakhs. The difference of Rs. 17.88 lakhs was under reconciliation.

(b) The balance of long-term loans outstanding in respect of three companies as on 31st March 1987 was Rs.426.68 lakhs (State Government : Rs. 39 lakhs and others : Rs.387.68 lakhs) as against Rs.305.06 lakhs (State Government : Rs. 39.43 lakhs and others : Rs.265.63 lakhs) as on 31st March 1986.

7.2.3 Out of 5 companies only 3 companies had finalised their accounts for the year 1986-87. The accounts of two companies, viz. Sikkim Jewels Limited and Sikkim Livestock Development Corporation Limited were in arrears for 1986-87 and from 1978-79 to 1986-87 respectively.

A synoptic statement showing the financial results of these three companies based on the latest available accounts is given in Appendix 7.2.

In the absence of the accounts of the other two companies the productivity of the investment of Rs.75.28 lakhs made by the State Government in those companies could not be conclusively vouchsafed.

The position of arrears in the finalisation of accounts was last brought to the notice of Government in June 1987.

7.2.4 In regard to working results of the companies, the following further points are made:

(i) The 3 companies, which finalised the accounts for 1986-87, earned profit aggregating Rs.52.84 lakhs as indicated below:

<i>Name of company</i>	<i>Paid-up capital at the close of 1986-87</i>	<i>Profit for the year 1986-87</i>	<i>Percentage of profit to paid-up capital</i>
<i>(R u p p e s i n l a k h s)</i>			
1. Sikkim Time Corporation Limited	55.00	34.14	62.07
2. Sikkim Industrial Development and Investment Corporation Limited	312.60	14.67	4.69
3. Sikkim Flour Mills Limited	108.00	4.03	3.73

(ii) During the year ending 31st March 1987, Sikkim Time Corporation Limited declared dividend of Rs.5.50 lakhs, representing 10 per cent of the paid-up capital of the Company.

7.3 Statutory Corporations — General aspects

7.3.1 As on 31st March 1987, there were 3 statutory corporations in the State, viz.,

- Sikkim Mining Corporation
- State Bank of Sikkim
- State Trading Corporation of Sikkim.

7.3.2 Sikkim Mining Corporation was established in February 1960, the State Bank of Sikkim in June 1968 and the State Trading Corporation of Sikkim in March 1972 under various proclamations of erstwhile Chogyal of Sikkim.

The audit of State Bank of Sikkim was entrusted under section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 from the year 1984 while the audit of the remaining two corporations was entrusted from 1986-87. The accounts of Sikkim Mining Corporation and State Trading Corporation of Sikkim for the year 1986-87 had not been finalised. Though the accounts of State Bank of Sikkim for the year ending December 1984 had been finalised the preparation of separate Audit Report thereon was in progress.

7.3.3 A synoptic statement showing the summarised financial results of the working of the State Bank of Sikkim is given in Appendix 7.3.

7.3.4 State Bank of Sikkim

7.3.4.1 As on 31st December 1984, the capital of the bank was Rs.20.38 lakhs which was contributed by the State Government (Rs. 13 lakhs) and others including a scheduled bank (Rs.7.38 lakhs). In addition, the bank had also borrowed funds from banks from time to time. The amount outstanding as on 31st December 1984 was Rs.991.14 lakhs. The financial position of the Bank at the close of December 1984 is summarised in Appendix 7.4.

7.3.4.2 The working results of the bank for year ending December 1984 is given below :

Particulars	Year ending in December 1984 (Rupees in lakhs)
1. Total Revenue	305.26
2. Total Expenditure :	
(a) Other than interest	41.66
(b) Interest	213.78
Total - 2	255.44
3. Net Profit	49.82
4. (a) Capital employed *X*	2861.40
(b) Capital Invested *XX*	1448.52
5. Total return on :	
(a) Capital employed	263.60
(b) Capital Invested @	263.60

7.4 Departmentally - managed Government Commercial/ Quasi- Commercial undertakings

7.4.1 As on 31st March 1987, there were four departmentally-managed commercial undertakings, viz. (i) Sikkim Nationalised Transport under the Department of Transport (ii) Government Fruit Preservation Factory, Singtam (iii) Sikkim Tea Board, both under the Industries Department and (iv) Wood Working Centre, Bordong under the Forest Department.

7.4.2 Proforma accounts of Sikkim Nationalised Transport were prepared up to 1985-86.

7.4.3 A synoptic statement showing the working results of the undertakings, based on the latest accounts made available, is given in Appendix 7.5.

Note : *X* Capital employed represents mean of the aggregate of opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.

XX Capital invested represents paid-up capital plus long term loans plus free reserves.

@ In the absence of break up of interest paid on long term loans, total interest charged to profit and loss Account has been taken.

CHAPTER - VIII

8.1 FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

During 1986-87, Rs.82.94 lakhs were paid as grants to non-Government bodies, institutions and others against Rs.84.55 lakhs paid in 1985-86, Rs.70.71 lakhs in 1984-85, Rs.63.11 lakhs in 1983-84 and Rs.34.62 lakhs in 1982-83. An analysis of the grants paid during 1986-87 is given below:—

<i>Name of the Department</i>	<i>Amount (Rupees in lakhs)</i>
Education	60.47
Culture	10.89
Ecclesiastical	11.58
	<hr/>
Total	82.94
	<hr/>

Utilisation certificates—The rules require that the department sanctioning grants-in-aid should obtain certificates from the grantees concerned indicating the utilisation of the grants and forward them to Accountant General duly countersigned by them, after satisfying themselves about the utilisation of the grants for the purpose intended for. The rules further provide that the institutions or bodies receiving grants exceeding Rs.0.50 lakh per annum recurring and Rs.2.50 lakhs non-recurring should maintain subsidiary accounts of the Government grants and furnish to the Accountant General a copy of the audited statement of their accounts and a copy of their constitution. As on 31st August 1987, 277 utilisation certificates for Rs.335.81 lakhs had not been received. Details of certificates awaited up to 31st August 1987 in respect of grants paid during the period from 1982-83 to 1986-87 are given in Appendix 8.1. In the absence of the certificates, it was not possible to know whether the grants had been utilised for the purposes for which they were given.

The subsidiary accounts of the bodies/authorities to which grants had been paid by various departments in a financial year were not furnished by the grantee institutions to Accountant General to determine the scope and extent of audit. The annual accounts of 23 bodies/ authorities for the year 1986-87 and earlier years had not been received by the Accountant General as indicated in the Appendix 8.2.

8.1 (a) Education Department**Paljor Namgyal Girls' Higher Secondary School**

A test-check of the accounts of the Paljor Namgyal Girls' Higher Secondary School conducted in August 1987 relating to grants-in-aid sanctioned by Government to meet the entire expenditure of the school revealed the following points:

Pensionary benefits

The Paljor Namgyal Girls' Higher Secondary School is being run under the management of the Diocese of Darjeeling but the entire expenditure of the school is met by the State Government through grants-in-aid.

The teachers of the school have been contributing towards Contributory Provident Fund (CPF) as per the CPF rules of the Diocese of Darjeeling. The matching contribution is being met by the institution out of Government grants.

As per Government Notification of September 1984, the teachers of the Paljor Namgyal Girls' Higher Secondary School who have rendered a continuous service of 20 years in the school, are to be entitled to pensionary benefits with effect from the 1st day of January 1980. The Notification, however, did not provide for the giving of an option to the existing teachers to elect to be governed by the pensionary rules or by the CPF rules. Thus the question as to how the teachers would be governed both by the CPF rules and the pensionary rules remained to be decided.

(b) Tashi Namgyal Academy

A test-check of the accounts (1986-87) of the Tashi Namgyal Academy established in 1983 by an Act of the State Legislature revealed the following points:

Section 20(3) of the Act lays down that "Till such time as regulations regarding the terms and conditions of service of the school employees and finance and money matters are made under the provisions of this Act, the corresponding rules of the Government may be followed, or followed to the extent the circumstances permit, provided that this is without prejudice to any provisions already incorporated in this Act relating to such matters".

The institution had not framed any rules governing the purchase of stores and execution of works till the time of audit (August 1987).

The institution executed the work of construction of its building through a private contractor at a cost of Rs.12.50 lakhs on the basis of an unsigned estimate submitted by that contractor (December 1986) in preference to an estimate framed (November 1985) by the Sikkim Public Works Department for Rs.25.53 lakhs. Neither the estimate was approved by any technical person nor was the work awarded to the contractor after call of tenders. The payment to the contractor was also effected without recording the measurements etc.

Furniture worth Rs.1.13 lakhs was purchased on the basis of a single offer. The specifications of the furniture were not on record either in the supply order or in any other record.

The matter was reported to Government in September 1987; reply has not been received (January 1988).

8.2 **Sikkim Co-operative Milk Producers Union Ltd.**

Extra expenditure of Rs. 1.54 lakhs

The Sikkim Co-operative Milk Producers Union Ltd., Gangtok, purchases skimmed milk powder and mixes it with cow's milk to get homogeneous mixture for sale. The skimmed milk powder is obtained by the Union from the Indian Dairy Corporation (IDC) (a Government of India Undertaking) at the rate of Rs.21.15 per kg.

During the course of audit (July and August 1987), it was noticed that, during the period from July 1985 to April 1986, the Union purchased 19,397 kgs. of skimmed milk powder for Rs.5.64 lakhs from 7 local suppliers without inviting tenders at rates which varied from Rs.23.84 to Rs.40 per kg. instead of taking supply from the IDC at the rate of Rs.21.15 per kg.

In reply to an audit query, the Union stated (August 1987) that local purchases were resorted to due to reasons, such as non-availability of skimmed milk powder with the IDC or delay in its transportation due to road blockades and delay in getting allotment from the IDC and shortage of funds. These reasons were not convincing in view of the following facts:—

(i) During the period from July 1985 to April 1986, the IDC supplied the entire quantity of 38,000 kgs. of skimmed milk powder ordered by the Union. In December 1985, the IDC had to even request the Union to lift the allotted quantity to avoid cancellation of allotment.

(ii) No record regarding road blockades during the period July 1985 to April 1986 could be made available to Audit.

(iii) There was no shortage of funds during this period as the Union was receiving sale proceeds of milk around Rs. 20,000 daily.

The local purchase of milk powder resulted in an extra expenditure of Rs. 1.54 lakhs.

The matter was reported to Government and the Management (October 1987); the replies have not been received (February 1988).

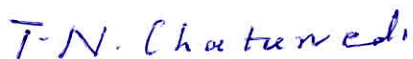


(A.N. MUKHOPADHYAY)
Accountant General (Audit), Sikkim

Gangtok

The 12 2 DEC 1988

Countersigned



(T.N. CHATURVEDI)

NEW DELHI

The 5 JAN 1989

Comptroller and Auditor General of India

APPEN

Overall excess over the final

(Reference: Paragraph

Number and name of Grant/appropriation	Voted / Charged		
	Voted Grant		Charged
	Revenue	Capital	Revenue
(1)	(2)	(3)	(4)
			(In
1. 1 - State Legislature	—	—	1,25,000
Governor	—	—	17,25,000
2. 8 - Excise (Abkari)	13,25,000	—	—
3. 11 - Secretariat General Services	1,54,97,000	—	—
4. 15 - Jails	9,90,000	—	—
5. 17 - Public Works (Buildings)	—	—	1,35,000
6. 26 - Scientific Services and Technology	15,00,000	—	—
7. 40 - Animal Husbandry	1,99,82,000	22,50,000	—
8. 41 - Dairy Development	16,45,000	—	—
9. 50 - Roads and Water Transport Services	6,06,10,000	—	—
10. 51 - Public Debt	—	—	—
11. 52 - Loans to Government servants	—	44,25,000	—
Total	10,15,49,000	66,75,000	19,85,000

DIX 3.1

Grants/Appropriations

3.05; Page No. 21)

<u>Grant</u>	<i>Total Grant</i>	<i>Actual Expenditure</i>	<i>Excess</i>
<u>Appropriation</u>			
<u>Capital</u>			
(5)	(6)	(7)	(8)
<i>Rupees</i>)			
—	1,25,000	1,35,461	10,461
—	17,25,000	18,11,208	86,208
—	13,25,000	13,73,799	48,799
—	1,54,97,000	1,55,87,335	90,335
—	9,90,000	11,13,049	1,23,049
—	1,35,000	11,65,354	10,30,354
—	15,00,000	17,49,358	2,49,358
—	2,22,32,000	2,26,36,171	4,04,171
—	16,45,000	16,81,821	36,821
—	6,06,10,000	6,12,21,528	6,11,528
1,31,97,000	1,31,97,000	1,32,18,617	21,617
—	44,25,000	49,74,999	5,49,999
<u>1,31,97,000</u>	<u>12,34,06,000</u>	<u>12,66,68,700</u>	<u>32,62,700</u>

APPEN

(Reference : Paragraph

Statement showing particulars of paid-up Capital,
of the companies as

Sl. No.	Name of the Company	Paid-up capital at the end of the		
		State Government	Central Government	Others
(In l a k h s o f R u p e e s)				
1.	Sikkim Jewels Limited	42.28	—	5.43
2.	Sikkim Livestock Development Corporation Limited	33.00	—	—
3.	Sikkim Time Corporation Limited	55.00	—	—
4.	Sikkim Industrial Development and Investment Corporation Limited	156.30	—	156.30
5.	Sikkim Flour Mills Limited	108.00	—	—
	Total	394.58	—	161.73

DIX 7.1

7.2.2; Page No. 78)

Outstanding loans, working results, etc.,**on 31st March 1987.**

<i>current year</i> <i>Total</i>	<i>Long term</i> <i>loans at the</i> <i>end of current</i> <i>year</i>	<i>Amount of</i> <i>guarantee</i> <i>given</i>
(In lakhs of rupees)		
47.71	42.83	NIL
33.00	—	NIL
55.00	—	NIL
312.60	355.35	NIL
108.00	28.50	NIL
<u>556.31</u>	<u>426.68</u>	<u>—</u>

APPEN

(Reference : Para
Summarised Financial Results
(Figures in columns

Sl. No.	Name of the Company	Date of incorporation	Year of accounts	Authorised share capital	Paid-up share capital	Total capital invested	Profit (+) Loss (-)
1	2	3	4	5	6	7	8
1.	Sikkim Time Corporation Limited	October, 1976	1986-87	100.00	55.00	176.24	(+)34.14
2.	Sikkim Industrial Development and Investment Corporation Limited	March, 1977	1986-87	400.00	312.60	706.45	(+)14.67
3.	Sikkim Flour Mills Limited	June, 1980	1986-87	150.00	108.00	173.17	(+)4.03

DIX 7.2

graph 7.2.3 ; Page No. 79)
of the Working of Companies
5 to 13 are rupees in lakhs)

Total interest charged to Profit & Loss Accounts	Interest on long term loan	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percen- tage of return on capital invested	Percentage of return on capital employed
9	10	11	12	13	14	15
NIL	NIL	(+) 34.14	174.51	34.14	19.37	19.56
29.84	10.35	(+) 25.02	606.05	44.51	3.54	7.34
1.16	0.35	(+) 4.38	120.47	5.19	2.53	4.31

APPEN

(Reference : Para
Summarised Financial Results of
(Figures in columns

Sl. No.	Name of the Corporation	Date of incorporation	Year of accounts	Authorised capital	Paid-up capital	Total capital invested	Profit (+) Loss (-)
1	2	3	4	5	6	7	8
1.	State Bank of Sikkim	June, 1968	Decem-ber, 1984	100.00	20.38	1457.52	(+)49.82

DIX 7.3

graph 7.3.3; Page No. 80)
 the Working of Statutory Corporations
 5 to 13 are rupees in lakhs)

<i>Total interest charged to Profit and Loss Account</i>	<i>Interest on long term loan</i>	<i>Total return on capital invested (8+10)</i>	<i>Capital employed</i>	<i>Total return on capital employed (8+9)</i>	<i>Percentage of return on capital invested</i>	<i>Percentage of return on capital employed</i>
9	10	11	12	13	14	15
213.78	213.78	263.60	2861.40	263.60	18.08	9.21

APPEN

(Reference : Paragraph
Summarised Financial Position of

LIABILITIES

	1984
	(Rupees in lakhs)
1. Paid-up capital	20.38
2. Reserves	446.00
3. Bonds and Debentures	—
4. Borrowings	991.14
5. Other Liabilities	2297.60
Total	<u>3755.12</u>

DIX 7.4

7.3.4.1; Page No. 80)

State Bank of Sikkim**ASSETS**

1984

(Rupees in lakhs)

1. Cash and Bank balance (including money at call and short notice)	1027.06
2. Loans and advances	2543.41
3. Net Fixed assets	46.71
4. Other assets	137.94
Total	<u>3755.12</u>

APPEN

(Reference : Paragraph

Summarised Financial Results of the Working of

Sl. No.	Name of the undertaking	Date of incorporation	Year of accounts
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(Rupees

1	2	3	4
1.	Sikkim Nationalised Transport	1955-56	1985-86
2.	Government Fruit Preservation Factory	October 1965	1986-87
3.	Sikkim Tea Board	June 1974	1986-87
4.	Wood Working Centre	January 1974	1985-86

DIX 7.5

7.4.3 ; Page No. 81)

Departmentally Managed Commercial undertakings

<i>Mean capital</i>	<i>Profit (+) Loss (-)</i>	<i>Total interest of Govt. loan/ capital</i>	<i>Total return</i>	<i>Percentage of return on mean capital</i>
<i>in lakhs)</i>				
5	6	7	8	9
803.56	(-)79.21	Not provided	(-) 79.21	—
130.36	(-)11.33	Not provided	(-)21.23	—
313.01	(+)11.22	Not provided	(+)11.22	3.58
26.68	(-)4.26	Not provided	(-)4.26	—

APPENDIX 8.1

(Reference : Paragraph 8.1 ; Page No. 82)

Wanting utilisation certificates

Sl. No.	Department	Year of payment	Certificate awaited	
			Number	Amount Rupees in lakhs
1.	Ecclesiastical	1982-83	17	4.43
		1983-84	48	5.26
		1984-85	21	5.44
		1985-86	50	10.13
		1986-87	43	11.36
2.	Local Self Government	1982-83	1	15.11
		1983-84	1	29.00
		1984-85	1	34.59
		1985-86	1	2.00
3.	Culture	1982-83	1	0.05
		1983-84	10	18.80
		1984-85	6	3.22
		1985-86	13	2.89
		1986-87	8	10.89
4.	Education	1982-83	5	15.04
		1983-84	6	10.05
		1984-85	11	27.55
		1985-86	24	69.53
		1986-87	10	60.47
Total			277	335.81

APPENDIX 8.2

(Reference : Paragraph 8.1 ; Page No. 82)

Bodies/authorities which did not furnish annual accounts for 1986-87 and earlier years

<i>Sl. No.</i>	<i>Name of the body/authority</i>	<i>Year for which accounts were not furnished</i>
1.	Yangang Gumpa	1982-83
2.	Lachung Gumpa	1984-85 & 1985-86
3.	Sang Gumpa	1984-85
4.	Sarva Dharma Centre Baluakhani	1984-85 & 1985-86
5.	Parbing Sherpa Gumpa	1985-86
6.	Rumtek Dharma Chakra	1985-86
7.	Ralong Gumpa	1986-87
8.	Phensong Gumpa	1986-87
9.	Gangtok Municipal Corporation	1982-83 to 1984-85
10.	Sikkim Housing & Development Board	1985-86
11.	Sikkim Film Corporation	1984-85
12.	Bhumchu Celebration	1985-86
13.	Gumpa Department	1986-87
14.	Paljor Namgyal Higher Secondary School	1982-83 to 1986-87
15.	St. Xaviers School	1982-83 to 1984-85
16.	Tashi Namgyal Academy	1984-85 to 1986-87
17.	Sikkim Football Association	1982-83 & 1986-87
18.	Bharat Scouts and Guides	1982-83 to 1986-87
19.	National Cadet Corps	1982-83 to 1986-87
20.	Tathangchen Junior High School	1983-84 to 1985-86
21.	Games Association	1983-84
22.	All India Governor's Gold Cup Tournament Committee	1984-85 & 1985-86
23.	Nyingma Sheda and Monastic Education in Sikkim	1985-86

